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

FORM 10-Q

(Mark One)

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

For the quarterly period ended: September 29, 2017

Or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-37654

Fortive Corporation
(Exact name of registrant as specified in its charter)

Delaware	**47-5654583**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)
6920 Seaway Blvd Everett, WA	**98203**
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: (425) 446-5000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

The number of shares of common stock outstanding at October 20, 2017 was 347,558,977.

FORTIVE CORPORATION

INDEX

FORM 10-Q

		Page
PART I -	**FINANCIAL INFORMATION**	
Item 1.	Financial Statements	
	Consolidated Condensed Balance Sheets	3
	Consolidated and Combined Condensed Statements of Earnings	4
	Consolidated and Combined Condensed Statements of Comprehensive Income	5
	Consolidated Condensed Statement of Changes in Equity	6
	Consolidated and Combined Condensed Statements of Cash Flows	7
	Notes to Consolidated and Combined Condensed Financial Statements	8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	20
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	33
Item 4.	Controls and Procedures	33
PART II -	**OTHER INFORMATION**	
Item 1A.	Risk Factors	34
Item 6.	Exhibits	35
	Signatures	37

FORTIVE CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
($ in millions, except per share amounts)

	As of	
	September 29, 2017	December 31, 2016
	(unaudited)	
ASSETS		
Current assets:		
Cash and equivalents	$ 910.9	$ 803.2
Accounts receivable, net	1,075.1	945.4
Inventories:		
Finished goods	209.5	198.3
Work in process	86.1	79.3
Raw materials	280.6	267.0
Total inventories	576.2	544.6
Prepaid expenses and other current assets	133.1	195.5
Total current assets	2,695.3	2,488.7
Property, plant and equipment, net of accumulated depreciation of $1,072.6 and $1,004.2 at September 29, 2017 and December 31, 2016, respectively	673.2	547.6
Other assets	440.1	427.2
Goodwill	4,632.3	3,979.0
Other intangible assets, net	886.1	747.3
Total assets	$ 9,327.0	$ 8,189.8
LIABILITIES AND EQUITY		
Current liabilities:		
Trade accounts payable	$ 646.1	$ 666.2
Accrued expenses and other current liabilities	733.2	800.3
Total current liabilities	1,379.3	1,466.5
Other long-term liabilities	797.5	674.3
Long-term debt	3,671.9	3,358.0
Equity:		
Preferred stock: $0.01 par value, 15 million shares authorized; no shares issued or outstanding	—	—
Common stock: $0.01 par value, 2.0 billion shares authorized; 347.9 million and 346.0 million issued; 347.5 million and 345.9 million outstanding at September 29, 2017 and December 31,2016, respectively	3.5	3.5
Additional paid-in capital	2,449.2	2,427.2
Retained earnings	1,037.8	403.0
Accumulated other comprehensive income (loss)	(16.3)	(145.8)
Total Fortive stockholders' equity	3,474.2	2,687.9
Noncontrolling interests	4.1	3.1
Total stockholders' equity	3,478.3	2,691.0
Total liabilities and equity	$ 9,327.0	$ 8,189.8

See the accompanying Notes to the Consolidated and Combined Condensed Financial Statements.

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

	Three Months Ended		Nine Months Ended	
	September 29, 2017	September 30, 2016	September 29, 2017	September 30, 2016
Sales	$ 1,685.3	$ 1,567.4	$ 4,849.3	$ 4,597.2
Cost of sales	(845.9)	(794.5)	(2,460.8)	(2,361.0)
Gross profit	839.4	772.9	2,388.5	2,236.2
Operating costs:				
Selling, general and administrative expenses	(381.5)	(354.5)	(1,092.1)	(1,042.3)
Research and development expenses	(102.0)	(95.2)	(297.3)	(285.6)
Operating profit	355.9	323.2	999.1	908.3
Non-operating expense:				
Gain from acquisition	15.3	—	15.3	—
Interest expense	(22.9)	(23.4)	(68.2)	(26.1)
Earnings before income taxes	348.3	299.8	946.2	882.2
Income taxes	(80.5)	(72.9)	(238.6)	(234.4)
Net earnings	$ 267.8	$ 226.9	$ 707.6	$ 647.8
Net earnings per share:				
Basic	$ 0.77	$ 0.66	$ 2.04	$ 1.87
Diluted	$ 0.76	$ 0.65	$ 2.01	$ 1.87
Average common stock and common equivalent shares outstanding:				
Basic	347.7	346.0	347.3	345.5
Diluted	352.9	349.2	352.2	346.6

See the accompanying Notes to the Consolidated and Combined Condensed Financial Statements.

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

	Three Months Ended		Nine Months Ended	
	September 29, 2017	**September 30, 2016**	**September 29, 2017**	**September 30, 2016**
Net earnings	$ 267.8	$ 226.9	$ 707.6	$ 647.8
Other comprehensive income (loss), net of income taxes:				
Foreign currency translation adjustments	38.1	(25.7)	126.9	(14.2)
Pension adjustments	0.9	1.0	2.6	3.1
Total other comprehensive income (loss), net of income taxes	39.0	(24.7)	129.5	(11.1)
Comprehensive income	$ 306.8	$ 202.2	$ 837.1	$ 636.7

See the accompanying Notes to the Consolidated and Combined Condensed Financial Statements.

FORTIVE CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY
($ and shares in millions)
(unaudited)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests
	Shares	Amount				
Balance, December 31, 2016	345.9	$ 3.5	$ 2,427.2	$ 403.0	$ (145.8)	$ 3.1
Net earnings for the period	—	—	—	707.6	—	—
Dividends to shareholders	—	—	—	(72.8)	—	—
Separation related adjustments	—	—	(29.3)	—	—	—
Other comprehensive income	—	—	—	—	129.5	—
Common stock-based award activity	1.6	—	51.3	—	—	—
Change in noncontrolling interests	—	—	—	—	—	1.0
Balance, September 29, 2017	347.5	$ 3.5	$ 2,449.2	$ 1,037.8	$ (16.3)	$ 4.1

See the accompanying Notes to the Consolidated and Combined Condensed Financial Statements.

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

	Nine Months Ended	
	September 29, 2017	**September 30, 2016**
Cash flows from operating activities:		
Net earnings	$ 707.6	$ 647.8
Noncash items:		
Depreciation	72.4	66.7
Amortization	41.3	67.2
Stock-based compensation expense	37.2	34.4
Gain from acquisition	(15.3)	—
Impairment charge on intangible assets	—	3.5
Change in accounts receivable, net	(30.8)	9.9
Change in inventories	8.2	(34.9)
Change in trade accounts payable	(51.2)	(37.4)
Change in prepaid expenses and other assets	(17.9)	(13.3)
Change in accrued expenses and other liabilities	(38.5)	75.5
Net cash provided by operating activities	713.0	819.4
Cash flows from investing activities:		
Cash paid for acquisitions	(802.1)	(190.6)
Payments for additions to property, plant and equipment	(87.7)	(90.0)
All other investing activities	1.5	4.3
Net cash used in investing activities	(888.3)	(276.3)
Cash flows from financing activities:		
Net proceeds from borrowings (maturities of 90 days or less)	176.8	525.6
Proceeds from borrowings (maturities longer than 90 days)	125.9	2,983.0
Payment of dividends	(72.8)	(24.2)
Cash dividend paid to Former Parent	—	(3,000.0)
Net transfers to Former Parent	—	(301.4)
All other financing activities	10.9	(2.2)
Net cash provided by financing activities	240.8	180.8
Effect of exchange rate changes on cash and equivalents	42.2	0.9
Net change in cash and equivalents	107.7	724.8
Beginning balance of cash and equivalents	803.2	—
Ending balance of cash and equivalents	$ 910.9	$ 724.8

See the accompanying Notes to the Consolidated and Combined Condensed Financial Statements.

FORTIVE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED AND COMBINED CONDENSED FINANCIAL STATEMENTS

NOTE 1. BUSINESS OVERVIEW AND BASIS OF PRESENTATION

Fortive Corporation (“Fortive” or the “Company”) is a diversified industrial growth company encompassing businesses that are recognized leaders in attractive markets. Our well-known brands hold leading positions in advanced instrumentation and solutions, transportation technology, sensing, automation and specialty, and franchise distribution markets. Our businesses design, develop, service, manufacture and market professional and engineered products, software and services for a variety of end markets, building upon leading brand names, innovative technology and significant market positions.

Basis of Presentation—We prepared the unaudited consolidated and combined condensed financial statements included herein in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and the rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”) applicable for interim periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations; however, we believe the disclosures are adequate to make the information presented not misleading. The consolidated and combined condensed financial statements included herein should be read in conjunction with the audited annual consolidated and combined financial statements as of and for the year ended December 31, 2016 and the Notes thereto included within our 2016 Annual Report on Form 10-K.

In our opinion, the accompanying financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to fairly present our financial position as of September 29, 2017 and December 31, 2016, and our results of operations and cash flows for the three and nine months ended September 29, 2017 and September 30, 2016.

Prior to our separation from Danaher Corporation (“Danaher” or “Former Parent”) on July 2, 2016 (the “Separation”), our businesses were comprised of certain Danaher operating units (the “Fortive Businesses”). The combined condensed financial statements for periods prior to the Separation were derived from Danaher’s consolidated financial statements and accounting records and prepared in accordance with GAAP for the preparation of carved-out combined financial statements. Prior to the Separation, all revenues and costs as well as assets and liabilities directly associated with Fortive have been included in the combined condensed financial statements. Additionally, the combined condensed financial statements for periods prior to the Separation included allocations of certain general, administrative, sales and marketing expenses and cost of sales from Danaher’s corporate office and from other Danaher businesses to Fortive, and allocations of related assets, and liabilities, as applicable. The allocations were determined on a reasonable basis; however, the amounts are not necessarily representative of the amounts that would have been reflected in the financial statements had we been operating independently of Danaher during the applicable periods. Accordingly, our combined condensed financial statements may not be indicative of our results had we been a separate, stand-alone entity throughout the periods presented. For further discussion of related party allocations prior to the Separation, including the method for such allocation, refer to Note 19 of our 2016 Annual Report on Form 10-K.

Following the Separation, the consolidated financial statements include the accounts of Fortive and those of our wholly-owned subsidiaries and no longer include any allocations from Danaher. Accordingly:

- The Consolidated Condensed Balance Sheets at September 29, 2017 and December 31, 2016 consist of our consolidated balances.
- The Consolidated Condensed Statements of Earnings and Statements of Comprehensive Income for the three and nine months ended September 29, 2017 and the three months ended September 30, 2016 consist of our consolidated results.
- The Consolidated Condensed Statement of Changes in Equity and Statement of Cash Flows for the nine months ended September 29, 2017 consist of our consolidated results.
- The Consolidated and Combined Condensed Statement of Earnings, Statement of Comprehensive Income and Statement of Cash Flows for the nine months ended September 30, 2016 consist of our consolidated activity for the three months ended September 30, 2016 and the combined results of the Fortive Businesses for the six months ended July 1, 2016.

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

	Foreign currency translation adjustments	Pension & post-retirement plan benefit adjustments [b]	Total
For the Three Months Ended September 29, 2017:			
Balance, June 30, 2017	$ 16.2	$ (71.5)	$ (55.3)
Other comprehensive income (loss) before reclassifications, net of income taxes	38.1	—	38.1
Amounts reclassified from accumulated other comprehensive income (loss):			
Increase (decrease)	—	1.2 [a]	1.2
Income tax impact	—	(0.3)	(0.3)
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	0.9	0.9
Net current period other comprehensive income (loss), net of income taxes	38.1	0.9	39.0
Balance, September 29, 2017	$ 54.3	$ (70.6)	$ (16.3)
For the Three Months Ended September 30, 2016:			
Balance, July 1, 2016	$ 62.7	$ (63.5)	$ (0.8)
Other comprehensive income (loss) before reclassifications, net of income taxes	(25.7)	—	(25.7)
Amounts reclassified from accumulated other comprehensive income (loss):			
Increase (decrease)	—	1.3 [a]	1.3
Income tax impact	—	(0.3)	(0.3)
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	1.0	1.0
Net current period other comprehensive income (loss), net of income taxes	(25.7)	1.0	(24.7)
Balance, September 30, 2016	$ 37.0	$ (62.5)	$ (25.5)
For the Nine Months Ended September 29, 2017:			
Balance, December 31, 2016	$ (72.6)	$ (73.2)	$ (145.8)
Other comprehensive income (loss) before reclassifications, net of income taxes	126.9	—	126.9
Amounts reclassified from accumulated other comprehensive income (loss):			
Increase (decrease)	—	3.4 [a]	3.4
Income tax impact	—	(0.8)	(0.8)
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	2.6	2.6
Net current period other comprehensive income (loss)	126.9	2.6	129.5
Balance, September 29, 2017	$ 54.3	$ (70.6)	$ (16.3)

	Foreign currency translation adjustments	Pension & post-retirement plan benefit adjustments [b]	Total
For the Nine Months Ended September 30, 2016:			
Balance, December 31, 2015	$ 51.2	$ (65.6)	$ (14.4)
Other comprehensive income (loss) before reclassifications, net of income taxes	(14.2)	—	(14.2)
Amounts reclassified from accumulated other comprehensive income (loss):			
Increase	—	4.1 [a]	4.1
Income tax impact	—	(1.0)	(1.0)
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	3.1	3.1
Net current period other comprehensive income (loss)	(14.2)	3.1	(11.1)
Balance, September 30, 2016	$ 37.0	$ (62.5)	$ (25.5)

[a] This accumulated other comprehensive income (loss) component is included in the computation of net periodic pension cost (refer to Note 6 for additional details).

[b] Includes balances relating to non-U.S. employee defined benefit plans, supplemental executive retirement plans and other postretirement employee benefit plans.

New Accounting Standards—In May 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting*, which provided clarity on which changes to the terms or conditions of share-based payment awards require an entity to apply the modification accounting provisions required in Topic 718. This standard is effective for us beginning January 1, 2018 (with early adoption permitted, including adoption in any interim period for which financial statements have not yet been issued). We do not expect the adoption of this standard will have a material impact on our financial statements.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which aims to improve the presentation of net periodic pension cost. Under current accounting standards, all components of net periodic pension costs are aggregated and reported in cost of sales or selling, general and administrative expenses in the financial statements. Under the new standard we will be required to report only the service cost component in cost of sales or selling, general and administrative expenses; and the other components of net periodic pension costs (which include interest costs, expected return on plan assets and amortization of net loss) will be required to be presented in non-operating expenses. The presentation requirement of this standard is effective for us beginning January 1, 2018 (with early adoption permitted) using a retrospective transition approach and provides for certain practical expedients. We do not expect the adoption of this standard will have a material impact to our financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which amends the impairment model by requiring entities to use a forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments, including trade receivables. This standard is effective for us beginning January 1, 2020, with early adoption permitted. We are currently evaluating the impact of this standard on our financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which will require, among other items, lessees to recognize a right-of-use asset and a lease liability for most leases. The standard also requires disclosures by lessees and lessors about the amount, timing and uncertainty of cash flows arising from leases. The accounting applied by a lessor is largely unchanged from that applied under the current standard. This standard is effective for us beginning January 1, 2019 (with early adoption permitted) using a modified retrospective transition approach and provides for certain practical expedients. In September 2017, the FASB issued ASU No. 2017-13, *Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842)*, which provided additional implementation guidance on the previously issued ASU. We are currently evaluating the impact of this standard on our financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which impacts virtually all aspects of an entity's revenue recognition. The core principle of the new standard is that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to

which the entity expects to be entitled in exchange for those goods or services. During 2016 and 2017, the FASB issued several amendments to the standard, including clarification to the guidance on reporting revenues as a principal versus an agent, identifying performance obligations, accounting for intellectual property licenses, assessing collectability, presentation of sales taxes, impairment testing for contract costs, disclosure of performance obligations and provided additional implementation guidance. The new standard will also require additional disclosures intended to provide users of financial statements comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows from customer contracts. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the earliest period shown, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application. We currently anticipate adopting this standard beginning January 1, 2018 using the modified retrospective method.

We are currently completing our assessment and quantifying the impact of the new revenue standard on our financial statements and related disclosures. We expect recognition of revenue for a majority of customer contracts to remain substantially unchanged. However, we are continuing to assess all potential impacts of the standard and we currently believe the more significant impacts relate to certain customer contracts that will be recognized over time, accounting for any required deferral of commissions and changes to the timing of recognition of revenue and costs related to certain warranty arrangements. We have identified, and are in the process of implementing, appropriate changes to our processes, systems and controls to support recognition and disclosure under the new standard. Furthermore, we anticipate that our disclosures will be expanded to meet the new standard's disclosure objectives.

Separation from Danaher Corporation—The Separation from Danaher, effectuated on July 2, 2016, was completed in the form of a pro rata distribution to Danaher stockholders of record on June 15, 2016 of 100 percent of the outstanding shares of Fortive Corporation held by Danaher.

NOTE 2. ACQUISITIONS

For a full description of our acquisition activity, reference is made to Note 3 of our 2016 Annual Report on Form 10-K.

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

We make an initial allocation of the purchase price at the date of acquisition based upon our understanding of the fair value of the acquired assets and assumed liabilities. We obtain this information during due diligence and through other sources. In the months after closing, as we obtain additional information about these assets and liabilities, including through tangible and intangible asset appraisals, and learn more about the newly acquired business, we are able to refine the estimates of fair value and more accurately allocate the purchase price. Only items identified as of the acquisition date are considered for subsequent adjustment. We are in the process of obtaining valuations of certain acquired intangible assets in connection with certain acquisitions. We make appropriate adjustments to purchase price allocations prior to completion of the applicable measurement period, as required.

During the third quarter of 2017, we acquired two businesses for total consideration of $802 million in cash, net of cash acquired, including the acquisition of the remaining 80% of a business in which we previously had an ownership interest. The acquisition of the remaining 80% interest also resulted in the revaluation of our prior interest, and we recorded a gain from acquisition of $15.3 million. The businesses acquired complement existing units of the Industrial Technology and Professional Instrumentation segments. The aggregate annual sales of these businesses at the time of their respective acquisitions, in each case based on the company's revenues for its last completed fiscal year prior to the acquisition, were approximately $246 million. We preliminarily recorded an aggregate of $576 million of goodwill related to these acquisitions.

The following summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition for all acquisitions consummated during the nine months ended September 29, 2017 ($ in millions):

Accounts receivable	$	73.3
Inventories		27.8
Property, plant and equipment		99.7
Goodwill		576.3
Other intangible assets, primarily customer relationships, trade names and technology		172.4
Trade accounts payable		(15.6)
Other assets and liabilities, net		(95.0)
Previously held investment		(36.8)
Net cash consideration	$	802.1

Pro forma financial information for these acquisitions has not been presented because the impact is not material.

Subsequent Event

On October 19, 2017, we completed the acquisition of Landauer Inc., a leading global provider of subscription-based technical and analytical services to determine occupational and environmental radiation exposure, as well as a leading domestic provider of outsourced medical physics services, at a purchase price of $67.25 per share. Landauer Inc. will be integrated into our Professional Instrumentation segment.

NOTE 3. GOODWILL

The following is a rollforward of our goodwill ($ in millions):

Balance, December 31, 2016	$	3,979.0
Attributable to 2017 acquisitions		576.3
Foreign currency translation & other		77.0
Balance, September 29, 2017	$	4,632.3

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

		September 29, 2017		December 31, 2016
Professional Instrumentation	$	2,863.8	$	2,423.7
Industrial Technologies		1,768.5		1,555.3
Total goodwill	$	4,632.3	$	3,979.0

We have not identified any “triggering” events which would have indicated a potential impairment of goodwill in the nine months ended September 29, 2017.

NOTE 4. FAIR VALUE MEASUREMENTS

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

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

	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
September 29, 2017				
Deferred compensation liabilities	$ —	$ 19.7	$ —	$ 19.7
December 31, 2016				
Deferred compensation liabilities	$ —	$ 14.8	$ —	$ 14.8

Certain of our management employees participate in our nonqualified deferred compensation programs that permit such employees to defer a portion of their compensation, on a pretax basis, until after their termination of employment. All amounts deferred under such plans are unfunded, unsecured obligations and are presented as a component of our compensation and benefits accrual included in other long-term liabilities in the accompanying Consolidated Condensed Balance Sheets. Participants may choose among alternative earning rates for the amounts they defer, which are primarily based on investment options within our defined contribution plans for the benefit of U.S. employees (except that the earnings rates for amounts contributed unilaterally by the Company are entirely based on changes in the value of Fortive common stock). Changes in the deferred compensation liability under these programs are recognized based on changes in the fair value of the participants' accounts, which are based on the applicable earnings rates.

Fair Value of Financial Instruments

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

	September 29, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term borrowings	$ 3,671.9	$ 3,680.4	$ 3,358.0	$ 3,321.4

As of September 29, 2017 and December 31, 2016, the long-term borrowings were categorized as Level 1.

The fair value of long-term borrowings was based on quoted market prices. The difference between the fair value and the carrying amounts of long-term borrowings may be attributable to changes in market interest rates and/or our credit ratings subsequent to the incurrence of the borrowing. The fair values of cash and cash equivalents, accounts receivable, net and trade accounts payable approximate their carrying amounts due to the short-term maturities of these instruments.

NOTE 5. FINANCING

The carrying value of the components of our long-term debt were as follows ($ in millions):

	September 29, 2017	December 31, 2016
U.S. dollar-denominated commercial paper	$ 285.8	$ 347.9
Euro-denominated commercial paper	278.3	26.8
U.S. dollar variable interest rate term loan due 2019	500.0	500.0
Yen variable interest rate term loan due 2022	122.5	—
1.80% senior unsecured notes due 2019	298.8	298.3
2.35% senior unsecured notes due 2021	745.6	744.8
3.15% senior unsecured notes due 2026	890.7	890.1
4.30% senior unsecured notes due 2046	546.7	546.8
Other	3.5	3.3
Long-term debt	$ 3,671.9	$ 3,358.0

Net discounts, premiums and issuance costs of $18.3 million and $20.1 million as of September 29, 2017 and December 31, 2016, respectively, and have been netted against the aggregate principal amounts of the components of debt table above. Refer to Note 10 of our 2016 Annual Report on Form 10-K for further details of our debt financing.

We generally satisfy any short-term liquidity needs that are not met through operating cash flows and available cash primarily through issuances of commercial paper under our U.S. dollar and Euro-denominated commercial paper programs ("Commercial Paper Programs"). Credit support for the Commercial Paper Programs is provided by a five-year $1.5 billion senior unsecured

revolving credit facility that expires on June 16, 2021 (the "Revolving Credit Facility") which can also be used for working capital and other general corporate purposes. As of September 29, 2017, no borrowings were outstanding under the Revolving Credit Facility.

The details of our Commercial Paper Programs as of September 29, 2017 were as follows ($ in millions):

		Carrying Value	Weighted average annual interest rate	Weighted average remaining maturity (in days)
U.S. dollar-denominated	$	285.8	1.44 %	11
Euro-denominated	$	278.3	(0.08)%	72

We classified our borrowings outstanding under the Commercial Paper Programs as long-term debt in the accompanying Consolidated Condensed Balance Sheets as we had the intent and ability, as supported by availability under the Revolving Credit Facility referenced above, to refinance these borrowings for at least one year from the balance sheet date.

As of September 29, 2017, we were in compliance with all of our covenants.

Yen Variable Interest Rate Term Loan

On August 24, 2017, we entered into a new term loan agreement that provides for a five-year ¥13.8 billion senior unsecured term facility ("Yen Term Loan") that expires on August 24, 2022. We borrowed the entire ¥13.8 billion available under this facility on August 28, 2017, which yielded net proceeds of approximately $126 million. The Yen Term Loan bears interest at a rate equal to LIBOR plus 50 basis points, provided however that LIBOR may not be less than zero for the purposes of the Yen Term Loan. As of September 29, 2017, borrowings under the Yen Term Loan bear an interest rate of 0.50% per annum. During the period of 2017 in which the Yen Term Loan was outstanding, the annual effective rate was 0.50%. The Yen Term Loan is pre-payable at our option, and re-borrowing is not permitted once the term loan is repaid.

The terms and conditions, including covenants, applicable to the the Yen Term Loan are substantially similar to those applicable to the Revolving Credit Facility.

Registration Rights Agreement

During 2016, we issued in a private placement $2.5 billion of senior unsecured notes in multiple series with maturity dates ranging from June 15, 2019 to June 15, 2046 (collectively, the "Private Notes"). In connection with the issuance of the Private Notes, we entered into a registration rights agreement, pursuant to which we were obligated to use commercially reasonable efforts to file with the SEC, and cause to be declared effective, a registration statement with respect to an offer to exchange each series of Private Notes for registered notes ("Registered Notes") with substantially identical terms ("Exchange Offer"). Accordingly, on May 5, 2017 we filed a Form S-4 with the SEC (the "Registration Statement"), which Registration Statement was declared effective on May 17, 2017. On May 17, 2017, we launched the Exchange Offer, which expired on June 14, 2017. All Private Notes were tendered and exchanged for Registered Notes in the Exchange Offer.

NOTE 6. PENSION PLANS

We have noncontributory defined benefit pension plans outside of the United States. The following sets forth the components of our net periodic pension costs associated with these plans ($ in millions):

	Three Months Ended		Nine Months Ended	
	September 29, 2017	September 30, 2016	September 29, 2017	September 30, 2016
Service cost	$ 1.1	$ 0.9	$ 3.1	$ 2.6
Interest cost	1.5	1.8	4.4	5.6
Expected return on plan assets	(1.9)	(2.0)	(5.5)	(6.1)
Amortization of net loss	1.2	1.3	3.4	4.1
Net periodic pension cost	$ 1.9	$ 2.0	$ 5.4	$ 6.2

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

Employer Contributions

During 2017, our cash contribution requirements for our defined benefit pension plans are expected to be approximately $10 million. The ultimate amounts to be contributed depend upon, among other things, legal requirements, underlying asset returns, the plan's funded status, the anticipated tax deductibility of the contribution, local practices, market conditions, interest rates and other factors.

NOTE 7. INCOME TAXES

Our effective tax rates for the three and nine months ended September 29, 2017, were 23.1% and 25.2%, respectively, as compared to 24.3% and 26.6% for the three and nine months ended September 30, 2016, respectively. Our effective tax rates for 2017 and 2016 differ from the U.S. federal statutory rate of 35% due principally to our earnings outside the United States that are indefinitely reinvested and taxed at rates lower than the U.S. federal statutory rate and the impact of credits and deductions provided by law.

NOTE 8. STOCK-BASED COMPENSATION

In connection with the Separation, the Company adopted the 2016 Stock Incentive Plan (the "Stock Plan"). Outstanding equity awards of Danaher held by our employees at the Separation date were converted into or replaced with Fortive equity awards under the Stock Plan. The Stock Plan provides for the grant of stock appreciation rights, performance stock units ("PSUs"), restricted stock units ("RSUs"), restricted stock awards and performance stock awards (collectively, "Stock Awards"), stock options or any other stock-based award. As of September 29, 2017, approximately 7 million shares of our common stock were reserved for issuance under the Stock Plan. For a full description of our stock-based compensation program refer to Note 16 of our 2016 Annual Report on Form 10-K.

When stock options are exercised by the employee or Stock Awards vest, we derive a tax deduction measured by the excess of the market value on such date over the grant date price. During the three and nine months ended September 29, 2017, we realized a tax benefit of $9.7 million and $26.2 million, respectively, related to employee stock options that were exercised and Stock Awards that vested. As of January 1, 2017, we prospectively adopted ASU No. 2016-09, *Compensation—Stock Compensation (Topic 718)*. Accordingly, we recorded the excess of the tax benefit related to the exercise of stock options and vesting of Stock Awards over the expense recorded for financial statement reporting purposes (the "Excess Tax Benefit") as a component of income tax expense and as an operating cash inflow in the accompanying consolidated and combined condensed financial statements. Such Excess Tax Benefit was $5.9 million and $16.1 million during the three and nine months ended September 29, 2017, respectively.

We had no stock-based compensation plans prior to the Separation; however certain of our employees had participated in Danaher's stock-based compensation plans ("Danaher Plans"), which provided for the grants of stock options, PSUs and RSUs among other types of awards.

Stock-based Compensation Expense

Stock-based compensation has been recognized as a component of selling, general & administrative expenses in the accompanying Consolidated and Combined Condensed Statements of Earnings. Under ASU 2016-09, we will continue to recognize stock-based compensation expense based on the portion of the awards that are ultimately expected to vest. Prior to the Separation, Danaher allocated stock-based compensation expense to the Company based on Fortive employees participating in the Danaher Plans. These allocations are reflected in the accompanying Combined Condensed Statement of Earnings for the nine months ended September 30, 2016.

The following summarizes the components of our stock-based compensation expense under the Stock Plan and the Danaher Plans ($ in millions):

	Three Months Ended		Nine Months Ended	
	September 29, 2017	September 30, 2016	September 29, 2017	September 30, 2016
Stock Awards:				
Pretax compensation expense	$ 7.2	$ 7.3	$ 22.6	$ 21.5
Income tax benefit	(2.4)	(2.3)	(8.0)	(7.1)
Stock Award expense, net of income taxes	4.8	5.0	14.6	14.4
Stock options:				
Pretax compensation expense	4.7	4.7	14.6	12.9
Income tax benefit	(1.6)	(1.6)	(5.0)	(4.4)
Stock option expense, net of income taxes	3.1	3.1	9.6	8.5
Total stock-based compensation:				
Pretax compensation expense	11.9	12.0	37.2	34.4
Income tax benefit	(4.0)	(3.9)	(13.0)	(11.5)
Total stock-based compensation expense, net of income taxes	$ 7.9	$ 8.1	$ 24.2	$ 22.9

The following summarizes the unrecognized compensation cost for the Stock Plan awards as of September 29, 2017. This compensation cost is expected to be recognized over a weighted average period of approximately two years, representing the remaining service period related to the awards. Future compensation amounts will be adjusted for any changes in estimated forfeitures ($ in millions):

Stock Awards	$ 45.2
Stock options	44.8
Total unrecognized compensation cost	$ 90.0

In connection with the exercise of certain stock options and the vesting of Stock Awards issued under the Stock Plan, a number of shares of Fortive common stock sufficient to fund statutory minimum tax withholding requirements has been withheld from the total shares issued or released to the award holder (though under the terms of the Stock Plan, the shares are considered to have been issued and are not added back to the pool of shares available for grant). During the nine months ended September 29, 2017, approximately 223 thousand shares of Fortive common stock with an aggregate value of $13.5 million were withheld to satisfy this requirement. This withholding is treated as a reduction in additional paid-in capital in the accompanying Consolidated Condensed Statement of Changes in Equity.

Stock Options

The following summarizes the assumptions used in the Black-Scholes Merton option pricing model to value stock options granted under the Stock Plan during the nine months ended September 29, 2017:

Risk-free interest rate	1.90% - 2.26%
Weighted average volatility [(a)]	21.0%
Dividend yield	0.5%
Expected years until exercise	5.5 - 8.0

[(a)] Weighted average volatility was estimated based on an average historical stock price volatility of a group of peer companies, given our limited trading history.

The following summarizes option activity under the Stock Plan for the nine months ended September 29, 2017 (in millions, except price per share and numbers of years):

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2016	10.7	$ 33.23		
Granted	1.8	57.55		
Exercised	(1.0)	25.09		
Canceled/forfeited	(0.3)	44.87		
Outstanding as of September 29, 2017	11.2	$ 37.65	6.5	$ 370.9
Vested and expected to vest as of September 29, 2017 [(a)]	10.8	$ 37.23	6.5	$ 362.6
Vested as of September 29, 2017	5.4	$ 28.23	4.7	$ 229.3

[(a)] The “expected to vest” options are the net unvested options that remain after applying the forfeiture rate assumption to total unvested options.

The aggregate intrinsic values in the table above represent the total pretax intrinsic value (the difference between the closing stock price of Fortive common stock on the last trading day of the third quarter of 2017 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on September 29, 2017. The amount of aggregate intrinsic value will change based on the price of Fortive’s common stock. The aggregate intrinsic value of options exercised during the nine months ended September 29, 2017 was $38 million. Exercise of options during the first nine months of 2017 resulted in cash receipts of $25 million.

Stock Awards

The following summarizes information related to unvested Stock Award activity under the Stock Plan for the nine months ended September 29, 2017 (in millions; except price per share):

	Number of Stock Awards	Weighted Average Grant-Date Fair Value
Unvested as of December 31, 2016	2.2	$ 39.20
Granted	0.6	57.04
Vested	(0.6)	35.70
Forfeited	(0.1)	43.65
Unvested as of September 29, 2017	2.1	$ 45.32

NOTE 9. COMMITMENTS AND CONTINGENCIES

For a description of our litigation and contingencies, reference is made to Notes 14 and 15 of our 2016 Annual Report on Form 10-K.

We generally accrue estimated warranty costs at the time of sale. In general, manufactured products are warranted against defects in material and workmanship when properly used for their intended purpose, installed correctly, and appropriately maintained. Warranty period terms depend on the nature of the product and range from 90 days up to the life of the product. The amount of the accrued warranty liability is determined based on historical information such as past experience, product failure rates or number of units repaired, estimated cost of material and labor, and in certain instances estimated property damage. The accrued warranty liability is reviewed on a quarterly basis and may be adjusted as additional information regarding expected warranty costs becomes known.

The following is a rollforward of our accrued warranty liability ($ in millions):

Balance, December 31, 2016	$ 65.0
Accruals for warranties issued during the period	56.3
Settlements made	(54.8)
Additions due to acquisitions	1.6
Effect of foreign currency translation	0.2
Balance, September 29, 2017	$ 68.3

NOTE 10. NET EARNINGS PER SHARE

Basic net earnings per share (“EPS”) is calculated by dividing net earnings by the weighted average number of shares of common stock outstanding for the applicable period. Diluted EPS is similarly calculated, except that the calculation includes the dilutive effect of the assumed issuance of shares under stock-based compensation plans except where the inclusion of such shares would have an anti-dilutive impact. For both the three and nine months ended September 29, 2017 the anti-dilutive options to purchase shares excluded from the diluted EPS calculation were immaterial.

We were incorporated on November 10, 2015, accordingly, we had no shares or common equivalent shares outstanding prior to that date. The total number of shares outstanding on July 1, 2016, immediately before the Separation, was 345.2 million and is utilized for the calculation of both basic and diluted EPS for all periods prior to the Separation.

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

	Net Earnings (Numerator)	Shares (Denominator)	Per Share Amount
For the Three Months Ended September 29, 2017:			
Basic EPS	$ 267.8	347.7	$ 0.77
Incremental shares from assumed exercise of dilutive options and vesting of dilutive Stock Awards	—	5.2	
Diluted EPS	$ 267.8	352.9	$ 0.76
For the Three Months Ended September 30, 2016:			
Basic EPS	$ 226.9	346.0	$ 0.66
Incremental shares from assumed issuance of shares under stock-based compensation plans	—	3.2	
Diluted EPS	$ 226.9	349.2	$ 0.65
For the Nine Months Ended September 29, 2017:			
Basic EPS	$ 707.6	347.3	$ 2.04
Incremental shares from assumed exercise of dilutive options and vesting of dilutive Stock Awards	—	4.9	
Diluted EPS	$ 707.6	352.2	$ 2.01
For the Nine Months Ended September 30, 2016:			
Basic EPS	$ 647.8	345.5	$ 1.87
Incremental shares from assumed issuance of shares under stock-based compensation plans	—	1.1	
Diluted EPS	$ 647.8	346.6	$ 1.87

On August 3, 2017, we declared a regular quarterly dividend of $0.07 per share paid on September 29, 2017 to holders of record on August 25, 2017. For the nine months ended September 29, 2017, cash dividend payments of $72.8 million were recorded as dividends to shareholders in the Consolidated Condensed Statement of Changes in Equity.

NOTE 11. SEGMENT INFORMATION

We operate and report our results in two business segments consisting of the Professional Instrumentation and Industrial Technologies segments. As of September 29, 2017, there have been no material changes in total assets or liabilities by segment since December 31, 2016, except for the addition of the assets from acquisitions as detailed in Note 2. Segment results are shown below ($ in millions):

	Three Months Ended		Nine Months Ended	
	September 29, 2017	September 30, 2016	September 29, 2017	September 30, 2016
Sales:				
Professional Instrumentation	$ 786.8	$ 723.5	$ 2,261.9	$ 2,145.1
Industrial Technologies	898.5	843.9	2,587.4	2,452.1
Total	$ 1,685.3	$ 1,567.4	$ 4,849.3	$ 4,597.2
Operating Profit:				
Professional Instrumentation	$ 178.6	$ 161.5	$ 521.5	$ 469.9
Industrial Technologies	196.2	180.6	530.3	484.7
Other	(18.9)	(18.9)	(52.7)	(46.3)
Total	$ 355.9	$ 323.2	$ 999.1	$ 908.3

As of September 29, 2017, the material changes in total assets by segment since December 31, 2016 were due primarily to the acquisitions detailed in Note 2. Segment identifiable assets are shown below ($ in millions):

	September 29, 2017	December 31, 2016
Professional Instrumentation	$ 4,661.7	$ 3,905.2
Industrial Technologies	3,735.1	3,294.8
Other	930.2	989.8
Total	$ 9,327.0	$ 8,189.8

NOTE 12. RELATED-PARTY TRANSACTIONS

Revenue and Other Transactions Entered Into In the Ordinary Course of Business

Prior to the Separation, we operated as part of Danaher and not as a stand-alone company and certain of our revenue arrangements related to contracts entered into in the ordinary course of business with Danaher and its affiliates. Following the Separation, we continue to enter into arms-length arrangements in the ordinary course of business with Danaher and its affiliates, although certain agreements were entered into or terminated as a result of the Separation. Sales and purchases from these arrangements with Danaher were not material during the three and nine months ended September 29, 2017 and September 30, 2016.

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

Fortive Corporation is a diversified industrial growth company comprised of Professional Instrumentation and Industrial Technologies segments and encompassing businesses that are recognized leaders in attractive markets. Our well-known brands hold leading positions in advanced instrumentation and solutions, transportation technology, sensing, automation and specialty, and franchise distribution markets. Our businesses design, develop, service, manufacture and market professional and engineered products, software and services for a variety of end markets, building upon leading brand names, innovative technology and significant market positions.

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide a reader of our financial statements with a narrative from the perspective of management. The following discussion should be read in conjunction with the MD&A and consolidated and combined financial statements included in our 2016 Annual Report on Form 10-K. Our MD&A is divided into six sections:

- Information Relating to Forward-Looking Statements
- Basis of Presentation
- Overview
- Results of Operations
- Liquidity and Capital Resources
- Critical Accounting Estimates

INFORMATION RELATING TO FORWARD-LOOKING STATEMENTS

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

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

- Conditions in the global economy, the markets we serve and the financial markets may adversely affect our business and financial statements.
- Our growth could suffer if the markets into which we sell our products, software and services decline, do not grow as anticipated or experience cyclicality.

- We face intense competition and if we are unable to compete effectively, we may experience decreased demand and decreased market share. Even if we compete effectively, we may be required to reduce prices for our products, software and services.
- Changes in industry standards, governmental regulations and applicable laws may reduce demand for our products, software or services or increase our expenses.
- Any inability to consummate acquisitions at our historical rate and at appropriate prices could negatively impact our growth rate and stock price.
- Our growth depends in part on the timely development and commercialization, and customer acceptance, of new and enhanced products, software and services based on technological innovation.
- Our reputation, ability to do business and financial statements may be impaired by improper conduct by any of our employees, agents or business partners.
- Our acquisition of businesses, joint ventures and strategic relationships could negatively impact our financial statements.
- The indemnification provisions of acquisition agreements by which we have acquired companies may not fully protect us and as a result we may face unexpected liabilities.
- Divestitures or other dispositions could negatively impact our business, and contingent liabilities from businesses that we have sold could adversely affect our financial statements.
- Our operations, products and services expose us to the risk of environmental, health and safety liabilities, costs and violations that could adversely affect our reputation, business and financial statements.
- Our businesses are subject to extensive regulation; failure to comply with those regulations could adversely affect our business, financial statements and reputation.
- International economic, trade, political, legal, compliance and business factors could negatively affect our business and financial statements.
- We may be required to recognize impairment charges for our goodwill and other intangible assets.
- Foreign currency exchange rates may adversely affect our financial statements.
- Changes in our tax rates or exposure to additional income tax liabilities or assessments could affect our profitability. In addition, audits by tax authorities could result in additional tax payments for prior periods.
- We have incurred a significant amount of debt, and our debt will increase further if we incur additional debt and do not retire existing debt.
- We are subject to a variety of litigation and other legal and regulatory proceedings in the course of our business that could adversely affect our financial statements.
- If we do not or cannot adequately protect our intellectual property, or if third parties infringe our intellectual property rights, we may suffer competitive injury or expend significant resources enforcing our rights.
- Third parties may claim that we are infringing or misappropriating their intellectual property rights and we could suffer significant litigation expenses, losses or licensing expenses or be prevented from selling products, software or services.
- Defects and unanticipated use or inadequate disclosure with respect to our products, software or services could adversely affect our business, reputation and financial statements.
- Adverse changes in our relationships with, or the financial condition, performance, purchasing patterns or inventory levels of, key distributors and other channel partners could adversely affect our financial statements.
- Our financial results are subject to fluctuations in the cost and availability of commodities that we use in our operations.

- If we cannot adjust our manufacturing capacity or the purchases required for our manufacturing activities to reflect changes in market conditions and customer demand, our profitability may suffer. In addition, our reliance upon sole or limited sources of supply for certain materials, components and services could cause production interruptions, delays and inefficiencies.
- A significant disruption in, or breach in security of, information technology systems we use could adversely affect our business.
- Our restructuring actions could have long-term adverse effects on our business.
- Work stoppages, union and works council campaigns and other labor disputes could adversely impact our productivity and results of operations.
- If we suffer loss to our facilities, supply chains, distribution systems or information technology systems due to catastrophe or other events, our operations could be seriously harmed.
- Certain provisions in our amended and restated certificate of incorporation and bylaws, and of Delaware law, may prevent or delay an acquisition of our company, which could decrease the trading price of our common stock.
- Our amended and restated certificate of incorporation designates the state courts in the State of Delaware or, if no state court located within the State of Delaware has jurisdiction, the federal court for the District of Delaware, as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our shareholders which could discourage lawsuits against us and our directors and officers.
- As an independent, publicly traded company, we may not enjoy the same benefits that we did as a part of Danaher Corporation (“Danaher” or “Former Parent”).
- Potential indemnification liabilities to Danaher pursuant to our separation agreement with Danaher could materially and adversely affect our businesses, financial condition, results of operations and cash flows.
- In connection with our separation from Danaher, Danaher has indemnified us for certain liabilities. However, there can be no assurance that the indemnity will be sufficient to insure us against the full amount of such liabilities, or that Danaher’s ability to satisfy its indemnification obligation will not be impaired in the future.
- There could be significant liability if the separation from Danaher fails to qualify as a tax-free transaction for U.S. federal income tax purposes.
- We may not be able to engage in certain corporate transactions for a two-year period after the separation from Danaher on July 2, 2016.

See “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 for a further discussion regarding reasons that actual results may differ materially from the results, developments and business decisions contemplated by our forward-looking statements. Forward-looking statements speak only as of the date of the report, document, press release, webcast, call, materials or other communication in which they are made. We do not assume any obligation to update or revise any forward-looking statement, whether as a result of new information, future events and developments or otherwise.

BASIS OF PRESENTATION

The accompanying consolidated and combined condensed financial statements present our historical financial position, results of operations, changes in equity and cash flows in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Prior to our separation from Danaher on July 2, 2016 (the “Separation”), our businesses were comprised of certain Danaher operating units. Fortive Corporation and the Fortive businesses (including for the periods prior to the Separation) are collectively referred to as “Fortive” or “the Company” herein.

The combined condensed financial statements for periods prior to the Separation were derived from Danaher's consolidated financial statements and accounting records and prepared in accordance with GAAP for the preparation of carved-out combined financial statements. Prior to the Separation, all revenues and costs as well as assets and liabilities directly associated with Fortive have been included in the combined condensed financial statements. Additionally, the combined condensed financial statements for periods prior to the Separation included allocations of certain general, administrative, sales and marketing expenses and cost of sales from Danaher's corporate office and from other Danaher businesses to Fortive, and allocations of related assets, and liabilities, as applicable. The allocations were determined on a reasonable basis; however, the amounts are not necessarily representative of the amounts that would have been reflected in the financial statements had we been operating independently of Danaher during the applicable periods. Accordingly, our combined condensed financial statements may not be indicative of our results had we been a separate, stand-alone entity throughout the periods presented. For further discussion of related party allocations prior to the Separation, including the method for such allocation, refer to Note 19 of our 2016 Annual Report on Form 10-K.

Following the Separation, the consolidated financial statements include the accounts of Fortive and those of our wholly-owned subsidiaries and no longer include any allocations from Danaher.

OVERVIEW

General

Fortive is a diversified, multinational industrial growth company with global operations and our businesses are affected by worldwide, regional and industry-specific economic and political factors. Our geographic and industry diversity, as well as the range of our products, software and services, typically help limit the impact of any one industry or the economy of any single country (except for the United States) on our operating results. Given the broad range of products manufactured, software and services provided and geographies served, we do not use any indices other than general economic trends to predict the overall outlook for the Company. Our individual businesses monitor key competitors and customers, including to the extent possible their sales, to gauge relative performance and the outlook for the future.

As a result of our geographic and industry diversity, we face a variety of opportunities and challenges, including technological development in most of the markets we serve, the expansion and evolution of opportunities in high-growth markets, trends and costs associated with a global labor force and consolidation of our competitors. We define high-growth markets as developing markets of the world experiencing extended periods of accelerated growth in gross domestic product and infrastructure which include Eastern Europe, the Middle East, Africa, Latin America and Asia with the exception of Japan and Australia. We operate in a highly competitive business environment in most markets, and our long-term growth and profitability will depend in particular on our ability to expand our business across geographies and market segments, identify, consummate and integrate appropriate acquisitions, develop innovative and differentiated new products, services and software, expand and improve the effectiveness of our sales force and continue to reduce costs and improve operating efficiency and quality, and effectively address the demands of an increasingly regulated environment. We are making significant investments, organically and through acquisitions, to address technological change in the markets we serve and to improve our manufacturing, research and development and customer-facing resources in order to be responsive to our customers throughout the world.

In this report, references to sales from existing businesses refers to sales from operations calculated according to GAAP but excluding (1) the impact from acquired businesses, (2) for the nine months ended September 29, 2017, the impact from the Separation, and (3) the impact of currency translation. References to sales attributable to acquisitions or acquired businesses refer to GAAP sales from acquired businesses recorded prior to the first anniversary of the acquisition less the amount of sales 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. Sales from existing businesses should be considered in addition to, and not as a replacement for or superior to, sales, and may not be comparable to similarly titled measures reported by other companies.

Management believes that reporting the non-GAAP financial measure of sales from existing businesses provides useful information to investors by helping identify underlying growth trends in our business and facilitating comparisons of our sales performance with our performance in 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 from existing businesses because the impact of currency translation is not under management's control and is subject to volatility. Management believes the exclusion of the effect of acquisitions and divestitures (including Separation-related items) and currency translation may facilitate the assessment of underlying business trends and may assist in comparisons of long-term performance. References to sales volume refer to the impact of both price and unit sales.

Business Performance and Outlook

While differences exist among our businesses, on an overall basis, demand for our products, software and services increased during the three months ended September 29, 2017 as compared to the comparable period of 2016 resulting in aggregate year-over-year total sales growth of 7.5% and sales growth from existing businesses of 4.8%. Our continued investments in sales growth initiatives and new product introductions, as well as increased demand in high-growth markets and stabilization of market conditions in developed markets and other business-specific factors discussed below contributed to overall sales growth from existing businesses across the majority of our businesses in the period. On a year-over-year basis, sales growth from existing businesses in the Professional Instrumentation segment was driven by strong demand in the businesses within both Advanced Instrumentation & Solutions and Sensing Technologies. Year-over-year sales growth from existing businesses in the Industrial Technologies segment was led by increased demand in Automation & Specialty Components and Transportation Technologies businesses driven by demand for industrial automation solutions and demand for dispensers and payment systems in the United States and Europe. The Europay, Mastercard and Visa ("EMV") global standards are expected to continue to drive demand for dispensers and payment systems over the next several years, however, we do not expect it to be a significant component of year-over-year growth for the next several quarters.

Geographically, sales from existing businesses grew at a low-single digit rate in developed markets and at a low-double digit rate in high-growth markets during the three months ended September 29, 2017 as compared to the comparable 2016 period. Year-over-year sales from existing businesses grew at a rate in the mid-teens in China, at a high-single digit rate in Western Europe and at a low-single digit rate in North America during the three months ended September 29, 2017. We expect overall sales from existing businesses to grow on a year-over-year basis during the remainder of 2017 although we continue to monitor developments from macro-economic and geopolitical uncertainties, including global uncertainties related to monetary and fiscal policies, as well as other factors identified above in "—Information Relating to Forward-Looking Statements."

Acquisitions

During the third quarter of 2017, we acquired two businesses for total consideration of $802 million in cash, net of cash acquired, including the acquisition of the remaining 80% of a business in which we previously had an ownership interest. The acquisition of the remaining 80% interest also resulted in the revaluation of our prior interest, and we recorded a gain from acquisition of $15.3 million. The businesses acquired complement existing units of the Industrial Technology and Professional Instrumentation segments. The aggregate annual sales of these businesses at the time of their respective acquisitions, in each case based on the company's revenues for its last completed fiscal year prior to the acquisition, were approximately $246 million. We preliminarily recorded an aggregate of $576 million of goodwill related to these acquisitions.

RESULTS OF OPERATIONS

Sales Growth

The following tables summarize total aggregate year-over-year sales growth and the components of aggregate year-over-year sales growth during the three and nine months ended September 29, 2017 as compared to the comparable periods of 2016:

Components of Sales Growth

	% Change Three Months Ended September 29, 2017 vs. Comparable 2016 Period	% Change Nine Months Ended September 29, 2017 vs. Comparable 2016 Period
Total revenue growth (GAAP)	**7.5%**	**5.5 %**
Existing businesses (Non-GAAP)	4.8%	5.1 %
Acquisitions [(a)] (Non-GAAP)	1.8%	0.8 %
Currency exchange rates (Non-GAAP)	0.9%	(0.4)%

[(a)] This includes the impact from both acquisitions and the Separation

Operating Profit Margins

Operating profit margin was 21.1% for the three months ended September 29, 2017, an increase of 50 basis points as compared to 20.6% in the comparable period of 2016. Year-over-year operating profit margin comparisons were favorably impacted by:

- Higher 2017 sales volumes, incremental year-over-year cost savings associated with restructuring and productivity improvement initiatives, lower year-over-year intangible asset amortization due to certain intangible assets, primarily in our Professional Instrumentation segment, being fully amortized and changes in currency exchange rates, net of the incremental year-over-year costs associated with various product development and sales and marketing growth investments — 150 basis points

Year-over-year operating profit margin comparisons were unfavorably impacted by:

- Acquisition related transaction costs — 70 basis points
- The incremental year-over-year net dilutive effect of acquired businesses — 30 basis points

Operating profit margin was 20.6% for the nine months ended September 29, 2017, an increase of 80 basis points as compared to 19.8% in the comparable period of 2016. Year-over-year operating profit margin comparisons were favorably impacted by:

- Higher 2017 sales volumes, incremental year-over-year cost savings associated with restructuring and productivity improvement initiatives, lower year-over-year intangible asset amortization due to certain intangible assets, primarily in our Professional Instrumentation segment, being fully amortized and costs associated with various growth investments made in 2016, net of the incremental year-over-year costs associated with various product development and sales and marketing growth investments, increased general and administrative costs required to operate as a stand-alone public company and changes in currency exchange rates — 130 basis points

Year-over-year operating profit margin comparisons were unfavorably impacted by:

- Acquisition related transaction costs — 20 basis points
- The incremental year-over-year net dilutive effect of acquired businesses — 30 basis points

Business Segments

Sales by business segment for each of the periods indicated were as follows ($ in millions):

	Three Months Ended		Nine Months Ended	
	September 29, 2017	September 30, 2016	September 29, 2017	September 30, 2016
Professional Instrumentation	$ 786.8	$ 723.5	$ 2,261.9	$ 2,145.1
Industrial Technologies	898.5	843.9	2,587.4	2,452.1
Total	$ 1,685.3	$ 1,567.4	$ 4,849.3	$ 4,597.2

PROFESSIONAL INSTRUMENTATION

The Professional Instrumentation segment consists of our Advanced Instrumentation & Solutions and Sensing Technologies businesses. The Advanced Instrumentation & Solutions businesses provide product realization and field solutions services and products. Field solutions include a variety of compact professional test tools, thermal imaging and calibration equipment for electrical, industrial, electronic and calibration applications, online condition-based monitoring equipment, and computerized maintenance management software for critical infrastructure in electrical utility and industrial applications. Product realization provides solutions including hardware, software and services to help developers and engineers convert concepts into finished products. Product realization also includes highly-engineered energetic materials components in specialized vertical applications and design, engineering and manufacturing services. The businesses comprising Sensing Technologies offer devices that sense, monitor and control operational or manufacturing variables, such as temperature, pressure, level, flow, turbidity and conductivity.

Professional Instrumentation Selected Financial Data

($ in millions)	Three Months Ended		Nine Months Ended	
	September 29, 2017	September 30, 2016	September 29, 2017	September 30, 2016
Sales	$ 786.8	$ 723.5	$ 2,261.9	$ 2,145.1
Operating profit	178.6	161.5	521.5	469.9
Depreciation	10.0	8.7	27.5	26.6
Amortization	8.4	17.0	23.9	50.9
Operating profit as a % of sales	22.7%	22.3%	23.1%	21.9%
Depreciation as a % of sales	1.3%	1.2%	1.2%	1.2%
Amortization as a % of sales	1.1%	2.3%	1.1%	2.4%

Components of Sales Growth

	% Change Three Months Ended September 29, 2017 vs. Comparable 2016 Period	% Change Nine Months Ended September 29, 2017 vs. Comparable 2016 Period
Total revenue growth (GAAP)	**8.7%**	**5.4 %**
Existing businesses (Non-GAAP)	5.3%	5.5 %
Acquisitions [a] (Non-GAAP)	2.7%	0.5 %
Currency exchange rates (Non-GAAP)	0.7%	(0.6)%

[a] This includes the impact from both acquisitions and the Separation

Sales from existing businesses in the segment’s Advanced Instrumentation & Solutions businesses grew at a mid-single digit rate during both the three and nine months ended September 29, 2017 as compared to the comparable periods of 2016. Year-over-year sales from existing businesses of field solutions products and services grew at a mid-single digit rate during both the three and nine months ended September 29, 2017 due to increased demand for industrial test equipment, network tools and online condition-based monitoring equipment. Year-over-year sales from existing businesses of product realization solutions grew at a mid-single digit rate during the three months ended September 29, 2017 driven primarily by continued growth in the semiconductor and consumer electronics end markets as well as increased demand for oscilloscopes and new product introductions. During the nine months ended September 29, 2017, these same factors contributed to high-single digit year-over-year growth but were partly offset by a decline in demand for design, engineering and manufacturing services. Sales in the segment’s energetic materials business grew during the nine months ended September 29, 2017 despite a slight decline in demand during the three months ended September 29, 2017. Geographically, demand increased on a year-over-year basis in Asia, driving strong growth in high-growth markets, as well as in Western Europe and North America during both the three and nine months ended September 29, 2017.

Sales from existing businesses in the segment’s Sensing Technologies businesses grew at a high-single digit rate and at a mid-single digit rate during the three and nine months ended September 29, 2017, respectively, as compared to the comparable periods of 2016. Increased year-over-year demand in the industrial end market was partly offset by lower demand in the medical end market. Geographically, sales from existing businesses increased on a year-over-year basis during both the three and nine months ended September 29, 2017, due primarily to growth in Asia and North America.

Year-over-year price increases in the segment contributed 0.6% and 0.4% during the three and nine months ended September 29, 2017, respectively, as compared to the comparable periods of 2016 and are reflected as a component of the change in sales from existing businesses.

Operating profit margin increased 40 basis points during the three months ended September 29, 2017 as compared to the comparable period of 2016. Year-over-year operating profit margin comparisons were favorably impacted by:

- Higher 2017 sales volumes, incremental year-over-year cost savings associated with restructuring and productivity improvement initiatives, lower year-over-year intangible asset amortization due to certain intangible assets being fully amortized and changes in currency exchange rates net of incremental year-over-year costs associated with various product development and sales and marketing growth investments — 240 basis points

Year-over-year operating profit margin comparisons were unfavorably impacted by:

- Acquisition related transaction costs — 140 basis points
- The incremental year-over-year net dilutive effect of acquired businesses — 60 basis points

Operating profit margin increased 120 basis points during the nine months ended September 29, 2017 as compared to the comparable period of 2016. Year-over-year operating profit margin comparisons were favorably impacted by:

- Higher 2017 sales volumes, incremental year-over-year cost savings associated with restructuring and productivity improvement initiatives, and lower year-over-year intangible asset amortization due to certain intangible assets being fully amortized, net of incremental year-over-year costs associated with various product development and sales and marketing growth investments, the positive impact in 2016 of a transition services agreement related to a disposition made by Danaher prior to the Separation, incremental year-over-year bad debt charges and changes in currency exchange rates — 220 basis points

Year-over-year operating profit margin comparisons were unfavorably impacted by:

- Acquisition related transaction costs — 50 basis points
- The incremental year-over-year net dilutive effect of acquired businesses — 50 basis points

INDUSTRIAL TECHNOLOGIES

The Industrial Technologies segment consists of our Transportation Technologies, Automation & Specialty Components and Franchise Distribution businesses. Our Transportation Technologies businesses are leading worldwide providers of solutions and services focused on fuel dispensing, remote fuel management, point-of-sale and payment systems, environmental compliance, vehicle tracking and fleet management, and traffic management. The Automation & Specialty Components businesses provide a wide range of electromechanical and electronic motion control products and mechanical components, as well as supplemental braking systems for commercial vehicles. Our Franchise Distribution businesses manufacture and distribute professional tools and a full line of wheel service equipment.

Industrial Technologies Selected Financial Data

	Three Months Ended		Nine Months Ended	
($ in millions)	September 29, 2017	September 30, 2016	September 29, 2017	September 30, 2016
Sales	$ 898.5	$ 843.9	$ 2,587.4	$ 2,452.1
Operating profit	196.2	180.6	530.3	484.7
Depreciation	14.5	13.2	43.0	39.4
Amortization	6.3	5.5	17.4	16.3
Operating profit as a % of sales	21.8%	21.4%	20.5%	19.8%
Depreciation as a % of sales	1.6%	1.6%	1.7%	1.6%
Amortization as a % of sales	0.7%	0.7%	0.7%	0.7%

Components of Sales Growth

	% Change Three Months Ended September 29, 2017 vs. Comparable 2016 Period	% Change Nine Months Ended September 29, 2017 vs. Comparable 2016 Period
Total revenue growth (GAAP)	**6.5%**	**5.5 %**
Existing businesses (Non-GAAP)	4.4%	4.6 %
Acquisitions [(a)] (Non-GAAP)	1.0%	1.1 %
Currency exchange rates (Non-GAAP)	1.1%	(0.2)%

[(a)] This includes the impact from both acquisitions and the Separation

Sales from existing businesses in the segment’s Transportation Technologies businesses grew at a low-single digit rate during the three months ended September 29, 2017 and at a mid-single digit rate during the nine months ended September 29, 2017, as

compared to the comparable periods of 2016, due primarily to strong demand for dispensers and payment systems in both the United States and Europe. In addition for the nine months ended September 29, 2017, sales growth was impacted by decreased year-over-year EMV-related demand for indoor point-of-sale systems in the United States as customers had largely upgraded to products that support indoor EMV requirements in the prior year in response to the indoor liability shift. The rate of increase in demand for dispensers and payment systems softened in the United States on a year-over-year basis during the three months ended September 29, 2017 as customers began to delay upgrades in response to the extension of the liability shift deadlines for outdoor payment systems. We expect EMV deadlines to continue to drive demand for the next several years, however, we do not expect it to be a significant component of year-over-year growth for the next several quarters. Geographically, sales from existing businesses increased on a year-over-year basis in Europe and Latin America, partially offset by declines in the Asia-Pacific region during both the three and nine months ended September 29, 2017. Sales in the United States grew during the nine months ended September 29, 2017 despite declining slightly during the three months ended September 29, 2017.

Sales from existing businesses in the segment's Automation & Specialty Components businesses grew at a high-single digit rate during the three months ended September 29, 2017 and at a mid-single digit rate during the nine months ended September 29, 2017 as compared to the comparable periods of 2016, due primarily to increased year-over-year demand in industrial and robotics end markets. During the three and nine months ended September 29, 2017, year-over-year demand for engine retarder products was strong in China. Geographically, year-over-year sales from existing businesses in the segment's Automation and Specialty Components business increased during both the three and nine months ended September 29, 2017 in China and Europe.

Sales from existing businesses in the segment's Franchise Distribution businesses were up slightly during the three months ended September 29, 2017 and grew at a low-single digit rate during the nine months ended September 29, 2017 as compared to the comparable periods of 2016. During the three months ended September 29, 2017, increased year-over-year demand for professional and diagnostic tools was offset by declines in demand for hardline, powered and tool storage products. During the nine months ended September 29, 2017, increased year-over-year demand for hardline and diagnostic tools was partially offset by a decline in demand for powered and tool storage products.

Year-over-year price increases in the segment contributed 0.5% and 0.2% during the three and nine months ended September 29, 2017, respectively, as compared to the comparable periods of 2016 and are reflected as a component of the change in sales from existing businesses.

Operating profit margin increased 40 basis points during the three months ended September 29, 2017 as compared to the comparable period of 2016 due to higher 2017 sales volumes, incremental year-over-year cost savings associated with restructuring and productivity improvement initiatives and changes in currency exchange rates, partially offset by incremental year-over-year costs associated with various product development and sales and marketing growth investments. Included in the 40 basis points increase in operating profit margin is the incremental year-over-year net dilutive effect of acquired businesses of 10 basis points.

Operating profit margin increased 70 basis points during the nine months ended September 29, 2017 as compared to the comparable period of 2016 due primarily to higher 2017 sales volumes, incremental year-over-year cost savings associated with restructuring and productivity improvement initiatives and costs associated with various growth investments made in 2016, partially offset by incremental year-over-year costs associated with various product development and sales and marketing growth investments and changes in currency exchange rates.

COST OF SALES AND GROSS PROFIT

	Three Months Ended		Nine Months Ended	
($ in millions)	September 29, 2017	September 30, 2016	September 29, 2017	September 30, 2016
Sales	$ 1,685.3	$ 1,567.4	$ 4,849.3	$ 4,597.2
Cost of sales	(845.9)	(794.5)	(2,460.8)	(2,361.0)
Gross profit	$ 839.4	$ 772.9	$ 2,388.5	$ 2,236.2
Gross profit margin	49.8%	49.3%	49.3%	48.6%

The year-over-year increase in cost of sales during the three months ended September 29, 2017 as compared to the comparable period in 2016 is due primarily to the impact of higher year-over-year sales volumes and changes in currency exchange rates partly offset by incremental year-over-year cost savings associated with restructuring and productivity improvement initiatives, and material cost and supply chain improvement actions.

The year-over-year increase in cost of sales during the nine months ended September 29, 2017 as compared to the comparable period in 2016 is due primarily to the impact of higher year-over-year sales volumes partly offset by incremental year-over-year cost savings associated with restructuring and productivity improvement initiatives, material cost and supply chain improvement actions, costs associated with various growth investments made in 2016 and changes in currency exchange rates.

The year-over-year increase in gross profit (and the related 50 basis point increase in gross profit margin) during the three months ended September 29, 2017 as compared to the comparable period in 2016 is due primarily to the favorable impact of higher year-over-year sales volumes, incremental year-over-year cost savings associated with restructuring and productivity improvement initiatives, material cost and supply chain improvement actions and changes in currency exchange rates.

The year-over-year increase in gross profit (and the related 70 basis point increase in gross profit margin) during the nine months ended September 29, 2017 as compared to the comparable period in 2016 is due primarily to the favorable impact of higher year-over-year sales volumes, incremental year-over-year cost savings associated with restructuring and productivity improvement initiatives, material cost and supply chain improvement actions and costs associated with various growth investments made in 2016, partly offset by changes in currency exchange rates.

OPERATING EXPENSES

	Three Months Ended		Nine Months Ended	
($ in millions)	September 29, 2017	September 30, 2016	September 29, 2017	September 30, 2016
Sales	$ 1,685.3	$ 1,567.4	$ 4,849.3	$ 4,597.2
Selling, general and administrative (“SG&A”) expenses	381.5	354.5	1,092.1	1,042.3
Research and development (“R&D”) expenses	102.0	95.2	297.3	285.6
SG&A as a % of sales	22.6%	22.6%	22.5%	22.7%
R&D as a % of sales	6.1%	6.1%	6.1%	6.2%

SG&A expenses increased during the three and nine months ended September 29, 2017 as compared to the comparable periods of 2016 due primarily to continued investments in our sales and marketing growth initiatives, increased acquisition-related transaction costs and increased general and administrative costs required to operate as a stand-alone public company as compared to the allocations derived from Danaher in periods prior to the Separation, which primarily impacted the first half of 2017 as compared to the first half of 2016. These increases were partly offset by incremental year-over-year cost savings associated with restructuring and productivity improvement initiatives and lower year-over-year intangible asset amortization due to certain intangible assets, primarily in our Professional Instrumentation segment, being fully amortized. On a year-over-year basis, SG&A expenses as a percentage of sales were flat and decreased 20 basis points in the three and nine months ended September 29, 2017, respectively. The decrease in the nine months ended September 29, 2017 was due primarily to the impact of sales growing at a faster rate than SG&A expenses during the period.

R&D expenses (consisting principally of internal and contract engineering personnel costs) increased during both the three and nine months ended September 29, 2017 as compared to the comparable periods of 2016 due to incremental year-over-year investments in our product development initiatives. On a year-over-year basis, R&D expenses as a percentage of sales were flat and decreased 10 basis points in the three and nine months ended September 29, 2017, respectively. The decrease in the nine months ended September 29, 2017 was due primarily to the impact of sales growing at a faster rate than R&D expenses during the period.

INTEREST COSTS

For a discussion of our outstanding indebtedness, refer to Note 5 to the accompanying Consolidated and Combined Condensed Financial Statements.

Interest expense of $23 million and $68 million was recorded for the three and nine months ended September 29, 2017, respectively, compared to $23 million and $26 million for the three and nine months ended September 30, 2016, respectively. Before the Separation, we depended on Danaher for all of our working capital and financing requirements under Danaher’s centralized approach to cash management and financing of operations of its subsidiaries. As a result, with the exception of cash, cash equivalents and borrowings clearly associated with Fortive and related to the Separation, we recorded no interest expense in our combined condensed financial statements for periods prior to the Separation.

INCOME TAXES

Our effective tax rate for the three and nine months ended September 29, 2017, was 23.1% and 25.2%, respectively, as compared to 24.3% and 26.6% for the three and nine months ended September 30, 2016, respectively. The year-over-year decrease was due primarily to favorable impacts in 2017 from federal and international tax benefits.

Our effective tax rate for 2017 and 2016 differs from the U.S. federal statutory rate of 35% due primarily to our earnings outside the United States that are indefinitely reinvested and taxed at rates lower than the U.S. federal statutory rate and the impact of credits and deductions provided by law.

COMPREHENSIVE INCOME

Comprehensive income increased $105 million during the three months ended September 29, 2017, due primarily to favorable changes in foreign currency translation adjustments of $64 million due to changes in currency exchange rates and net earnings that were higher by $41 million.

Comprehensive income increased $201 million during the nine months ended September 29, 2017, due primarily to favorable changes in foreign currency translation adjustments of $141 million due to changes in currency exchange rates and net earnings that were higher by $60 million.

INFLATION

The effect of inflation on our sales and net earnings was not significant in the nine month period ended September 29, 2017.

LIQUIDITY AND CAPITAL RESOURCES

We assess our liquidity in terms of our ability to generate cash to fund our operating, investing and financing activities. We generate substantial cash from operating activities and believe that our operating cash flow and other sources of liquidity will be sufficient to allow us to continue to invest in existing businesses, consummate strategic acquisitions, make interest payments on our outstanding indebtedness, and manage our capital structure on a short and long-term basis.

Overview of Cash Flows and Liquidity

Following is an overview of our cash flows and liquidity for the nine months ended September 29, 2017:

	Nine Months Ended	
($ in millions)	September 29, 2017	September 30, 2016
Net cash provided by operating activities	$ 713.0	$ 819.4
Cash paid for acquisitions	$ (802.1)	$ (190.6)
Payments for additions to property, plant and equipment	(87.7)	(90.0)
All other investing activities	1.5	4.3
Net cash used in investing activities	$ (888.3)	$ (276.3)
Net proceeds from borrowings (maturities of 90 days or less)	$ 176.8	$ 525.6
Proceeds from borrowings (maturities longer than 90 days)	125.9	2,983.0
Payment of dividends	(72.8)	(24.2)
Cash dividend paid to Former Parent	—	(3,000.0)
Net transfers to Former Parent	—	(301.4)
All other financing activities	10.9	(2.2)
Net cash provided by financing activities	$ 240.8	$ 180.8

Operating Activities

Cash flows from operating activities can fluctuate significantly from period-to-period as working capital needs and the timing of payments for income taxes, various employee liabilities, restructuring activities and other items impact reported cash flows.

Operating cash flows were approximately $713 million for the first nine months of 2017, a decrease of $106 million, or approximately 13%, as compared to the comparable period of 2016. The year-over-year change in operating cash flows was primarily attributable to the following factors:

- 2017 operating cash flows benefited from higher net earnings for the first nine months of 2017 as compared to the comparable period in 2016. Net earnings for the nine months ended September 29, 2017 benefited from a year-over-year increase in operating profits of $91 million and a $15 million non-cash gain from acquisition partially offset by a year-over-year increase in interest expense of $42 million associated with debt issued in June 2016 in connection with the Separation. The year-over-year increase in operating profit includes a year-over-year decrease in depreciation and amortization expense of $20 million due primarily to certain intangible assets, primarily in our Professional Instrumentation segment, being fully amortized. Depreciation and amortization are noncash expenses that decrease earnings without a corresponding impact to operating cash flows.

- The aggregate of accounts receivable, inventories and trade accounts payable used $74 million of cash during the first nine months of 2017 as compared to providing $62 million of cash in the comparable period of 2016. The amount of cash flow generated from or used by the aggregate of accounts receivable, inventories and trade accounts payable depends upon how effectively we manage the cash conversion cycle, which effectively represents the number of days that elapse from the day we pay for the purchase of raw materials and components to the collection of cash from our customers and can be significantly impacted by the timing of collections and payments in a period.

- The aggregate of prepaid expenses and other assets and accrued expenses and other liabilities used $56 million of cash during the first nine months of 2017 as compared to using $62 million of cash in the comparable period of 2016. The timing of cash payments for income taxes and various employee related liabilities drove the majority of this change. For periods prior to the Separation our combined financial statements accounted for income taxes under the separate return method; accordingly our taxes payable during this period was recorded as an adjustment to equity as it did not represent a liability with the relevant taxing authorities as we were a part of Danaher's tax returns.

Investing Activities

Cash flows relating to investing activities consist primarily of cash used for acquisitions and capital expenditures. Net cash used in investing activities increased $612 million during the nine months ended September 29, 2017 as compared to the comparable period of 2016, due primarily to the business acquisitions completed during the nine months ended September 29, 2017.

Capital expenditures are made primarily for increasing capacity, replacing equipment, supporting product development initiatives, improving information technology systems and purchasing equipment that is used in operating-type lease arrangements with customers. Capital expenditures decreased $2 million during the nine months ended September 29, 2017 as compared to the comparable period of 2016 due primarily to timing of these investments within the year. For the full year 2017, we expect capital spending to be between $125 million and $135 million, though actual expenditures will ultimately depend on business conditions.

Financing Activities and Indebtedness

Cash flows from financing activities consist primarily of cash flows associated with the issuance and repayments of commercial paper and other debt, payments of quarterly cash dividends to shareholders and, prior to the Separation, net payments and transfers to Former Parent. Financing activities generated cash of $241 million during the nine months ended September 29, 2017 compared to approximately $181 million of cash provided in the comparable period in 2016. In the nine months ended September 29, 2017, we received net proceeds from the issuance of commercial paper under the U.S. and Euro commercial paper programs ("Commercial Paper Programs") of $177 million, received proceeds from borrowings of $126 million and paid $73 million of cash dividends to shareholders. In the nine months ended September 30, 2016, we incurred approximately $3.5 billion of indebtedness offset by $3.3 billion of payments and net transfers to Former Parent. We no longer make any net transfers to Former Parent as a result of the Separation.

We generally expect to satisfy any short-term liquidity needs that are not met through operating cash flows and available cash primarily through issuances of commercial paper under the Commercial Paper Programs. Credit support for the Commercial Paper Programs is provided by our five-year, $1.5 billion senior unsecured revolving credit facility that expires on June 16, 2021 ("Revolving Credit Facility"). We classified our borrowings outstanding under the Commercial Paper Programs as long-term debt in the accompanying Consolidated Condensed Balance Sheet as of September 29, 2017, as we have the intent and ability, as supported by availability under the Revolving Credit Facility, to refinance these borrowings for at least one year from the balance sheet date. As commercial paper obligations mature, we may issue additional short-term commercial paper obligations to refinance all or part of these borrowings.

We had $1.5 billion available under the Revolving Credit Facility as of September 29, 2017. Of this amount, approximately $564 million was being used to backstop outstanding U.S. and Euro commercial paper balances. Accordingly, we had the ability to incur an additional $0.9 billion of indebtedness under the Revolving Credit Facility as of September 29, 2017. Refer to Note 5 of the Consolidated and Combined Condensed Financial Statements for information regarding our financing activities and indebtedness.

The availability of the Revolving Credit Facility as a standby liquidity facility to repay maturing commercial paper is an important factor in maintaining the existing credit ratings of the Commercial Paper Programs. We expect to limit any borrowings under the Revolving Credit Facility to amounts that would leave sufficient credit available under the facility to allow us to borrow, if needed, to repay all of the outstanding commercial paper as it matures.

As of September 29, 2017, commercial paper outstanding under the U.S. dollar-denominated commercial paper program had a weighted average annual interest rate of 1.44% and a weighted average remaining maturity of approximately 11 days. As of September 29, 2017, commercial paper outstanding under the Euro-denominated commercial paper program had a weighted average annual interest rate of (0.08)% and a weighted average remaining maturity of approximately 72 days.

Yen Variable Interest Rate Term Loan

On August 24, 2017, we entered into a new term loan agreement that provides for a five-year ¥13.8 billion senior unsecured term facility (“Yen Term Loan”) that expires on August 24, 2022. We borrowed the entire ¥13.8 billion available under this facility on August 28, 2017, which yielded net proceeds of approximately $126 million. The Yen Term Loan bears interest at a rate equal to LIBOR plus 50 basis points, provided however that LIBOR may not be less than zero for the purposes of the Yen Term Loan. As of September 29, 2017, borrowings under the Yen Term Loan bear an interest rate of 0.50% per annum. During the period of 2017 in which the Yen Term Loan was outstanding, the annual effective rate was 0.50%. The Yen Term Loan is pre-payable at our option, and re-borrowing is not permitted once the term loan is repaid.

The terms and conditions, including covenants, applicable to the the Yen Term Loan are substantially similar to those applicable to the Revolving Credit Facility.

Registration Rights Agreement

During 2016, we issued in a private placement $2.5 billion of senior unsecured notes in multiple series with maturity dates ranging from June 15, 2019 to June 15, 2046 (collectively, the “Private Notes”). In connection with the issuance of the Private Notes, we entered into a registration rights agreement, pursuant to which we were obligated to use commercially reasonable efforts to file with the SEC, and cause to be declared effective, a registration statement with respect to an offer to exchange each series of Private Notes for registered notes (“Registered Notes”) with substantially identical terms (“Exchange Offer”). Accordingly, on May 5, 2017 we filed a Form S-4 with the SEC (the “Registration Statement”), which Registration Statement was declared effective on May 17, 2017. On May 17, 2017, we launched the Exchange Offer, which expired on June 14, 2017. All Private Notes were tendered and exchanged for Registered Notes in the Exchange Offer.

Shelf Registration Statement

On June 12, 2017, we filed a shelf registration statement on Form S-3 with the SEC (the “Shelf Registration Statement”) that registers an indeterminate amount of debt securities, common stock, preferred stock, warrants, depositary shares, purchase contracts and units that may be issued in the future in one or more offerings. Unless otherwise specified in the corresponding prospectus supplement, we expect to use net proceeds realized from future securities issuances off the Shelf Registration Statement for general corporate purposes, including without limitation repayment or refinancing of debt or other corporate obligations, acquisitions, capital expenditures and dividends, and working capital.

Dividends

On August 3, 2017, we declared a regular quarterly dividend of $0.07 per share paid on September 29, 2017 to holders of record on August 25, 2017. For the nine months ended September 29, 2017, cash dividends of $73 million were paid to shareholders.

Cash and Cash Requirements

As of September 29, 2017, we held $911 million of cash and cash equivalents that were invested in highly liquid investment-grade instruments with a maturity of 90 days or less with a negligible weighted average annual interest rate. Substantially all of the cash was held outside of the United States.

While repatriation of some cash held outside the United States may be restricted by local laws, most of our foreign cash balances could be repatriated to the United States but, under current law, would be subject to U.S. federal income taxes, less applicable foreign tax credits. For most of our foreign subsidiaries, we make an assertion regarding the amount of earnings intended for indefinite reinvestment, with the balance available to be repatriated to the United States. We record a current tax liability for the funds when we plan to repatriate cash to the United States. No provisions for U.S. income taxes have been made with respect to earnings that are planned to be reinvested indefinitely outside the United States, and the amount of U.S. income taxes that may be applicable to such earnings is not readily determinable given the various alternatives we could employ if we repatriated these earnings. The cash that our foreign subsidiaries hold for indefinite reinvestment is generally used to finance foreign operations and investments, including acquisitions. As of September 29, 2017, we believe that we have sufficient liquidity to satisfy our cash needs, including our cash needs in the United States.

We have cash requirements to support working capital needs, capital expenditures and acquisitions, pay interest and service debt, pay taxes and any related interest or penalties, pay dividends to shareholders, fund our restructuring activities and our pension plans as required and support other business needs or objectives. With respect to our cash requirements, we generally intend to use available cash and internally generated funds to meet these cash requirements, but in the event that additional liquidity is required, particularly in connection with acquisitions, we may also borrow under our commercial paper programs or credit facilities, enter into new credit facilities and either borrow directly thereunder or use such credit facilities to backstop additional borrowing capacity under our commercial paper programs and/or access the capital markets. We also may from time to time access the capital markets, including to take advantage of favorable interest rate environments or other market conditions.

CRITICAL ACCOUNTING ESTIMATES

There were no material changes during the three months ended September 29, 2017 to the items we disclosed as our critical accounting estimates in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2016 Annual Report on Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and qualitative disclosures about market risk appear in “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Financial Instruments and Risk Management,” in our 2016 Annual Report on Form 10-K. There were no material changes during the three months ended September 29, 2017 to the information reported in our 2016 Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Our management, with the participation of the President and Chief Executive Officer, and Senior Vice President and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based on such evaluation, the President and Chief Executive Officer, and Senior Vice President and Chief Financial Officer, have concluded that, as of the end of such period, these disclosure controls and procedures were effective.

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the most recent completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1A. RISK FACTORS

Information regarding risk factors appears in "Management's Discussion and Analysis of Financial Condition and Results of Operations - Information Related to Forward-Looking Statements," in Part I - Item 2 of this Form 10-Q and in the "Risk Factors" section of our 2016 Annual Report on Form 10-K. There were no material changes during the quarter ended September 29, 2017 to the risk factors reported in the "Risk Factors" section of our 2016 Annual Report on Form 10-K.

ITEM 6. EXHIBITS

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of Fortive Corporation (incorporated by reference to Exhibit 3.1 to Fortive Corporation's Current Report on Form 8-K filed on June 9, 2017, File No. 1-37654).
3.2	Amended and Restated Bylaws of Fortive Corporation (incorporated by reference to Exhibit 3.2 to Fortive Corporation's Current Report on Form 8-K filed on June 9, 2017, File No 1-37654).
10.1	Fortive Corporation Director Compensation Policy.
10.2	Fortive Corporation Non-Employee Directors' Deferred Compensation Plan.
10.3	Fortive Corporation Non-Employee Directors' Deferred Compensation Plan Election Form.
11.1	Computation of per-share earnings (See Note 10, "Earnings Per Share", to our Consolidated and Combined Condensed Financial Statements).
12.1	Computation of earnings to fixed charges.
31.1	Certification of Chief Executive Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer, Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document* - the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*

* Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Condensed Balance Sheets as of September 29, 2017 and December 31, 2016, (ii) Consolidated and Combined Condensed Statements of Earnings for the three and nine months ended September 29, 2017 and September 30, 2016, (iii) Consolidated and Combined Condensed Statements of Comprehensive Income for the three and nine months ended September 29, 2017 and September 30, 2016, (iv) Consolidated Condensed Statement of Changes in Equity for the nine months ended September 29, 2017, (v) Consolidated and Combined Condensed Statements of Cash Flows for the nine months ended September 29, 2017 and September 30, 2016, and (vi) Notes to Consolidated and Combined Condensed Financial Statements.

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.

FORTIVE CORPORATION:

Date: October 26, 2017	By:	/s/ Charles E. McLaughlin
		Charles E. McLaughlin
		Senior Vice President and Chief Financial Officer
Date: October 26, 2017	By:	/s/ Emily A. Weaver
		Emily A. Weaver
		Chief Accounting Officer

Exhibit 10.1

Approved August 3, 2017; effective January 1, 2018

FORTIVE CORPORATION DIRECTOR COMPENSATION POLICY

Each non-management director receives:

- An annual retainer of $100,000 (the "Annual Base Retainer"), payable, based upon election (the "Payment Election") of such director under the terms of the Fortive Corporation Non-Employee Director's Deferred Compensation Plan, as may be amended from time to time ("DCP"), in cash (the "Cash Base Retainer") equal to the Annual Base Retainer amount, in a RSU grant (the "Equity Base Retainer") with a target award value of the Annual Base Retainer amount, or in a combination of Cash Base Retainer and Equity Base Retainer, with the allocation between Cash Base Retainer and Equity Base Retainer determined based on the Payment Election.
- If a director attends more than twenty (20) Board and Board committee meetings in aggregate during a calendar year, a cash meeting fee of $2,000 for each Board and committee meeting attended during such year in excess of such threshold, paid in aggregate following completion of such year.
- In addition to any Equity Retainer (as defined below), an annual equity award with a target award value of $175,000 (the "Annual Equity Grant"), divided equally between options and RSUs; provided, however, that, at the sole discretion of the Compensation Committee or the Board of Directors, such Annual Equity Grant may be comprised solely of RSUs. The options, if any, are fully vested as of the grant date. The RSU component of the Annual Equity Grant shall vest upon the earlier of (1) the first anniversary of the grant date, or (2) the date of, and immediately prior to, the next annual meeting of Fortive shareholders following the grant date, but the underlying shares will not be issued until the earlier of the director's death or the first day of the seventh month following the director's retirement from the Board.
- Reimbursement for Fortive-related out-of-pocket expenses, including travel expenses.

In addition, the Board chair receives:

- An annual retainer of $92,500 (the "Annual Board Chair Retainer"), payable, based upon the Payment Election, in cash ("Cash Board Chair Retainer") equal to the Annual Board Chair Retainer amount, in an annual RSU grant (the "Equity Board Chair Retainer") with a target award value of the Annual Board Chair Retainer amount, or in a combination of Cash Board Chair Retainer and Equity Board Chair Retainer, with the allocation between Cash Board Chair Retainer and Equity Board Chair Retainer determined based on the Payment Election.
- An annual equity award with a target value of $92,500 (divided equally between options and RSUs or comprised solely of RSUs, in each case, as described above for the Annual Equity Grant).

Furthermore, the chair of the Audit Committee receives an annual retainer of $25,000 (the "Annual AC Chair Retainer"), the chair of the Compensation Committee receives an annual retainer of $20,000 (the "CC Chair Retainer") and the chair of the Nominating and Governance Committee receives an annual retainer of $15,000 (together with the AC Chair Retainer and the CC Chair Retainer, the "Annual Committee Chair Retainers"), which Annual Committee Chair Retainers are payable, based upon the Payment Election, in cash ("Cash Committee Chair Retainer" and, together with the Cash Base Retainer and the Cash Board Chair Retainer, the "Cash Retainer") equal to the corresponding Annual Committee Chair Retainer amount, in a RSU grant ("Equity Committee Chair Retainer" and, together with the Equity Base Retainer and the Equity Board Chair Retainer, the "Equity Retainer") with a target award value of the Annual Committee Chair Retainer amount, or in a combination of Cash Committee Chair Retainer and Equity Committee Chair Retainer, with the allocation between Cash Committee Chair Retainer and Equity Committee Chair Retainer determined based on the Payment Election. The Annual Base Retainer, the

Annual Board Chair Retainer and the Annual Committee Chair Retainers are referred to collectively as the “Annual Retainer.”

A director will make a single Payment Election that will govern the director’s entire Annual Retainer.

The foregoing notwithstanding, any Annual Board Chair Retainer and/or Annual Committee Chair Retainers that become determined as to a director after the time of an Annual Equity Grant to such director shall be payable in cash until the next Annual Equity Grant notwithstanding any contrary Payment Election by such director.

All Cash Retainers will be paid in four, equal installments following each quarter of service, with any amendments or adjustments to such Cash Retainer effective the quarter following such amendment or adjustment.

If applicable, the grant of the Equity Retainer will be made concurrently with the corresponding Annual Equity Grant; provided that the Equity Retainer shall vest upon the earlier of (1) the first anniversary of the corresponding grant date, or (2) the date of, and immediately prior to, the next annual meeting of Fortive shareholders following such grant date, but the underlying shares shall not be issued until the earlier to occur of (i) the director’s death, or (ii) the date elected by such director in the corresponding Payment Election, which selected payment date shall not be earlier than the first day of the seventh month following the director's Separation from Service from the Board.

Exhibit 10.2

Fortive Corporation
Non-Employee Directors' Deferred Compensation Plan

Approved August 3, 2017
Effective January 1, 2018

Article 1. Introduction.

The primary purpose of this Fortive Corporation Non-Employee Directors' Deferred Compensation Plan (the "Sub-Plan") is to provide non-employee directors of Fortive Corporation, a Delaware corporation, with the opportunity to elect, subject to the terms of this Sub-Plan, to receive the Annual Retainer in the form of one of the following: (i) a Cash Retainer, (ii) an Equity Retainer or (iii) a combination of a Cash Retainer and an Equity Retainer.

The Sub-Plan was established under, and constitutes a part of, the Stock Incentive Plan. For the avoidance of doubt, the Sub-Plan is subject to all applicable terms of the Stock Incentive Plan.

Article 2. Definitions

Capitalized terms not otherwise defined herein shall have the same meanings set forth in the Stock Incentive Plan. Whenever used herein, the following terms shall have the meanings set forth below, and when the defined meaning is intended, the term is capitalized:

(a) "Administrator" means the Administrator as defined in the Stock Incentive Plan and shall include any Employee to whom the Administrator has delegated certain administrative functions related to the operation and maintenance of the Sub-Plan.

(b) "Annual Equity Grant" shall have the meaning ascribed to it in the Director Compensation Policy.

(c) "Annual Board Chair Retainer" shall have the meaning ascribed to it in the Director Compensation Policy.

(d) "Annual Committee Chair Retainers" shall have the meaning ascribed to it in the Director Compensation Policy.

(e) "Annual Retainer" shall have the meaning ascribed to it in the Director Compensation Policy.

(f) "Cash Retainer" shall have the meaning ascribed to it in the Director Compensation Policy.

(g) "Deferral Year" means the period beginning on July 1st of a calendar year and ending on June 30th of the following calendar year.

(h) "Director" means each member of the Board who (i) is not an employee of the Company or any Subsidiary, and (ii) receives any portion of the Annual Retainer for service on the Board.

(i) "Director Compensation Policy" means the Fortive Corporation Director Compensation Policy, as it may be amended from time to time.

(j) “Effective Date” means January 1, 2018, except that elections under the Sub-Plan are permitted prior to such date.

(k) “Equity Retainer” shall have the meaning ascribed to it in the Director Compensation Policy.

(l) “Stock Incentive Plan” means, as of the Effective Date, the Fortive Corporation 2016 Stock Incentive Plan, as it may be amended from time to time. The term “Stock Incentive Plan” shall also automatically apply to any successor plan to the Fortive Corporation 2016 Stock Incentive Plan and to any new stock plan adopted by the Company under which Directors are eligible to be granted restricted stock units.

Article 3. Eligibility and Participation

3.1 Eligibility. Each person who is or becomes a Director on or after the Effective Date shall be eligible to participate in the Sub-Plan.

3.2 Inactive Director. In the event a Director terminates service with the Board, he or she shall have no further rights to make elections hereunder.

Article 4. Opportunity to Elect the Form of Annual Retainer

4.1 Timing of Elections.

(a) During the election window provided by the Company each year (which must end no later than December 31), a Director may elect to receive his or her Annual Retainer payable to the Director with respect to the Deferral Year that commences in the following calendar year in one of the following forms: (i) a Cash Retainer, paid in four, equal installments following each quarter of service during the Deferral Year, (ii) an Equity Retainer granted concurrently with the corresponding Annual Equity Grant made during the calendar year in which the Deferral Year commences and with the number of RSUs subject to such Equity Retainer determined based on the amount of his or her Annual Retainer in the same manner that the number of RSUs subject to the Annual Equity Awards is determined based on the target value for the Annual Equity Awards set forth in the Director Compensation Policy, or (iii) a combination of Cash Retainer and Equity Retainer, with allocation between the Equity Retainer and the Cash Retainer determined by the director and with the number of RSUs subject to the portion of the director’s Annual Retainer that the director has allocated to the Equity Retainer being determined in the same manner that the number of RSUs subject to the Annual Equity Awards is determined under the Director Compensation Policy, taking into account the applicable percentage of the target value that the director has allocated to the Equity Retainer . In the event that a Director does not make an affirmative and timely election on the form of payment of the Annual Retainer in a Deferral Year, such Director shall be deemed to have elected the Cash Retainer for such Deferral Year. Further, any Annual Board Chair Retainer and/or Annual Committee Chair Retainers that become determined as to a director after the time of an Annual Equity Grant to such director shall be payable in cash notwithstanding any contrary election by such director. Any election made under this Sub-Plan shall be irrevocable as of the end of the election window, or such December 31, as specified by the Company.

(b) If an individual is elected or appointed as a Director other than at an annual shareholders meeting of the Company, then such individual may elect, prior to the effective date of such election or appointment, to receive his or her Annual Retainer in one of the following forms:

(i) a Cash Retainer, paid in up to four, equal installments following each quarter of service during the Deferral Year, (ii) an Equity Retainer granted concurrently with the corresponding Annual Equity Grant made during the calendar year in which the Deferral Year commences and with the number of RSUs subject to such Equity Retainer determined based on the amount of his or her Annual Retainer in the same manner that the number of RSUs subject to the Annual Equity Awards is determined based on the target value for the Annual Equity Awards set forth in the Director Compensation Policy, or (iii) a combination of Cash Retainer and Equity Retainer, with allocation of the Annual Retainer made between the Equity Retainer and the Cash Retainer determined by the director and with the number of RSUs subject to the portion of the director's Annual Retainer that the director has allocated to the Equity Retainer being determined in the same manner that the number of RSUs subject to the Annual Equity Awards is determined under the Director Compensation Policy, taking into account the applicable percentage of the target value that the director has allocated to the Equity Retainer. In the event that a Director does not make an affirmative and timely election on the form of payment of the Annual Retainer in a Deferral Year, such Director shall be deemed to have elected the Cash Retainer for such Deferral Year. Such election shall be irrevocable immediately prior to the date the individual becomes a Director.

(c) All elections shall be made on the form, in the manner and within the time period prescribed by the Company. A Director may make a separate election with respect to each Deferral Year. Unless a new election is made for a Deferral Year, a Director's election shall carry over from Deferral Year to Deferral Year.

4.2 Terms of RSU Awards. All Equity Retainers granted hereunder will be subject to the terms and conditions of the form of RSU grant agreement as in effect for Directors as of the date the election is made. In addition, at the time a Director makes an election hereunder, he or she may elect whether to have his or her RSU Award settled on the first, third or fifth anniversary of his or her Separation from Service rather than on the first day of the seventh month following Separation from Service. If a Director makes such payment election, then his or her RSU Award agreement will be revised to reflect such election, subject to earlier payment on the date of the Director's death.

Article 5. Miscellaneous

5.1 Unfunded Plan. The Sub-Plan constitutes an unfunded, unsecured promise of the Company to make distributions in the future of the amounts deferred under the Sub-Plan and is intended to constitute a nonqualified deferred compensation plan that is unfunded for tax purposes. Nothing contained in the Sub-Plan and no action taken pursuant to the provisions of the Sub-Plan shall create, or be construed to create, a trust of any kind, a fiduciary relationship between the Company and any Director or any other person. No special or separate fund shall be established or other segregation of assets made to assure payment of deferred amounts hereunder. No Director or any other person shall have any preferred claim on, or beneficial ownership interest in, any assets of the Company prior to the time that deferred amounts are paid to the Director as provided herein. The rights of a Director to receive benefits from the Company shall be no greater than any general unsecured creditor of the Company.

5.2 Service as a Director. Neither the establishment of the Sub-Plan, nor any action taken hereunder, shall in any way obligate (a) the Company to nominate a Director for reelection or to continue to retain a Director; or (b) a Director to agree to be nominated for reelection or to continue to serve on the Board.

5.3 Section 409A Requirements. If this Sub-Plan fails to meet the requirements of Code Section 409A, neither the Company nor any of its affiliates shall have any liability for any tax, penalty or interest imposed on the Director by Code Section 409A, and the Director shall have no recourse against the Company or any of its affiliates for payment of any such tax, penalty or interest imposed by Code Section 409A.

5.4 Amendment and Termination. The Sub-Plan may be amended or terminated in accordance with the provisions of the Stock Incentive Plan.

Exhibit 10.3

FORTIVE CORPORATION
NON-EMPLOYEE DIRECTORS' DEFERRED COMPENSATION PLAN

Election Form

This Agreement made as of __________, ____ by and between ________________, an individual residing at ________________ (the "Participant"), and Fortive Corporation (the "Company") pursuant to the Fortive Corporation Non-Employee Directors' Deferred Compensation Plan (the "Sub-Plan").

WHEREAS, the Company has established the Sub-Plan under the Fortive Corporation 2016 Stock Incentive Plan (the "2016 Stock Incentive Plan") for the benefit of its eligible non-employee Directors, and the Participant is eligible to make an election regarding the form in which the Participant will receive all of his or her aggregate Annual Retainer in any Deferral Year pursuant to the terms and conditions of the Sub-Plan.

NOW, THEREFORE, the parties agree as follows:

(i) *General*. Capitalized terms not defined herein shall have the same meaning as set forth in the 2016 Stock Incentive Plan or the Sub-Plan. In the event of a conflict or inconsistency between this Election Form and the Sub-Plan, the Sub-Plan shall control.

(ii) *Election.* The Company and the Participant agree that the Annual Retainer payable to the Participant with respect to services performed during a Deferral Year beginning after the date hereof (or with respect to a newly-appointed Director, during the remainder of the Deferral Year after this Election Form is submitted to the Administrator), and each Deferral Year thereafter except to the extent this Election Form is changed, shall be paid in the form of:

Please check one of the following:

¨ **100% in Cash Retainer;**

¨ **100% in Equity Retainer; or**

¨ **_____% in Equity Retainer, with the remainder in Cash Retainer;**

(iii) *Delivery Date.* In the event that the Participant elects to receive any portion of the Annual Retainer in the form of an Equity Retainer, the delivery date for such Equity Retainer shall be the earlier of (1) the date elected by the Participant below and (2) the date the Participant dies:

Please check one of the following:

¨ **First day of the seventh month following Separation from Service**

¨ **First anniversary of Separation from Service**

¨ **Third anniversary of Separation from Service**

¨ **Fifth anniversary of Separation from Service**

(iv) *Timing and Irrevocability of Election.* Once a Participant has submitted an Election Form, the Participant may only change the Election Form, or change the form of his or her Annual Retainer, if he or she notifies the Administrator in writing of the change prior to December 31 of the calendar year preceding the Deferral Year for which the change is to be effective. If the Participant changes his or her election, the change shall be effective beginning with the Deferral Year following the calendar year in which the change is made. With regard only to a Participant who is initially appointed as a Director after December 31 of the

calendar year preceding the Deferral Year for which the election is to be effective, this Election Form must be received no later than the date the Participant initially becomes eligible to participate in the Sub-Plan to be effective.

(v) *Participant Acknowledgement.* The Participant acknowledges receipt of the Sub-Plan, the 2016 Stock Incentive Plan and the prospectus relating thereto and agrees to be bound by all the terms and provisions thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

______________________________	By: ______________________________
Participant	Name:
	Title:

Exhibit 12.1

FORTIVE CORPORATION
STATEMENT REGARDING COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
($ in millions, except ratio data)

The following table reflects the computation of the ratio of earnings to fixed charges for the periods presented (in millions, except ratio data):

	Nine Months Ended September 29, 2017	Year Ended December 31 2016	2015	2014	2013	2012
Fixed Charges:						
Gross Interest Expense	$ 68.2	$ 49.0	$ —	$ —	$ —	$ —
Interest Element of Rental Expense	2.3	3.6	3.6	3.1	3.3	3.1
Interest on Unrecognized Tax Benefits	—	—	—	—	—	—
Total Fixed Charges	$ 70.5	$ 52.6	$ 3.6	$ 3.1	$ 3.3	$ 3.1
Earnings Available for Fixed Charges:						
Earnings Before Income Taxes	$ 946.2	$ 1,197.0	$ 1,269.7	$ 1,279.2	$ 1,143.2	$ 1,127.8
Add Fixed Charges	70.5	52.6	3.6	3.1	3.3	3.1
Interest on Unrecognized Tax Benefits	—	—	—	—	—	—
Total Earnings Available for Fixed Charges	$ 1,016.7	$ 1,249.6	$ 1,273.3	$ 1,282.3	$ 1,146.5	$ 1,130.9
Ratio of Earnings to Fixed Charges [1]	14.4	23.8	353.7	413.6	347.4	364.8

[1] The ratios of earnings to fixed charges were computed by dividing earnings by fixed charges for the periods indicated, where (1) “earnings” consist of earnings before income taxes plus fixed charges, and (2) “fixed charges” consist of (A) interest, whether expensed or capitalized, on all indebtedness, (B) amortization of premiums, discounts and capitalized expenses related to indebtedness, and (C) an interest component representing the estimated portion of rental expense that management believes is attributable to interest. Interest on unrecognized tax benefits is included in the tax provision and is excluded from the computation of fixed charges.

Exhibit 31.1

Certification

I, James A. Lico, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Fortive Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 26, 2017

By: /s/ James A. Lico
James A. Lico
President and Chief Executive Officer

Exhibit 31.2

Certification

I, Charles E. McLaughlin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Fortive Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 26, 2017

By: /s/ Charles E. McLaughlin

Charles E. McLaughlin

Senior Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, James A. Lico, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge, Fortive Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended September 29, 2017 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Fortive Corporation.

Date:	October 26, 2017	By:	/s/ James A. Lico
			James A. Lico
			President and Chief Executive Officer

This certification accompanies the Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that Fortive Corporation specifically incorporates it by reference.

Exhibit 32.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Charles E. McLaughlin, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge, Fortive Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended September 29, 2017 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Fortive Corporation.

Date:	October 26, 2017	By:	/s/ Charles E. McLaughlin
			Charles E. McLaughlin
			Senior Vice President and Chief Financial Officer

This certification accompanies the Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that Fortive Corporation specifically incorporates it by reference.