FORTIVE CORPORATION AND SUBSIDIARIES
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
AND OTHER INFORMATION

Adjusted Net Earnings, Adjusted Diluted Net Earnings per Share and Adjusted Estimated Effective Tax Rate

We disclose the non-GAAP measures of historical adjusted net earnings, historical and forecasted adjusted diluted net earnings per share and historical adjusted estimated effective tax rate, which make the following adjustments to GAAP net earnings, GAAP diluted net earnings per share and GAAP estimated effective tax rate:

- Excluding on a pretax basis amortization of acquisition-related intangible assets; and
- Excluding on a pretax basis acquisition-related costs and acquisition-related restructuring deemed significant ("Transaction Costs"); and
- Excluding on a pretax basis a non-recurring gain resulting from the sale of real property ("Gain on Sale of Real Property");
- Excluding on a pretax basis a non-recurring gain on a prior investment as a result of a corresponding acquisition ("Gain from Acquisition"); and
- Excluding the estimated, provisional tax effect of the adjustments noted above as well as, with respect to adjusted net earnings and adjusted diluted net earnings per share, for the Additional Interest Expense (described below). The tax effect of such adjustments was calculated by applying our overall estimated effective tax rate to the pretax amount of each adjustment (unless the nature of the item and/or the tax jurisdiction in which the item has been recorded requires application of a specific tax rate or tax treatment, in which case the tax effect of such item is estimated by applying such specific tax rate or tax treatment). We expect to apply our overall estimated effective tax rate to each adjustment going forward, and, as such, we are applying the estimated effective tax rate to each adjustment for the forecasted periods to facilitate comparisons in future periods;
- Excluding the non-recurring, provisional impact of the Tax Cut and Jobs Act (the "TCJA") on the historical measures, including the provisional amount of the remeasurement of deferred tax assets and liabilities and the provisional amount of the transitional tax obligations on deemed repatriation of foreign earnings (the "2017 TCJA Adjustments"); and
- With respect to the historical adjusted net earnings and historical adjusted diluted net earnings per share for the year ended December 31, 2016, excluding the tax effect of a discrete income tax charge recorded in the three months ended July 1, 2016 in connection with the final outcome of worldwide uncertain tax positions and increasing income taxes to exclude the portion of the tax benefit that was recorded in the three months ended September 30, 2016 related to the rate differential between the period before our separation from Danaher Corporation (the "Separation") and the post-Separation period ("Additional Income Tax Adjustments").

If any subsequent adjustments are made in 2018 to the provisional amounts estimated for 2017 in connection with the TCJA, such adjustments will be reflected in the applicable GAAP financial measures corresponding to the reporting period during which such adjustments are determined. In the event of such adjustments to the provisional amounts, we will exclude such adjustments in the non-GAAP historical adjusted net earnings, historical adjusted diluted net earnings per share, and historical free cash flow conversion ratio we disclose for the corresponding period (such exclusions, together with the 2017 TCJA Adjustment, the "TCJA Adjustments").

While we have a history of acquisition activity, we do not acquire businesses on a predictable cycle, and the amount of an acquisition's purchase price allocated to intangible assets and related amortization term are unique to each acquisition and can vary significantly from acquisition to acquisition. We believe however that it is important for investors to understand that such intangible assets contribute to revenue generation and that intangible assets related to past acquisitions will recur in future periods until such intangible assets have been fully amortized.

The forecasted adjusted diluted net earnings per share does not reflect certain adjustments that are inherently difficult to predict or estimate due to their unknown timing, effect and/or significance, including, but not limited to, the TCJA Adjustments.

In addition, because we were part of Danaher Corporation ("Danaher") until July 2, 2016, we are also making the following adjustments to the historical GAAP net earnings for the year ended December 31, 2016 as if the Separation had been effectuated at the beginning of the relevant period:

- Adding interest expenses on a pretax basis (based on the assumed borrowing cost of approximately 2.8% per annum) as if the outstanding indebtedness incurred in connection with the Separation had been incurred at the beginning of such period net of interest expense actually recorded following the issuance of the outstanding indebtedness on or after June 20, 2016 ("Additional Interest Expense").

Management believes that the Additional Interest Expense, when considered together with the corresponding carved-out GAAP financial measures, provide useful information to investors by helping to identify certain types or levels of additional expenses incurred as a stand-alone, publicly traded company after the Separation that may not have been allocated or reflected in the historical carved-out GAAP financial measures for periods in which we were part of Danaher. We believe that such adjustments, when presented with the corresponding carved-out GAAP measures, may assist in assessing the business trends and making comparisons of long-term performance before and after the Separation.

The Transaction Costs, Gain on Sale of Real Property, Gain from Acquisition and the TCJA Adjustments identified above have been excluded from the GAAP measures identified above because items of this nature and/or size occur with inconsistent frequency or occur for reasons that may be unrelated to our commercial performance during the period and/or because we believe the corresponding adjustments are useful in assessing our potential ongoing operating costs or gains in a given period. We will adjust for, and identify as significant, acquisition-related transaction costs, acquisition-related fair value adjustments to inventory and deferred revenue, and corresponding restructuring charges primarily related to acquisitions, in each case, incurred in a given period, if we determine that such costs and adjustments exceed the range of our typical transaction costs and adjustments, respectively, in a given period.

Management believes that these non-GAAP financial measures provide useful information to investors by reflecting additional ways of viewing aspects of our operations that, when reconciled to the corresponding GAAP measure, help our investors to understand the long-term profitability trends of our business, and facilitate comparisons of our profitability to prior and future periods and to our peers.

These non-GAAP measures should be considered in addition to, and not as a replacement for or superior to, the comparable GAAP measures, and may not be comparable to similarly titled measures reported by other companies.

Core Financial Measures

We use the term "core" in the context of a revenue measure or an operating profit measure when referring to a corresponding GAAP measure excluding (1) the impact from acquired businesses, (2) for the year ended December 31, 2016, the impact from the Separation, (3) with respect to core operating profit measures, the impact of Transaction Costs and (4) with respect to core revenue measures, the impact of currency translation. In addition, we identify core operating profit margin excluding the benefit from lower amortization to present period to period comparison of core operating profit margin without the positive impact from lower amortization of certain intangible assets in the subsequent period as a result of applicable intangible assets being fully amortized prior to the beginning of such subsequent period. References to sales or operating profit attributable to acquisitions or acquired businesses refer to GAAP sales or operating profit, as applicable, from acquired businesses recorded prior to the first anniversary of the acquisition less the amount of sales or operating profit, as applicable, attributable to certain divested businesses or product lines not considered discontinued operations prior to the first anniversary of the divestiture. The impact from the Separation refers to the impact from sales to or from Danaher made under agreements entered into, or terminated, in connection with the Separation prior to the first anniversary of the Separation. The portion of sales attributable to the impact of currency translation is calculated as the difference between (a) the period-to-period change in sales (excluding sales impact from acquired businesses or the Separation) and (b) the period-to-period change in sales (excluding sales impact from acquired businesses or the Separation) after applying the current period foreign exchange rates to the prior year period. These non-GAAP measures should be considered in addition to, and not as a replacement for or superior to, the comparable GAAP measures, and may not be comparable to similarly titled measures reported by other companies.

Management believes that these non-GAAP measures provide useful information to investors by helping identify underlying growth trends in our business and facilitating comparisons of our operational performance with prior and future periods and to our peers. We exclude the effect of acquisitions and divestiture related items because the nature, size and number of such transactions can vary dramatically from period to period and between us and our peers. In addition, we exclude the impact of agreements that were terminated, or entered into, in connection with the Separation because we believe that excluding such impact may be useful to investors in assessing our operational performance independent of the impact on sales to or from Danaher resulting primarily from the Separation. We exclude the effect of currency translation from sales measures because currency translation is not under management's control and is subject to volatility. We believe that such exclusions, when presented with the corresponding GAAP measures, may assist in assessing the business trends and making comparisons of long-term performance.

Free Cash Flow and Free Cash Flow Conversion Ratio

We use the term "free cash flow" when referring to cash provided by operating activities calculated according to GAAP less payments for additions to property, plant and equipment. In addition, we use the term "free cash flow conversion ratio" when we refer to the ratio of such non-GAAP free cash flow measure to net earnings calculated according to GAAP less, if applicable, any TCJA Adjustments. Management believes that such non-GAAP measure provides useful information to investors in assessing our ability to generate cash without external financing, fund acquisitions and other investments and, in the absence of refinancing, repay our debt obligations. However, it should be noted that free cash flow as a liquidity measure has material limitations because it excludes certain expenditures that are required or that we have committed to, such as debt service requirements and other non-discretionary expenditures. Such non-GAAP measure should be considered in addition to, and not as a replacement for or superior to, the comparable GAAP measure, and may not be comparable to similarly titled measures reported by other companies.

Geographic Information

We are a global business with operations in both developed markets and high-growth markets. We define high-growth markets as Eastern Europe, the Middle East, Latin America and Asia with the exception of Japan and Australia. We define developed markets as all jurisdictions in which we operate other than the high-growth markets.

Tax Reform

The TCJA was enacted on December 22, 2017. The TCJA, among others, reduces the US federal corporate tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign sourced earnings. As of December 31, 2017, the Company has not completed the accounting for the tax effects of enactment of the TCJA; however, pursuant to the guidance provided under Staff Accounting Bulletin No. 118, the Company has made a provisional estimate of the effects of the TCJA on its financial results for the periods ended December 31, 2017. These estimated amounts are provisional and subject to adjustment.

SECTION 1

Adjusted Net Earnings

($ in millions)	Three Months Ended		Year Ended	
	December 31, 2017	**December 31, 2016**	**December 31, 2017**	**December 31, 2016**
Net Earnings (GAAP)	**$ 336.9**	**$ 224.5**	**$ 1,044.5**	**$ 872.3**
Pretax amortization of acquisition-related intangible assets in the three months ($24 million pretax, $19 million after tax) and year ($65 million pretax, $49 million after tax) ended December 31, 2017, and in the three months ($19 million pretax, $14 million after tax) and year ($86 million pretax, $62 million after tax) ended December 31, 2016	24.0	18.5	65.3	85.7
Pretax Additional Interest Expense in the year ended December 31, 2016 ($42 million pretax, $30 million after tax)	—	—	—	(42.3)
Acquisition-related transaction costs and acquisition-related restructuring in the three months ($11 million pretax, $8 million after tax) and year ($22 million pretax, $16 million after tax) ended December 31, 2017	10.6	—	21.8	—
Gain on sale of real property in the three months and year ended December 31, 2017 ($8 million pretax, $5 million after tax)	(8.0)	—	(8.0)	—
Gain from acquisition in the year ended December 31, 2017 ($15 million after tax)	—	—	(15.3)	—
Estimated tax effect of the adjustments reflected above	(4.6)	(5.3)	(18.8)	(12.3)
Estimated provisional TCJA Adjustments	(70.3)	—	(70.3)	—
Additional Income Tax Adjustment in the year ended December 31, 2016 ($30 million after tax)	—	—	—	(29.8)
Adjusted Net Earnings (Non-GAAP)	**$ 288.6**	**$ 237.7**	**$ 1,019.2**	**$ 873.6**

Adjusted Diluted Net Earnings Per Share

	Three Months Ended		Year Ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Diluted Net Earnings Per Share (GAAP)	**$ 0.95**	**$ 0.64**	**$ 2.96**	**$ 2.51**
Pretax amortization of acquisition-related intangible assets in the three months ($24 million pretax, $19 million after tax) and year ($65 million pretax, $49 million after tax) ended December 31, 2017, and in the three months ($19 million pretax, $14 million after tax) and year ($86 million pretax, $62 million after tax) ended December 31, 2016	0.07	0.05	0.19	0.25
Pretax Additional Interest Expense in the year ended December 31, 2016 ($42 million pretax, $30 million after tax)	—	—	—	(0.13)
Acquisition-related transaction costs and acquisition-related restructuring in the three months ($11 million pretax, $8 million after tax) and year ($22 million pretax, $16 million after tax) ended December 31, 2017	0.03	—	0.06	—
Gain on sale of real property in the three months and year ended December 31, 2017 ($8 million pretax, $5 million after tax)	(0.02)	—	(0.02)	—
Gain from acquisition in the year ended December 31, 2017 ($15 million after tax)	—	—	(0.04)	—
Estimated tax effect of the adjustments reflected above	(0.01)	(0.01)	(0.05)	(0.03)
Estimated provisional TCJA Adjustments	(0.20)	—	(0.20)	—
Additional Income Tax Adjustment in the year ended December 31, 2016 ($30 million after tax)	—	—	—	(0.09)
Adjusted Diluted Net Earnings Per Share (Non-GAAP)*	**$ 0.82**	**$ 0.68**	**$ 2.89**	**$ 2.52**

* The sum of the components of Adjusted Diluted Net Earnings Per Share may not equal the total amount due to rounding.

SECTION 2

Forecasted Adjusted Diluted Net Earnings Per Share

	Three Months Ending March 30, 2018		Year Ending December 31, 2018	
	Low End	High End	Low End	High End
Forecasted Diluted Net Earnings Per Share	**$ 0.66**	**$ 0.70**	**$ 3.13**	**$ 3.23**
Anticipated pretax amortization of acquisition-related intangible assets in the three months ending March 30, 2018 ($24 million pretax, $19 million after-tax) and year ending December 31, 2018 ($97 million pretax, $77 million after-tax)	0.07	0.07	0.27	0.27
Tax effect of the adjustment reflected above	(0.01)	(0.01)	(0.05)	(0.05)
Forecasted Adjusted Diluted Net Earnings Per Share	**$ 0.72**	**$ 0.76**	**$ 3.35**	**$ 3.45**

SECTION 3

Core Revenue Growth

Components of Revenue Growth *Total Fortive*	**% Change Three Months Ended December 31, 2017 vs. Comparable 2016 Period**	**% Change Year Ended December 31, 2017 vs. Comparable 2016 Period**
Total Revenue Growth (GAAP)	**11.0%**	**6.9%**
Core (Non-GAAP)	3.0 %	4.5 %
Acquisitions * (Non-GAAP)	5.9 %	2.1 %
Impact of currency translation (Non-GAAP)	2.1 %	0.3 %

Professional Instrumentation

Total Revenue Growth (GAAP)	**17.5%**	**8.6%**
Core (Non-GAAP)	5.6 %	5.5 %
Acquisitions * (Non-GAAP)	9.6 %	3.0 %
Impact of currency translation (Non-GAAP)	2.3 %	0.1 %

Industrial Technologies

Total Revenue Growth (GAAP)	**5.6%**	**5.5%**
Core (Non-GAAP)	0.9 %	3.6 %
Acquisitions * (Non-GAAP)	2.7 %	1.5 %
Impact of currency translation (Non-GAAP)	2.0 %	0.4 %

* For the year ended December 31, 2017, this includes the impact from the acquisitions and the Separation

SECTION 4

Year-over-Year Operating Profit Margins

	Total Fortive	Segments: Professional Instrumentation	Segments: Industrial Technologies
Three Month Period ended December 31, 2016 Operating Profit Margin (GAAP)	**20.8 %**	**23.1 %**	**20.7 %**
Fourth quarter 2017 impact from operating profit margin of businesses that have been owned for less than one year (Non-GAAP)	(1.0)%	(1.6)%	(0.5)%
Fourth quarter 2017 acquisition-related transaction costs and restructuring deemed significant (Non-GAAP)	(0.6)%	(1.2)%	— %
Year-over-year core operating margin changes for fourth quarter 2017 (defined as all year-over-year operating margin changes other than the changes identified in the line items above) (Non-GAAP)	0.5 %	1.2 %	0.1 %
Three Month Period ended December 31, 2017 Operating Profit Margin (GAAP)	**19.7 %**	**21.5 %**	**20.3 %**
Year ended December 31, 2016 Operating Profit Margin (GAAP)	**20.0 %**	**22.2 %**	**20.0 %**
Year ended December 31, 2017 impact from operating profit margin of businesses that have been owned for less than one year * (Non-GAAP)	(0.4)%	(0.8)%	(0.2)%
Year ended December 31, 2017 acquisition-related transaction costs and restructuring deemed significant (Non-GAAP)	(0.3)%	(0.7)%	— %
Year-over-year core operating margin changes for year ended December 31, 2017 (defined as all year-over-year operating margin changes other than the changes identified in the line item above) (Non-GAAP)	1.1 %	1.9 %	0.6 %
Year ended December 31, 2017 Operating Profit Margin (GAAP)	**20.4 %**	**22.6 %**	**20.4 %**

* For the year ended December 31, 2017, this includes the impact from the acquisitions and the Separation

SECTION 5

Adjusted Core Operating Profit Margin Expansion

	Total Fortive
Three Month Period ended December 31, 2016 Operating Profit Margin (GAAP)	**20.8 %**
Fourth quarter 2017 impact from operating profit margin of businesses that have been owned for less than one year (Non-GAAP)	(1.0)%
Fourth quarter 2017 acquisition-related transaction costs and restructuring deemed significant (Non-GAAP)	(0.6)%
Year-over-year core operating margin changes for fourth quarter 2017 (defined as all year-over-year operating margin changes other than the changes identified in the line items above) (Non-GAAP)	0.5 %
Three Month Period ended December 31, 2017 Operating Profit Margin (GAAP)	**19.7 %**
Year-over-year core operating margin changes for fourth quarter 2017 (Non-GAAP)	**0.5 %**
Fourth quarter 2017 year-over-year decrease in intangible asset amortization due to applicable intangible assets being fully amortized (Non-GAAP)	(0.3)%
Year-over-year core operating margin changes for fourth quarter 2017 excluding the impact of lower year-over-year intangible asset amortization due to certain assets being fully amortized (Non-GAAP)	**0.2 %**
Year ended December 31, 2016 Operating Profit Margin (GAAP)	**20.0 %**
Year ended December 31, 2017 impact from operating profit margin of businesses that have been owned for less than one year * (Non-GAAP)	(0.4)%
Year ended December 31, 2017 acquisition-related transaction costs and restructuring deemed significant (Non-GAAP)	(0.3)%
Year-over-year core operating margin changes for year ended December 31, 2017 (defined as all year-over-year operating margin changes other than the changes identified in the line item above) (Non-GAAP)	1.1 %
Year ended December 31, 2017 Operating Profit Margin (GAAP)	**20.4 %**
Year-over-year core operating margin changes for the year ended December 31, 2017 (Non-GAAP)	**1.1 %**
Year ended December 31, 2017 year-over-year decrease in intangible asset amortization due to applicable intangible assets being fully amortized (Non-GAAP)	(0.6)%
Year-over-year core operating margin changes for fourth quarter 2017 excluding the impact of lower year-over-year intangible asset amortization due to certain assets being fully amortized (Non-GAAP)	**0.5 %**

SECTION 6

Ratio of Free Cash Flow to Net Earnings Excluding the Estimated Impact of the TCJA

($ in millions)	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	Year Ended December 31, 2017	Year Ended December 31, 2016
Free Cash Flow:				
Cash Flows from Operations (GAAP)	$ 463.4	$ 317.5	$ 1,176.4	$ 1,136.9
Less: purchases of property, plant & equipment (capital expenditures) from operations (GAAP)	(48.4)	(39.6)	(136.1)	(129.6)
Free Cash Flow (Non-GAAP)	$ 415.0	$ 277.9	$ 1,040.3	$ 1,007.3
Ratio of Free Cash Flow to Net Earnings:				
Net earnings (GAAP)	336.9	224.5	1,044.5	872.3
TCJA Adjustments (GAAP)	(70.3)	—	(70.3)	—
Net earnings excluding the estimated provisional TCJA impact (Non-GAAP)	266.6	224.5	974.2	872.3
Free Cash Flow to Net Earnings Conversion Ratio Excluding the Estimated Provisional TCJA Impact (Non-GAAP)	156%	124%	107%	115%

SECTION 7

Adjusted Effective Tax Rate Excluding the Estimated Provisional TCJA Adjustments

	Three Months Ended December 31, 2017	Year Ended December 31, 2017
Earnings before income taxes	$ 338.0	$ 1,284.2
Estimated provisional income tax expense	(1.1)	(239.7)
Estimated provisional TCJA Adjustments	(70.3)	(70.3)
Adjusted estimated provisional income tax expense	$ (71.4)	$ (310.0)
Adjusted estimated effective tax rate excluding the estimated provisional TCJA impact (Non-GAAP)	**21.1%**	**24.1%**

Adjusted Effective Tax Rate Excluding Adjustments to Net Earnings and the Estimated Provisional TCJA Adjustments

	Three Months Ended		Year Ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Earnings before income taxes	$ 338.0	$ 314.8	$ 1,284.2	$ 1,197.0
Estimated provisional income tax expense	(1.1)	(90.3)	(239.7)	(324.7)
Estimated effective tax rate (GAAP)	**0.3%**	**28.7%**	**18.7%**	**27.1%**
Amortization of acquisition-related intangible assets	$ 24.0	$ 18.5	$ 65.3	$ 85.7
Acquisition-related transaction costs and acquisition-related restructuring	10.6	—	21.8	—
Gain on sale of real property	(8.0)	—	(8.0)	—
Gain from acquisition	—	—	(15.3)	—
Pretax Additional Interest Expense	—	—	—	(42.3)
Pretax Adjusted Net Earnings (Non-GAAP)	**364.6**	**333.3**	**1,348.0**	**1,240.4**
Estimated tax effect of the adjustments reflected above	(4.6)	(5.3)	(18.8)	(12.3)
Estimated provisional TCJA Adjustments	(70.3)	—	(70.3)	—
Additional Income Tax Adjustment	—	—	—	(29.8)
Adjusted estimated provisional income tax expense	$ (76.0)	$ (95.6)	$ (328.8)	$ (366.8)
Adjusted estimated effective tax rate (Non-GAAP)	**20.8%**	**28.7%**	**24.4%**	**29.6%**

Estimated Provisional TCJA Adjustments

($ in millions)	Three Months Ending December 31, 2017		Year Ending December 31, 2017	
Provisional revaluation gain of net deferred tax liabilities as a result of the TCJA	$	(206.0)	$	(206.0)
Provisional transition tax expense on deemed repatriation of foreign earnings as a result of the TCJA		135.7		135.7
Estimated provisional TCJA Adjustments	**$**	**(70.3)**	**$**	**(70.3)**