

FORTIVE CORPORATION
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES

Adjusted Net Earnings, Adjusted Diluted Net Earnings per Share, Adjusted Sales, and Adjusted Operating Profit

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

- With respect to the historical adjusted net earnings for the periods ended July 1, 2016, excluding discrete tax benefit incurred during the three months ended July 1, 2016 in connection with tax audit settlements; and
- Excluding amortization of acquisition-related intangible assets and applying the Company's statutory tax rate to the pretax amount of the adjustment.

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.

In addition, because the Company was part of Danaher Corporation (“Danaher”) for the three month periods ended July 1, 2016 and July 3, 2015, the Company is also making the following adjustments to the corresponding historical GAAP sales, GAAP net earnings, GAAP gross profit, GAAP selling, general and administrative expenses (“SG&A”), and GAAP operating profit as if the separation of the Company from Danaher (the “Separation”) had been effectuated at the beginning of the relevant period (the “Separation Adjustments”):

- Excluding corresponding financial measure impact of sales from certain agreements with Danaher that were entered into, or terminated, in connection with the Separation (the “Net Sales Adjustments”);
- With respect to net earnings, operating profit, and SG&A, because the carve-out financial measures for the three-month period ended July 3, 2015 do not reflect the level of selling, general and administrative expenses that the Company assumed would be the expected level of costs to be incurred by the Company as a stand-alone, publicly traded company (“Estimated SG&A Level”), adding additional expenses necessary for such costs to equal the Estimated SG&A Level; and
- With respect to net earnings, adding interest expenses (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 the interest expense actually recorded following the issuance of the outstanding indebtedness on or after June 20, 2016 (“Additional Interest Expense”).

Management believes that the Separation Adjustments, when considered together with the corresponding carve-out GAAP financial measures, provide useful information to investors by helping to identify certain types or level of additional expenses that the Company expects to incur as a standalone, publicly traded company after the Separation that may not have been allocated or reflected in the historical carve-out GAAP financial measures for periods in which the Company was part of Danaher. We believe that such adjustments, when presented with the corresponding carve-out GAAP measures, may assist in assessing the business trends and making comparisons of long-term performance before and after the Separation. The Company will not make the Separation Adjustments for any periods in which the Separation had been effectuated prior to the beginning of such period.

Management believes that both these non-GAAP financial measures provide useful information to investors by reflecting additional ways of viewing aspects of Fortive’s 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. The items described above have been excluded from, or added to, these measures because items of this nature and/or size occur with inconsistent frequency or occur for reasons that may be unrelated to Fortive’s commercial performance during the period and/or because we believe the corresponding adjustments are useful in assessing Fortive’s potential ongoing operating costs or gains in a given period.

The Company deems acquisition-related transaction costs incurred in a given period to be significant (generally relating to the Company’s larger acquisitions) if it determines that such costs exceed the range of acquisition-related transaction costs typical for the Company in a given period.

The Company estimates the tax effect of the items identified in the reconciliation schedule below by applying the Company's statutory tax rate to the pretax amount of the 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.

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 revenue measure or a corresponding non-GAAP adjusted operating profit measure (which, as noted above, adjusts for the Separation Adjustments from the corresponding GAAP operating profit measures), respectively, excluding (1) the portion of such measure from acquired businesses recorded prior to the first anniversary of the acquisition (the "acquisition measure"), and (2) with respect to revenue measures, the impact of currency translation. The portion of measure attributable to currency translation is calculated as the difference between (a) the period-to-period change in such measure (excluding from acquisition) and (b) the period-to-period change in such measure (excluding from acquisition) after applying 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 revenue performance with prior and future periods and to our peers. We exclude the effect of currency translation from these measures because currency translation is not under management's control, is subject to volatility and can obscure underlying business trends. We exclude the effect of acquisitions and divested product lines because the nature, size and number of such transactions can vary dramatically from period to period and between us and our peers, and we believe that such exclusion, when presented with the corresponding GAAP measures, may assist in assessing the business trends and making comparisons of long-term performance.

Free Cash Flow

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. Management believes that such non-GAAP measure provides useful information to investors in assessing the Company's ability to generate cash without external financing, fund acquisitions and other investments and, in the absence of refinancing, repay its 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 the Company has 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.

SECTION 1

Sales

Total Fortive

(\$ in millions)

Sales (GAAP)

Net Sales Adjustments

Adjusted Sales (Non-GAAP)

Three Months Ended	
July 1, 2016	July 3, 2015
\$ 1,555.1	\$ 1,564.9
(10.6)	(8.9)
\$ 1,544.5	\$ 1,556.0

Professional Instrumentation

(\$ in millions)

Sales (GAAP)

Net Sales Adjustments

Adjusted Sales (Non-GAAP)

Three Months Ended	
July 1, 2016	July 3, 2015
\$ 724.2	\$ 761.3
(10.6)	(8.9)
\$ 713.6	\$ 752.4

Industrial Technologies

(\$ in millions)

Sales (GAAP)

Net Sales Adjustments

Adjusted Sales (Non-GAAP)

Three Months Ended	
July 1, 2016	July 3, 2015
\$ 830.9	\$ 803.6
—	—
\$ 830.9	\$ 803.6

SECTION 2

Operating Profit

Total Fortive

(\$ in millions)

Operating Profit (GAAP)

Net Sales Adjustments

Estimated SG&A Level adjustments

Adjusted Operating Profit (Non-GAAP)

Three Months Ended	
July 1, 2016	July 3, 2015
\$ 322.1	\$ 335.7
(1.5)	(0.8)
—	(12.6)
<u>\$ 320.6</u>	<u>\$ 322.3</u>

Professional Instrumentation

(\$ in millions)

Operating Profit (GAAP)

Net Sales Adjustments

Estimated SG&A Level adjustments

Adjusted Operating Profit (Non-GAAP)

Three Months Ended	
July 1, 2016	July 3, 2015
\$ 162.4	\$ 188.1
(1.5)	(0.8)
—	(3.5)
<u>\$ 160.9</u>	<u>\$ 183.8</u>

Industrial Technologies

(\$ in millions)

Operating Profit (GAAP)

Net Sales Adjustments

Estimated SG&A Level adjustments

Adjusted Operating Profit (Non-GAAP)

Three Months Ended	
July 1, 2016	July 3, 2015
\$ 173.4	\$ 158.0
—	—
—	(3.7)
<u>\$ 173.4</u>	<u>\$ 154.3</u>

Other

(\$ in millions)

Operating Profit (GAAP)

Net Sales Adjustments

Estimated SG&A Level adjustments

Adjusted Operating Profit (Non-GAAP)

Three Months Ended	
July 1, 2016	July 3, 2015
\$ (13.7)	\$ (10.4)
—	—
—	(5.4)
<u>\$ (13.7)</u>	<u>\$ (15.8)</u>

SECTION 3

Operating Profit Margins

Total Fortive

Operating Profit % (GAAP)

Net Sales Adjustments

Estimated SG&A Level adjustments

Adjusted Operating Profit as a % of Adjusted GAAP Sales (Non-GAAP)

Three Months Ended	
July 1, 2016	July 3, 2015
20.7%	21.5 %
0.1 %	— %
—%	(0.8)%
20.8%	20.7 %

Professional Instrumentation

Operating Profit % (GAAP)

Net Sales Adjustments

Estimated SG&A Level adjustments

Adjusted Operating Profit as a % of Adjusted GAAP Sales (Non-GAAP)

Three Months Ended	
July 1, 2016	July 3, 2015
22.4%	24.7 %
0.1 %	0.2 %
—%	(0.5)%
22.5%	24.4 %

Industrial Technologies

Operating Profit % (GAAP)

Net Sales Adjustments

Estimated SG&A Level adjustments

Adjusted Operating Profit as a % of Adjusted GAAP Sales (Non-GAAP)

Three Months Ended	
July 1, 2016	July 3, 2015
20.9%	19.7 %
—%	— %
—%	(0.5)%
20.9%	19.2 %

SECTION 4

Net Earnings

(\$ in millions)

Net Earnings (GAAP)

	Three Months Ended	
	July 1, 2016	July 3, 2015
	\$ 238.9	\$ 227.4
Pretax amortization of acquisition-related intangible assets in the three months (\$22 million pretax as reported in this line item, \$16 million after tax) and in the three months (\$22 million pretax as reported in this line item, \$14 million after tax) ended July 3, 2015	22.3	22.3
Pretax Net Sales Adjustments from certain agreements with Danaher Corporation that were entered into or terminated in connection with the Separation in the three months ended July 1, 2016 (\$2 million pretax as reported in this line item, \$1 million after tax) and in the three months ended July 3, 2015 (\$1 million pretax, \$1 million after tax)	(1.5)	(0.8)
Pretax Additional Interest expense in the three months ended July 1, 2016 (\$20 million pretax as reported in this line item, \$14 million after tax) and in the three months ended July 3, 2015 (\$23 million pretax as reported in this line item, \$14 million after tax) related to the borrowings incurred in connection with the Separation	(19.8)	(22.5)
Pretax adjustments in the three months ended July 3, 2015 (\$13 million pretax as reported in this line item, \$8 million after tax), to increase selling, general and administrative expenses up to the SG&A Level	—	(12.6)
Tax effect of all adjustments reflected above	(0.3)	5.1
Discrete income tax charges in connection with the final outcome of worldwide uncertain tax positions in the three months ended July 1, 2016	(19.8)	—
Adjusted Net Earnings (Non-GAAP)	\$ 219.8	\$ 218.9

Net Earnings (GAAP)

	Three Months Ended	
	July 1, 2016	July 3, 2015
	\$ 0.69	\$ 0.66
Pretax amortization of acquisition-related intangible assets in the three months (\$22 million pretax as reported in this line item, \$16 million after tax) and in the three months (\$22 million pretax as reported in this line item, \$14 million after tax) ended July 3, 2015	0.06	0.06
Pretax Net Sales Adjustments from certain agreements with Danaher Corporation that were entered into or terminated in connection with the Separation in the three months ended July 1, 2016 (\$2 million pretax as reported in this line item, \$1 million after tax) and in the three months ended July 3, 2015 (\$1 million pretax, \$1 million after tax)	—	—
Pretax Additional Interest expense in the three months ended July 1, 2016 (\$20 million pretax as reported in this line item, \$14 million after tax) and in the three months ended July 3, 2015 (\$23 million pretax as reported in this line item, \$14 million after tax) related to the borrowings incurred in connection with the Separation	(0.06)	(0.07)
Pretax adjustments in the three months ended July 3, 2015 (\$13 million pretax as reported in this line item, \$8 million after tax), to increase selling, general and administrative expenses up to the SG&A Level	—	(0.04)
Tax effect of all adjustments reflected above	—	0.01
Discrete income tax charges in connection with the final outcome of worldwide uncertain tax positions in the three months ended July 1, 2016	(0.06)	—
Adjusted Net Earnings (Non-GAAP)*	\$ 0.64	\$ 0.63

* Adjusted Net Earnings per share amount does not add due to rounding.

SECTION 5

Forecasted Adjusted Diluted Net Earnings Per Share

	Three Months Ending September 30, 2016		Six Months Ending December 31, 2016	
	Low End	High End	Low End	High End
Forecasted Diluted Net Earnings Per Share	\$ 0.50	\$ 0.54	\$ 1.11	\$ 1.19
Pretax amortization of acquisition-related intangible assets in the three months ending September 30, 2016 (\$22 million pretax as reported in this line item, \$16 million after tax) and in the six months ending December 31, 2016 (\$40 million pretax as reported in this line item, \$28 million after tax)	0.06	0.06	0.12	0.12
Pretax costs expected to be incurred in the three months ending September 30, 2016 and six months ending December 31, 2016 (\$7 million pretax as reported in this line item, \$5 million after tax) related to Fortive's separation from Danaher Corporation, primarily related to recruiting, relocation and professional fees for legal, tax, finance and information technology services	0.02	0.02	\$ 0.02	\$ 0.02
Tax effect of all adjustments reflected above	\$ (0.02)	\$ (0.02)	\$ (0.04)	\$ (0.04)
Forecasted Adjusted Diluted Net Earnings Per Share	\$ 0.56	\$ 0.60	\$ 1.21	\$ 1.29

SECTION 6

Core Revenue Growth

Total Fortive

Components of Revenue Growth

	Three Months Ended July 1, 2016 vs. Comparable 2015 Period
Core (Non-GAAP)	(0.5)%
Acquisitions (Non-GAAP)	0.5 %
Impact of currency translation (Non-GAAP)	(0.5)%
Total Revenue Growth (GAAP)	(0.5)%

Professional Instrumentation

Components of Revenue Growth

	Three Months Ended July 1, 2016 vs. Comparable 2015 Period
Core (Non-GAAP)	(5.0)%
Acquisitions (Non-GAAP)	0.5 %
Impact of currency translation (Non-GAAP)	(0.5)%
Total Revenue Growth (GAAP)	(5.0)%

Industrial Technologies

Components of Revenue Growth

	Three Months Ended July 1, 2016 vs. Comparable 2015 Period
Core (Non-GAAP)	3.5 %
Acquisitions (Non-GAAP)	0.5 %
Impact of currency translation (Non-GAAP)	(0.5)%
Total Revenue Growth (GAAP)	3.5%

SECTION 7

Year-over-Year Operating Profit Margins

	Total Fortive	Segments	
		Professional Instrumentation	Industrial Technologies
Three Month Period ended July 3, 2015			
Operating Profit Margins (GAAP)	21.45 %	24.70 %	19.67%
Second quarter 2016 impact from operating profit margins of businesses that have been owned for less than one year (Non-GAAP)	(0.05)%	(0.12)%	—%
Year-over-year core operating margin changes for second quarter 2016 (defined as all year-over-year operating margin changes other than the changes identified in the line items above) (Non-GAAP)	(0.68)%	(2.15)%	1.20 %
Three Month Period Ended July 1, 2016			
Operating Profit Margins (GAAP)	20.72 %	22.43 %	20.87%

	Total Fortive	Segments	
		Professional Instrumentation	Industrial Technologies
Three Month Period ended July 3, 2015			
Adjusted Operating Profit Margins (Non-GAAP)	20.72 %	24.44 %	19.21%
Second quarter 2016 impact from adjusted operating profit margins of businesses that have been owned for less than one year (Non-GAAP)	(0.05)%	(0.12)%	—%
Year-over-year core adjusted operating margin changes for second quarter 2016 (defined as all year-over-year adjusted operating margin changes other than the changes identified in the line items above) (Non-GAAP)	0.09 %	(1.77)%	1.66 %
Three Month Period Ended July 1, 2016			
Adjusted Operating Profit Margins (Non-GAAP)	20.76 %	22.55 %	20.87%

SECTION 8

Free Cash Flow

	Three Month Period Ended				Six Month Period Ended	
	April 1, 2016	April 3, 2015	July 1, 2016	July 3, 2015	July 1, 2016	July 3, 2015
<u>Free Cash Flow (\$ in millions):</u>						
Cash Flows from Operations (GAAP)	\$ 177.2	\$ 94.6	\$ 310.6	\$ 290.2	\$ 487.8	\$ 384.8
Less: purchases of property, plant & equipment (capital expenditures) from operations (GAAP)	(28.4)	(24.1)	(33.0)	(28.3)	(61.4)	(52.4)
Free Cash Flow (Non-GAAP)	<u>\$ 148.8</u>	<u>\$ 70.5</u>	<u>\$ 277.6</u>	<u>\$ 261.9</u>	<u>\$ 426.4</u> *	<u>\$ 332.4</u> *
<u>Ratio of Free Cash Flow to Net Earnings (\$ in millions):</u>						
Free Cash Flow from Above (Non-GAAP)	\$ 148.8	\$ 70.5	\$ 277.6	\$ 261.9	\$ 426.4	\$ 332.4
Net earnings (GAAP)	182.0	203.7	238.9	227.4	420.9	431.1
Free Cash Flow to Net Earnings Conversion Ratio (Non-GAAP)	82%	35%	116%	115%	101%	77%

* Immaterial differences due to rounding exist between these figures and the related amounts in the Earnings Presentation.

SECTION 9

Gross Profit and Operating Expenses

Gross Margin

Gross margin (GAAP)
Net Sales Adjustments (Non-GAAP)
Estimated SG&A Level adjustment (Non-GAAP)
Adjusted gross margin (Non-GAAP)

Three Months Ended	
July 1, 2016	July 3, 2015
49.39%	48.87%
0.23%	0.22%
—%	—%
49.62%	49.09%

SG&A as a % of Revenue

SG&A as a % of revenue (GAAP)
Net Sales Adjustments (Non-GAAP)
Estimated SG&A Level adjustment (Non-GAAP)
Adjusted SG&A as a % of adjusted revenue (Non-GAAP)

Three Months Ended	
July 1, 2016	July 3, 2015
22.46%	21.29%
0.14%	0.12%
—%	0.80%
22.60%	22.21%

R&D as a % of Revenue

R&D as a % of revenue (GAAP)
Net Sales Adjustments (Non-GAAP)
Estimated SG&A Level adjustment (Non-GAAP)
R&D as a % of adjusted revenue (Non-GAAP)

Three Months Ended	
July 1, 2016	July 3, 2015
6.22%	6.13%
0.04%	0.03%
—%	—%
6.26%	6.16%