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

Adjusted Net Earnings from Continuing Operations, Adjusted Diluted Net Earnings per Share from Continuing Operations and Adjusted Effective Tax Rate

We disclose the non-GAAP measures of historical adjusted net earnings from continuing operations, historical and forecasted adjusted diluted net earnings per share from continuing operations 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;
- Excluding on a pretax basis acquisition-related costs deemed significant ("Transaction Costs");
- Excluding on a pretax basis the the effect of deferred revenue fair value adjustments related to significant acquisitions;
- Excluding on a pretax basis a non-recurring gain resulting from the sale of real property ("Gain on Sale of Real Property"); and
- Excluding the tax effect of the adjustments noted above. 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 a non-recurring gain on a prior investment as a result of a corresponding acquisition ("Gain from Acquisition");
- Excluding the 2017 provisional amount estimated in connection with the Tax Cut and Jobs Act (the "TCJA Adjustments") and subsequent adjustments to the provisional estimates; and
- Including the impact of the assumed conversion of our Mandatory Convertible Preferred Stock.

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 and the deferred revenue fair value adjustments are unique to each acquisition and can vary significantly from acquisition to acquisition. In addition, the Transaction Costs are unique to each transaction, are impacted from period to period depending on the number of acquisitions or divestitures evaluated, pending or completed during such period, and the complexity of such transactions. We believe, however, that it is important for investors to understand that such intangible assets contribute to revenue generation and that intangible assets and deferred revenue fair value adjustments related to past acquisitions will recur in future periods until such intangible assets and deferred revenue fair value adjustments, as applicable, have been fully amortized.

In June 2018, we issued $1.38 billion in aggregate liquidation preference of shares of our 5.00% Mandatory Convertible Preferred Stock ("MCPS"). Dividends on the MCPS are payable on a cumulative basis at an annual rate of 5.00% on the liquidation preference of $1,000 per share. Unless earlier converted, each share of the MCPS will automatically convert on July 1, 2021 into between, after giving effect to the prior anti-dilution adjustment, 10.9041 and 13.3575 shares of our common stock, subject to further anti-dilution adjustments. The number of shares of our common stock issuable on conversion of the Mandatory Convertible Preferred Stock will be determined based on the average volume weighted average price ("VWAP") per share of our common stock over the 20 consecutive trading day period beginning on and including the 22nd scheduled trading day immediately preceding July 1, 2021. For the purposes of calculating adjusted earnings and adjusted earnings per share, we have excluded the MCPS dividend and, for the purposes of adjusted earnings per share, assumed the "if-converted" method of share dilution (the incremental shares of common stock deemed outstanding applying the "if-converted" method of share dilution, the "Converted Shares"). We believe that using the "if-converted" method provides additional insight to investors on the potential impact of the MCPS once they are converted into common stock no later than July 1, 2021.

The forecasted adjusted diluted net earnings per share from continuing operations does not reflect certain adjustments that are inherently difficult to predict or estimate due to their unknown timing, effect and/or significance.

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 and divestiture-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 and (2) with respect to core revenue measures, the impact of currency translation. 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 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) and (b) the period-to-period change in sales (excluding sales impact from acquired businesses) 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. 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.

SECTION 1

Adjusted Net Earnings from Continuing Operations

($ in millions)	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Year Ended December 31, 2018	Year Ended December 31, 2017
Net Earnings From Continuing Operations Attributable to Common Shareholders (GAAP)	**$ 222.8**	**$ 297.7**	**$ 883.4**	**$ 884.3**
Dividends on the mandatory convertible preferred stock	17.3	—	34.9	—
Net Earnings from Continuing Operations (GAAP)	**240.1**	**297.7**	**918.3**	**884.3**
Pretax amortization of acquisition-related intangible assets in the three months ($54 million pretax, $45 million after tax) and year ended ($135 million pretax, $113 million after tax) December 31, 2018, and in the three months ($24 million pretax, $19 million after tax) and year ended ($65 million pretax, $49 million after tax) December 31, 2017	53.8	24.0	135.2	65.3
Acquisition-related transaction costs in the three months ($27 million pretax, $22 million after tax) and year ended ($67 million pretax, $56 million after tax) December 31, 2018 and in the three months ($11 million pretax, $8 million after tax) and year ended ($22 million pretax, $16 million after tax) December 31, 2017	26.8	10.6	67.4	21.8
Acquisition-related fair value adjustments to deferred revenue related to completed acquisitions in the three months ($31 million pretax, $26 million after tax) and year ended ($34 million pretax, $28 million after tax) December 31, 2018	31.4	—	34.4	—
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)
Tax effect of the adjustments reflected above [a]	(19.5)	(4.6)	(42.0)	(18.6)
Gain from acquisition in the year ended December 31, 2017 ($15 million after tax)	—	—	—	(15.3)
TCJA Adjustments	(7.5)	(70.3)	(12.5)	(70.3)
Adjusted Net Earnings from Continuing Operations (Non-GAAP)	**$ 325.1**	**$ 249.4**	**$ 1,100.8**	**$ 859.2**

(a) The MCPS are not tax deductible and therefore the tax effect of the adjustments includes only the amortization of acquisition-related intangible assets, acquisition-related transaction costs, acquisition-related fair value adjustments to deferred revenue, and the gain on sale of real property.

Adjusted Diluted Net Earnings Per Share from Continuing Operations

	Three Months Ended [(a)]		Year Ended [(a)]	
	December 31, 2018	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
Diluted Net Earnings Per Share from Continuing Operations Attributable to Common Stockholders (GAAP)	**$ 0.66**	**$ 0.84**	**$ 2.52**	**$ 2.51**
Dividends on the mandatory convertible preferred stock to apply if-converted method	0.05	—	0.10	—
Assumed dilutive impact on the Diluted Net Earnings Per Share Attributable to Common Stockholders if the Converted Shares had been outstanding	(0.04)	—	(0.06)	—
Pretax amortization of acquisition-related intangible assets in the three months ($54 million pretax, $45 million after tax) and year ended ($135 million pretax, $113 million after tax) December 31, 2018, and in the three months ($24 million pretax, $19 million after tax) and year ended ($65 million pretax, $49 million after tax) December 31, 2017	0.15	0.07	0.38	0.19
Acquisition-related transaction costs in the three months ($27 million pretax, $22 million after tax) and year ended ($67 million pretax, $56 million after tax) December 31, 2018 and in the three months ($11 million pretax, $8 million after tax) and year ended ($22 million pretax, $16 million after tax) December 31, 2017	0.07	0.03	0.19	0.06
Acquisition-related fair value adjustments to deferred revenue related to completed acquisitions in the three months ($31 million pretax, $26 million after tax) and year ended ($34 million pretax, $28 million after tax) December 31, 2018	0.09	—	0.10	—
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)
Tax effect of the adjustments reflected above [(b)]	(0.05)	(0.01)	(0.12)	(0.05)
Gain from acquisition in the year ended December 31, 2017 ($15 million after tax)	—	—	—	(0.04)
TCJA Adjustments	(0.02)	(0.20)	(0.03)	(0.20)
Adjusted Diluted Net Earnings Per Share from Continuing Operations (Non-GAAP)	**$ 0.91**	**$ 0.70**	**$ 3.06**	**$ 2.44**

(a) Each of the per share adjustments below was calculated assuming the Converted Shares had been outstanding.

(b) The MCPS are not tax deductible and therefore the tax effect of the adjustments includes only the amortization of acquisition-related intangible assets, acquisition-related transaction costs, acquisition-related fair value adjustments to deferred revenue, and the gain on sale of real property.

The sum of the components of adjusted diluted net earnings per share from continuing operations may not equal due to rounding.

Adjusted Diluted Shares Outstanding

(shares in millions)	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Year Ended December 31, 2018	Year Ended December 31, 2017
Average common diluted stock outstanding	339.3	353.9	350.7	352.6
Converted Shares [a]	18.4	—	8.7	—
Adjusted average common stock and common equivalent shares outstanding	357.7	353.9	359.4	352.6

(a) The number of Converted Shares assumes the conversion of all 1.38 million shares applying the "if-converted" method and using an average 20-day VWAP of $69.06 as of December 31, 2018.

SECTION 2

Forecasted Adjusted Diluted Net Earnings Per Share from Continuing Operations

	Three Months Ending March 29, 2019		Year Ending December 31, 2019	
	Low End	**High End**	**Low End**	**High End**
Forecasted Diluted Net Earnings Per Share from Continuing Operations Attributable to Common Stockholders	**$ 0.40**	**$ 0.44**	**$ 2.56**	**$ 2.66**
Anticipated dividends on mandatory convertible preferred stock in the three months ending March 29, 2019 ($17 million) and year ending December 31, 2019 ($69 million)	0.05	0.05	0.20	0.20
Anticipated dilutive impact on Forecasted Diluted Net Earnings Per Share from Continuing Operations if the Converted Shares (18.4 million shares in the three months ending March 29, 2019 and year ending December 31, 2019) had been outstanding	(0.02)	(0.02)	(0.14)	(0.14)
Impact of anticipated pretax amortization of acquisition-related intangible assets in the three months ending March 29, 2019 ($51 million pretax (or $0.14 per share), $42 million after tax (or $0.12 per share)) and year ending December 31, 2019 ($202 million pretax (or $0.56 per share), $167 million after tax (or $0.46 per share))	0.14	0.14	0.56	0.56
Anticipated pretax significant acquisition-related transaction costs in the three months ending March 29, 2019 ($34 million pretax (or $0.10 per share), $28 million after tax (or $0.08 per share)) and the year ending December 31, 2019 ($110 million pretax (or $0.31 per share), $91 million after tax (or $0.26 per share))	0.10	0.10	0.31	0.31
Anticipated pretax fair value adjustments to deferred revenue related to completed significant acquisition in the three months ending March 29, 2019 ($15 million pretax (or $0.04 per share), $12 million after tax (or $0.03 per share)) and year ending December 31, 2019 ($24 million pretax (or $0.07 per share), $20 million after tax (or $0.05 share)	0.04	0.04	0.07	0.07
Tax effect of the adjustments reflected above [a]	(0.07)	(0.07)	(0.16)	(0.16)
Forecasted Adjusted Diluted Net Earnings Per Share from Continuing Operations	**$ 0.64**	**$ 0.68**	**$ 3.40**	**$ 3.50**

(a) The MCPS are not tax deductible and therefore the tax effect of the adjustments includes only the amortization of acquisition-related intangible assets, acquisition-related transaction costs, and acquisition-related fair value adjustments to deferred revenue.

The sum of the components of forecasted adjusted diluted net earnings per share from continuing operations may not equal due to rounding.

SECTION 3

Core Revenue Growth

Components of Revenue Growth *Total Fortive*	**% Change Three Months Ended December 31, 2018 vs. Comparable 2017 Period**	**% Change Year Ended December 31, 2018 vs. Comparable 2017 Period**
Total Revenue Growth (GAAP)	**11.4 %**	**12.1 %**
Core (Non-GAAP)	7.4 %	4.1 %
Acquisitions (Non-GAAP)	5.8 %	7.6 %
Impact of currency translation (Non-GAAP)	(1.8)%	0.4 %

Professional Instrumentation

Total Revenue Growth (GAAP)	**14.0 %**	**16.4 %**
Core (Non-GAAP)	5.2 %	3.9 %
Acquisitions (Non-GAAP)	10.2 %	11.8 %
Impact of currency translation (Non-GAAP)	(1.4)%	0.7 %

Industrial Technologies

Total Revenue Growth (GAAP)	**8.1 %**	**6.9 %**
Core (Non-GAAP)	10.3 %	4.4 %
Acquisitions (Non-GAAP)	0.1 %	2.6 %
Impact of currency translation (Non-GAAP)	(2.3)%	(0.1)%

SECTION 4

Year-over-Year Operating Profit Margins

		Segments	
	Total Fortive	**Professional Instrumentation**	**Industrial Technologies**
Three Month Period ended December 31, 2017 Operating Profit Margin (GAAP)	**19.3 %**	**21.6 %**	**19.4 %**
Fourth quarter 2018 impact from operating profit margin of businesses that have been owned for less than one year (Non-GAAP)	(2.00)%	(3.75)%	0.15 %
Fourth quarter 2018 acquisition-related transaction costs (Non-GAAP)	(0.90)%	(1.70)%	— %
Year-over-year core operating margin changes for fourth quarter 2018 (defined as all year-over-year operating margin changes other than the changes identified in the line items above) (Non-GAAP)	0.40 %	(0.05)%	0.95 %
Three Month Period ended December 31, 2018 Operating Profit Margin (GAAP)	**16.8 %**	**16.1 %**	**20.5 %**
Twelve Month Period ended December 31, 2017 Operating Profit Margin (GAAP)	**19.9 %**	**22.7 %**	**19.2 %**
Twelve months ended December 31, 2018 impact from operating profit margin of businesses that have been owned for less than one year (Non-GAAP)	(1.20)%	(2.10)%	(0.40)%
Twelve months ended December 31, 2018 acquisition-related transaction costs (Non-GAAP)	(0.75)%	(1.20)%	— %
Year-over-year core operating margin changes for the twelve months ended December 31, 2018 (defined as all year-over-year operating margin changes other than the changes identified in the line item above) (Non-GAAP)	0.35 %	1.10 %	(0.05)%
Twelve Month Period ended December 31, 2018 Operating Profit Margin (GAAP)	**18.3 %**	**20.5 %**	**18.8 %**

The sum of the components of operating profit margin may not equal due to rounding.

SECTION 5

Free Cash Flow from Continuing Operations Conversion Ratio

($ in millions)	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Year Ended December 31, 2018	Year Ended December 31, 2017
Continuing Operations Free Cash Flow:				
Operating Cash Flows from Continuing Operations (GAAP)	$ 422.5	$ 415.5	$ 1,201.3	$ 1,020.1
Less: purchases of property, plant & equipment (capital expenditures) from continuing operations (GAAP)	(35.5)	(39.4)	(112.3)	(111.1)
Free Cash Flow from Continuing Operations (Non-GAAP)	$ 387.0	$ 376.1	$ 1,089.0	$ 909.0
Continuing Operations Free Cash Flow Conversion Ratio:				
Net earnings from Continuing Operations (GAAP)	$ 240.1	$ 297.7	$ 918.3	$ 884.3
TCJA Adjustments (GAAP)	(7.5)	(70.3)	(12.5)	(70.3)
Net earnings from Continuing Operations excluding the TCJA Adjustments (Non-GAAP)	$ 232.6	$ 227.4	$ 905.8	$ 814.0
Free Cash Flow Conversion Ratio (Non-GAAP)	166%	165%	120%	112%

SECTION 6

Effective Tax Rate Excluding the TCJA Adjustments

($ in millions)	Three Months Ended December 31, 2018	Year Ended December 31, 2018
Earnings before income taxes	$ 267.4	$ 1,078.4
Income tax expense	(27.3)	(160.1)
TCJA Adjustments	(7.5)	(12.5)
Income tax expense excluding TCJA Adjustments	$ (34.8)	$ (172.6)
Effective tax rate excluding the TCJA Adjustments (Non-GAAP)	**13.0%**	**16.0%**

Adjusted Effective Tax Rate

	Three Months Ended		Year Ended	
($ in millions)	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Earnings before income taxes from continuing operations	$ 267.4	$ 286.6	$ 1,078.4	$ 1,073.6
Income tax (expense) benefit	(27.3)	11.1	(160.1)	(189.3)
Effective tax rate (GAAP)	**10.2%**	**(3.9)%**	**14.8%**	**17.6%**
Amortization of acquisition-related intangible assets	$ 53.8	$ 24.0	$ 135.2	$ 65.3
Acquisition and divestiture-related transaction costs	26.8	10.6	67.4	21.8
Fair value adjustments to deferred revenue related to the Accruent acquisition	31.4	—	34.4	—
Gain on sale of real property	—	(8.0)	—	(8.0)
Gain from acquisition	—	—	—	(15.3)
Pretax Adjusted Net Earnings (Non-GAAP)	**$ 379.4**	**$ 313.2**	**$ 1,315.4**	**$ 1,137.4**
Tax effect of the adjustments reflected above	$ (19.5)	$ (4.6)	$ (42.0)	$ (18.6)
TCJA Adjustments	(7.5)	(70.3)	(12.5)	(70.3)
Adjusted income tax expense	$ (54.3)	$ (63.8)	$ (214.6)	$ (278.2)
Adjusted effective tax rate (Non-GAAP)	**14.3%**	**20.4 %**	**16.3%**	**24.5%**