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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2018

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

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange On Which Registered**
Common Stock $.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

NONE

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act.

Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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 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 x 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 x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K ý

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.

Large accelerated filer	x		Accelerated filer	¨
Non-accelerated filer	¨	(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 in Rule 12b-2 of the Exchange Act). Yes o No ý

As of February 21, 2019 there were 334,631,235 shares of Registrant's common stock outstanding. The aggregate market value of common stock held by non-affiliates of the Registrant as of June 29, 2018 was $23.8 billion, based upon the closing price of the Registrant's common stock on the New York Stock Exchange.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates certain information by reference from the Registrant's proxy statement for its 2019 annual meeting of stockholders to be filed pursuant to Regulation 14A within 120 days after Registrant's fiscal year-end. With the exception of the sections of the 2019 Proxy Statement specifically incorporated herein by reference, the 2019 Proxy Statement is not deemed to be filed as part of this Form 10-K.

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INFORMATION RELATING TO FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Annual 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 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; impact of changes to tax laws; 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. These forward-looking statements are subject to a number of risks and uncertainties, including but not limited to the risks and uncertainties set forth under "Item 1A. Risk Factors" in this Annual Report.

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. 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.

PART I

ITEM 1. BUSINESS

General

Fortive Corporation is a diversified industrial technology growth company encompassing businesses that are recognized leaders in attractive markets. Our well-known brands hold leading positions in advanced instrumentation solutions, transportation technology, sensing, 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. Our research and development, manufacturing, sales, distribution, service and administrative facilities are located in more than 50 countries across North America, Asia Pacific, Europe and Latin America.

We are guided by our shared purpose to deliver essential technology for the people who accelerate progress, and we are united by our culture of continuous improvement and bias for action that embody the Fortive Business System ("FBS"). Through rigorous application of our proprietary FBS set of growth, lean, and leadership tools and processes, we continuously improve business performance in the critical areas of innovation, product development and commercialization, global supply chain, sales and marketing and leadership development. Our commitment to FBS and goal of creating long-term shareholder value have enabled us to drive customer satisfaction and profitability, significant improvements in innovation, growth and operating margins, and disciplined acquisitions to execute strategy and expand our portfolio into new and attractive markets.

Fortive Corporation is a Delaware corporation and was incorporated in 2015 in connection with the separation of Fortive from Danaher Corporation ("Danaher" or "Former Parent") on July 2, 2016 as an independent, publicly-traded company, listed on the New York Stock Exchange (the "Separation"). The Separation was effectuated through a pro-rata dividend distribution on July 2, 2016 of all of the then-outstanding shares of common stock of Fortive Corporation to the holders of common stock of Danaher as of June 15, 2016.

On October 1, 2018, we completed the split-off of businesses in our automation and specialty platform (excluding our Hengstler and Dynapar businesses) (the “A&S Business”) to our shareholders who elected to exchange shares of our common stock for all issued and outstanding shares of Stevens Holding Company, Inc. (“Stevens”), the entity we incorporated to hold the A&S Business. The split-off was immediately followed by the merger of Stevens with a subsidiary of Altra Industrial Motion Corp. (“Altra”). Our shareholders who participated in the exchange offer tendered approximately 15.8 million shares of our common stock in exchange for 35.0 million shares of Altra. Concurrently with such split-off, we sold directly to Altra the remainder of the assets and liabilities of A&S Business that were not otherwise contributed to Stevens.

In this Annual Report, the terms “Fortive” or the “Company” refer to either Fortive Corporation or to Fortive Corporation and its consolidated subsidiaries, as the context requires. Unless otherwise indicated, all amounts in this Annual Report refer to continuing operations.

Reportable Segments

Fortive is comprised of two reportable segments, Professional Instrumentation and Industrial Technologies, each of which is further described below.

Professional Instrumentation

Our Professional Instrumentation segment offers essential products, software and services used to create actionable intelligence by measuring and monitoring a wide range of physical parameters in industrial applications, including electrical current, radio frequency signals, distance, pressure, temperature, turbidity, radiation, and hazardous gases. Product offerings span a wide range of formats - from advanced sensors to fit-for-purpose instrumentation to cloud-based IoT solutions to vertical application workflow software, data and analytics to efficiently manage the full lifecycle of assets used in industrial facilities, educational institutions, public sector entities, and commercial facilities. Customers for these products and services include industrial service, installation and maintenance professionals, designers and manufacturers of electronic devices and instruments, medical technicians, safety professionals, commercial property owners, contractors, facility managers and other customers for whom precision, reliability, safety, compliance, integrated workflows and data analytics are critical in their specific applications. We also offer products that are used in the design, development, manufacturing, testing and advanced calibration of products for electronics, industrial and media markets.

Our Professional Instrumentation segment consists of our Advanced Instrumentation & Solutions and Sensing Technologies businesses. Our Advanced Instrumentation & Solutions business was primarily established through the acquisitions of Qualitrol in the 1980s, Fluke Corporation and Pacific Scientific Company in 1998, Tektronix and Invetech in 2007, Keithley Instruments in 2010, eMaint in 2016, Industrial Scientific and Landauer in 2017, Gordian and Accruent in 2018 and numerous bolt-on acquisitions.

Advanced Instrumentation & Solutions

Our Advanced Instrumentation & Solutions business consists of:

Field Solutions Our field solutions products 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; portable gas detection equipment, consumables, and software as a service (SaaS) offerings including safety/user behavior, asset management, and compliance monitoring; subscription-based technical, analytical, and compliance services to determine occupational and environmental radiation exposure; and software, data analytics and services for critical infrastructure in utility, industrial, energy, construction, facilities management, public safety, mining, and healthcare applications. The instrumentation and sensing products and associated software solutions measure voltage, current, resistance, power quality, frequency, pressure, temperature, radiation, hazardous gas and air quality, among other parameters. Typical users of these products and software include electrical engineers, electricians, electronic technicians, safety professionals, medical technicians, network technicians, first-responders, and industrial service, installation and maintenance professionals. The business also makes and sells instruments, controls and monitoring and maintenance systems used by maintenance departments in utilities and industrial facilities to monitor assets, including transformers, generators, motors and switchgear. The business also provides physical resource management software with an integrated cloud-based framework for management of commercial property and facilities to extend the lifecycle of assets, facilitate regulatory compliance and reduce safety risks. In addition, the business provides subscription-based construction cost data, software and services for real estate construction and maintenance applications. Products are marketed under a variety of brands, including ACCRUENT, FLUKE, FLUKE BIOMEDICAL, FLUKE NETWORKS, GORDIAN, INDUSTRIAL SCIENTIFIC, LANDAUER and QUALITROL.

Product Realization Our product realization services and products help developers and engineers across the end-to-end product creation cycle from concepts to finished products. Our test, measurement and monitoring products are used in the design, manufacturing and development of electronics, industrial, video and other advanced technologies. Typical users of these products and services include research and development engineers who design, de-bug, monitor and validate the function and performance of electronic components, subassemblies and end-products, and video equipment manufacturers, content developers and broadcasters. The business also provides a full range of design, engineering and manufacturing services and highly-engineered, modular components to enable conceptualization, development and launch of products in the medical diagnostics, cell therapy and consumer markets. Finally, the business designs, develops, manufactures and markets critical, highly-engineered energetic materials components in specialized vertical applications. Products and services are marketed under a variety of brands, including INVETECH, KEITHLEY, PACIFIC SCIENTIFIC, SONIX and TEKTRONIX.

Competition in the Advanced Instrumentation & Solutions business is based on a number of factors, including the reliability, performance, ruggedness, ease of use, ergonomics and aesthetics of the product, the service provider's relevant expertise with particular technologies and applications, as well as the other factors described under "-Competition." Sales in the segment are generally made through independent distributors and direct sales personnel.

Sensing Technologies

Our Sensing Technologies business offers devices that sense, monitor and control operational or manufacturing variables, such as temperature, pressure, level, flow, turbidity and conductivity. Users of these products span a wide variety of industrial and manufacturing markets, including medical equipment, food and beverage, marine, industrial, off-highway vehicles, building automation and semiconductors. Our competitive advantage in these markets is based on our ability to apply advanced sensing technologies to a variety of customer needs, many of which are in demanding operating environments. Our modular products and agile supply chain enable rapid customization of solutions for unique operational requirements and which meet the lead-time needs of our customers. Competition in the business is based on a number of factors, including technology, application design expertise, lead time, channels of distribution, brand awareness, as well as the other factors described under "-Competition." Products in this business are marketed under a variety of brands, including ANDERSON-NEGELE, GEMS and SETRA. Sales in the segment are generally made through direct sales personnel and independent distributors.

Manufacturing facilities of our Professional Instrumentation segment are located in North America, Europe and Asia.

Industrial Technologies

Our Industrial Technologies segment offers critical technical equipment, components, software and services for manufacturing, repair and transportation markets worldwide. We offer a wide range of products spanning advanced environmental sensors, fueling equipment, field payment, hardware, remote management and workflow software, vehicle tracking and fleet management software, and signaling solutions for traffic light control. Products and services offered serve retail fueling operators, commercial auto-repair businesses, municipal governments and public safety entities and fleet owners/operators, globally.

Our Industrial Technologies segment consists of our Transportation Technologies and Franchise Distribution businesses. Our Transportation Technologies business originated with the acquisition of Veeder-Root in the 1980s and subsequently expanded through additional acquisitions, including the acquisitions of Gilbarco in 2002, Navman Wireless in 2012, Teletrac in 2013, ANGI Energy Systems in 2014, Global Traffic Technologies in 2016, Orpak Systems in 2017 and numerous bolt-on acquisitions. Our Franchise Distribution business was established through the acquisitions of Matco Tools and Hennessy Industries in 1986.

Manufacturing facilities of our Industrial Technologies businesses are located in North America, Latin America, Europe and Asia.

Transportation Technologies

Our Transportation Technologies business is a leading worldwide provider 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. This business consists of:

Retail/Commercial Fueling Our retail/commercial petroleum products include environmental monitoring and leak detection systems; vapor recovery equipment; fuel dispenser systems for petroleum and compressed natural gas; point-of-sale and secure and automated electronic payment technologies for retail petroleum stations; submersible turbine pumps; and remote monitoring and outsourced fuel management software as a service ("SaaS") offerings, including compliance services, fuel system maintenance, fleet management software solutions, and inventory planning and supply chain support. Typical users of these products include independent and company-owned retail petroleum stations, high-volume retailers, convenience stores, and commercial vehicle fleets. Our retail/commercial petroleum products are marketed under a variety of brands, including ANGI, GASBOY, GILBARCO, GILBARCO AUTOTANK, ORPAK and VEEDER-ROOT.

Telematics Our telematics products include vehicle tracking and fleet management hardware and software solutions offered as SaaS that fleet managers use to position and dispatch vehicles, manage fuel consumption and promote vehicle safety, compliance, operating efficiency and productivity. Typical users of these solutions span a variety of industries and include businesses and other organizations that manage vehicle fleets. Our telematics products are marketed under a variety of brands, including TELETRAC NAVMAN.

Customers in this line of business choose suppliers based on a number of factors, including product features, performance and functionality, the supplier's geographic coverage and the other factors described under "-Competition." Sales are generally made through independent distributors and our direct sales personnel

Franchise Distribution

Our Franchise Distribution business consists of:

Professional Tools We manufacture and distribute professional tools, toolboxes and automotive diagnostic equipment and software through our network of franchised mobile distributors, who sell primarily to professional mechanics under the MATCO brand. Professional mechanics typically select tools based on relevant innovative features and the other factors described under "-Competition."

Wheel Service Equipment We produce a full-line of wheel service equipment including brake lathes, tire changers, wheel balancers, and wheel weights under various brands including the COATS brands. Typical users of these products are automotive tire and repair shops. Sales are generally made through direct sales personnel and independent distributors. Competition in the wheel service equipment business is based on the factors described under "-Competition."

Automation & Specialty Components

Until the split-off of our A&S Business on October 1, 2018, the Automation & Specialty Components businesses, comprised of the A&S Business as well as our Hengstler and Dynapar businesses, was a platform in our Industrial Technologies segment. The businesses that previously comprised the Automation and Specialty Components platform provide a wide range of electromechanical and electronic motion control products (including standard and custom motors, drives and controls), mechanical components (such as ball screws, linear bearings, clutches/brakes and linear actuators), supplemental braking systems for commercial vehicles, and automation products under a variety of brands, including DYNAPAR, HENGSTLER, JAKE BRAKE, KOLLMORGEN, PORTESCAP and THOMSON. Following the split-off of the A&S Business from Fortive, the A&S Business merged with Altra Industrial Motion, Inc., with Dynapar and Hengstler businesses remaining with Fortive.

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The following discussion includes information common to both of our segments.

Materials

Our manufacturing operations employ a wide variety of raw materials, including electronic components, steel, plastics and other petroleum-based products, cast iron, aluminum and copper. Prices of oil and gas affect our costs for freight and utilities. We purchase raw materials from a large number of independent sources around the world. No single supplier is material, although for some components that require particular specifications or qualifications there may be a single supplier or a limited number of suppliers that can readily provide such components. We utilize a number of techniques to address potential disruption in and other risks relating to our supply chain, including in certain cases the use of safety stock, alternative materials and qualification of multiple supply sources. During 2018 we had no raw material shortages that had a material effect on our business. For a further discussion of risks related to the materials and components required for our operations, please refer to "Item 1A. Risk Factors."

Intellectual Property

We own numerous patents, trademarks, copyrights and trade secrets and licenses to intellectual property owned by others. Although in aggregate our intellectual property is important to our operations, we do not consider any single patent, trademark, copyright, trade secret or license to be of material importance to any segment or to the business as a whole. From time to time we engage in litigation to protect our intellectual property rights. For a discussion of risks related to our intellectual property, please refer to "Item 1A. Risk Factors." All capitalized brands and product names throughout this document are trademarks owned by, or licensed to, Fortive.

Competition

We believe that we are a leader in many of our served markets. Although our businesses generally operate in highly competitive markets, our competitive position cannot be determined accurately in the aggregate or by segment, since none of our competitors offer all of the same product and service lines or serve all of the same markets as we do. Because of the range of the products and services we sell and the variety of markets we serve, we encounter a wide variety of competitors, including well-established regional competitors, competitors who are more specialized than we are in particular markets, as well as larger companies or divisions of larger companies with substantial sales, marketing, research, and financial capabilities. We face increased competition in a number of our served markets as a result of the entry of competitors based in low-cost manufacturing locations, and increasing consolidation in particular markets. The number of competitors varies by product and service line. Our management believes that we have a market leadership position in most of the markets we serve. Key competitive factors vary among our businesses and product and service lines, but include the specific factors noted above with respect to each particular business and typically also include price, quality, performance, delivery speed, applications expertise, distribution channel access, service and support, technology and innovation, breadth of product, service and software offerings and brand name recognition. For a discussion of risks related to competition, please refer to "Item 1A. Risk Factors."

Seasonal Nature of Business

General economic conditions impact our business and financial results, and certain of our businesses experience seasonal and other trends related to the industries and end markets that they serve. For example, capital equipment sales are often stronger in the fourth calendar quarter and sales to OEMs are often stronger immediately preceding and following the launch of new products. However, as a whole, we are not subject to material seasonality.

Working Capital

We maintain an adequate level of working capital to support our business needs. There are no unusual industry practices or requirements relating to working capital items in either of our reportable segments. In addition, our sales and payment terms are generally similar to those of our competitors.

Backlog

The following sets forth the unfulfilled orders attributable to each of our segments as of December 31 ($ in millions):

	2018	2017
Professional Instrumentation	$ 747	$ 662
Industrial Technologies	477	471
Total	$ 1,224	$ 1,133

We expect that a majority of the unfilled orders as of December 31, 2018 will be delivered to customers within two to three months of such date. Given the relatively short delivery periods and rapid inventory turnover that are characteristic of most of our products and the shortening of product life cycles, we believe that backlog in 2018 is indicative of short-term revenue performance but not necessarily a reliable indicator of medium or long-term revenue performance. Backlog also includes the annual average contract value of signed contracts for our software as a service product offerings.

Employee Relations

As of December 31, 2018, we employed approximately 24,000 persons, of whom approximately 12,500 were employed in the United States and approximately 11,500 were employed outside of the United States. Of our United States employees, approximately 800 were hourly-rated, unionized employees. Outside the United States, we have government-mandated collective bargaining arrangements and union contracts in certain countries, particularly in Europe where certain of our employees are represented by unions and/or works councils. The Company believes that its relationship with employees is good.

Government Contracts

Although the substantial majority of our revenue in 2018 was from customers other than governmental entities, each of our segments has agreements relating to the sale of products to government entities. As a result, we are subject to various statutes and regulations that apply to companies doing business with governments and government-owned entities. For a discussion of risks related to government contracting requirements, please refer to "Item 1A. Risk Factors."

Regulatory Matters

We face extensive government regulation both within and outside the United States relating to the development, manufacture, marketing, sale and distribution of our products, software and services. The following sections describe certain significant regulations that we are subject to. These are not the only regulations that our businesses must comply with. For a description of the risks related to the regulations that our businesses are subject to, please refer to “Item 1A. Risk Factors.”

Environmental Laws and Regulations
Our operations and properties are subject to laws and regulations relating to environmental protection, including those governing air emissions, water discharges and waste management, and workplace health and safety. For a discussion of the environmental laws and regulations that our operations, products and services are subject to and other environmental contingencies, please refer to Note 16 to the Consolidated and Combined Financial Statements included in this Annual Report. For a discussion of risks related to compliance with environmental and health and safety laws and risks related to past or future releases of, or exposures to, hazardous substances, please refer to “Item 1A. Risk Factors.”

Export/Import Compliance

We are required to comply with various U.S. export/import control and economic sanctions laws, such as:
- the International Traffic in Arms Regulations administered by the U.S. Department of State, Directorate of Defense Trade Controls, which, among other things, impose license requirements on the export from the United States of defense articles and defense services listed on the United States Munitions List;
- the Export Administration Regulations administered by the U.S. Department of Commerce, Bureau of Industry and Security, which, among other things, impose licensing requirements on the export, in-country transfer and re-export of certain dual-use goods, technology and software (which are items that have both commercial and military or proliferation applications);
- the regulations administered by the U.S. Department of Treasury, Office of Foreign Assets Control, which implement economic sanctions imposed against designated countries, governments and persons based on United States foreign policy and national security considerations; and
- the import regulations administered by U.S. Customs and Border Protection.

Other nations’ governments have implemented similar export/import control and economic sanction regulations, which may affect our operations or transactions subject to their jurisdictions. For a discussion of risks related to export/import control and economic sanctions laws, please refer to “Item 1A. Risk Factors.”

International Operations

Our products and services are available in markets worldwide, and our principal markets outside the United States are in Europe and Asia. We also have operations around the world, and this geographic diversity allows us to draw on the skills of a worldwide workforce, provides greater stability to our operations, allows us to drive economies of scale, provides revenue streams that may help offset economic trends that are specific to individual economies and offers us an opportunity to access new markets for products. In addition, we believe that our future growth depends in part on our ability to continue developing products and sales models that successfully target high-growth markets.

The manner in which our products and services are sold outside the United States differs by business and by region. Most of our sales in non-U.S. markets are made by our subsidiaries located outside the United States, though we also sell directly from the United States into non-U.S. markets through various representatives and distributors and, in some cases, directly. In countries with low sales volumes, we generally sell through representatives and distributors.

Major Customers

No customer accounted for more than 10% of consolidated sales in 2018, 2017 or 2016.

Available Information

We maintain an internet website at www.fortive.com. We make available free of charge on the website our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after filing such material with, or furnishing such material to, the SEC. Our internet site and the information contained on or connected to that site are not incorporated by reference into this Form 10-K.

ITEM 1A. RISK FACTORS

You should carefully consider the risks and uncertainties described below, together with the information included elsewhere in this Annual Report on Form 10-K and other documents we file with the SEC. The risks and uncertainties described below are those that we have identified as material, but are not the only risks and uncertainties facing us. Our business is also subject to general risks and uncertainties that affect many other companies, such as market conditions, economic conditions, geopolitical events, changes in laws, regulations or accounting rules, fluctuations in interest rates, terrorism, wars or conflicts, major health concerns, natural disasters or other disruptions of expected business conditions. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial also may impair our business, including our results of operations, liquidity and financial condition.

Risks Related to Our Business

Conditions in the global economy, the markets we serve and the financial markets may adversely affect our business and financial statements.

Our business is sensitive to general economic conditions. Slower global economic growth, actual or anticipated default on sovereign debt, changes in global trade policies, volatility in the currency and credit markets, high levels of unemployment and underemployment, reduced levels of capital expenditures, changes in government fiscal and monetary policies, government deficit reduction and budget negotiation dynamics, sequestration, other austerity measures, political and social instability, natural disasters, terrorist attacks, and other challenges that affect the global economy adversely affect us and our distributors, customers and suppliers, including having the effect of:

- reducing demand for our products, software and services, limiting the financing available to our customers and suppliers, increasing order cancellations and resulting in longer sales cycles and slower adoption of new technologies;
- increasing the difficulty in collecting accounts receivable and the risk of excess and obsolete inventories;
- increasing price competition in our served markets;
- supply interruptions, which could disrupt our ability to produce our products;
- increasing the risk of impairment of goodwill and other long-lived assets, and the risk that we may not be able to fully recover the value of other assets such as real estate and tax assets; and
- increasing the risk that counterparties to our contractual arrangements will become insolvent or otherwise unable to fulfill their contractual obligations which, in addition to increasing the risks identified above, could result in preference actions against us.

In addition, adverse general economic conditions may lead to instability in U.S. and global capital and credit markets, including market disruptions, limited liquidity and interest rate volatility. If we are unable to access capital and credit markets on terms that are acceptable to us or our lenders are unable to provide financing in accordance with their contractual obligations, we may not be able to make certain investments or acquisitions or fully execute our business plans and strategies. Furthermore, our suppliers and customers are also dependent upon the capital and credit markets. Limitations on the ability of customers, suppliers or financial counterparties to access credit at interest rates and on terms that are acceptable to them could lead to insolvencies of key suppliers and customers, limit or prevent customers from obtaining credit to finance purchases of our products and services and cause delays in the delivery of key products from suppliers.

If growth in the global economy or in any of the markets we serve slows for a significant period, if there is significant deterioration in the global economy or such markets, if there is instability in global capital and credit markets, or if improvements in the global economy do not benefit the markets we serve, our business and financial statements could be adversely affected.

Our growth could suffer if the markets into which we sell our products and services decline, do not grow as anticipated or experience cyclicality.

Our growth depends in part on the growth of the markets which we serve, and visibility into our markets is limited (particularly for markets into which we sell through distribution). Our quarterly sales and profits depend substantially on the volume and timing of orders received during the fiscal quarter, which are difficult to forecast. Any decline or lower than expected growth in our served markets could diminish demand for our products and services, which could adversely affect our financial statements. Certain of our businesses operate in industries that may experience periodic, cyclical downturns. In addition, in certain of our businesses demand depends on customers' capital spending budgets, and product and economic cycles can affect the spending decisions of these entities. Demand for our products and services is also sensitive to changes in customer order patterns, which may be affected by announced price changes, changes in incentive programs, new product introductions and customer inventory levels. Any of these factors could adversely affect our growth and results of operations in any given period.

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 and services.

Many of our businesses operate in industries that are intensely competitive and have been subject to consolidation. Because of the range of the products and services we sell and the variety of markets we serve, we encounter a wide variety of competitors; please see the section entitled "Business-Competition" for additional details. In order to compete effectively, we must retain longstanding relationships with major customers and continue to grow our business by establishing relationships with new customers, continually developing new or enhanced products and services to maintain and expand our brand recognition and leadership position in various product and service categories and penetrating new markets, including high-growth markets. Our failure to compete effectively and/or pricing pressures resulting from competition may adversely impact our financial statements, and our expansion into new markets may result in greater-than-expected risks, liabilities and expenses.

Changes in industry standards and governmental regulations may reduce demand for our products or services or increase our expenses.

We compete in markets in which we and our customers must comply with supranational, federal, state, local and other jurisdictional regulations, such as regulations governing health and safety, the environment and electronic communications, and market standardizations, such as the Europay, MasterCard and Visa ("EMV") global standard. We develop, configure and market our products and services to meet customer needs created by these regulations and standards. These regulations and standards are complex, change frequently, have tended to become more stringent over time and may be inconsistent across jurisdictions. Any significant change or delay in implementation in any of these regulations or standards (or in the interpretation, application or enforcement thereof) could reduce or delay demand for our products and services, increase our costs of producing or delay the introduction of new or modified products and services, or could restrict our existing activities, products and services. In addition, in certain of our markets our growth depends in part upon the introduction of new regulations or implementation of industry standards on the timeline we expect. In these markets, the delay or failure of governmental and other entities to adopt or enforce new regulations or industry standards, or the adoption of new regulations or industry standards which our products and services are not positioned to address, could adversely affect demand. In addition, regulatory deadlines or industry standard implementation timelines may result in substantially different levels of demand for our products and services from period to period.

Trade relations between China and the United States could have a material adverse effect on our business and financial statements.

We have experienced growth in various end markets in China. During 2018, year-over-year sales from existing businesses grew at a low double-digit rate in China, and sales in China accounted for approximately 9% of our total sales for the year ended December 31, 2018. In addition, we have numerous facilities in China, many of which serve multiple businesses and are used for multiple purposes.

There is currently significant uncertainty about the future relationship between the United States and China, including with respect to trade policies, treaties, government regulations and tariffs. Substantial changes to U.S. foreign trade policy with respect to China have recently been implemented, including imposition of greater restrictions on international trade. The United States has increased tariffs on certain goods imported into the United States from China, following which the Chinese government increased tariffs on certain goods imported into China from the United States. There is a risk of further escalation and retaliatory actions between the two countries. In addition, the current administration, certain members of Congress and federal officials have stated that United States may seek to implement more protective trade measures, not just with respect to China but with respect to other countries in the Asia Pacific region as well. Any increased trade barriers or restrictions on global trade, especially trade with China, could adversely impact our business and financial statements.

Any inability to consummate acquisitions at our anticipated rate and at appropriate prices could negatively impact our growth rate and stock price.

Our ability to grow revenues, earnings and cash flow at or above our anticipated rates depends in part upon our ability to identify and successfully acquire and integrate businesses at appropriate prices and realize anticipated synergies. We may not be able to consummate acquisitions at rates anticipated, which could adversely impact our growth rate and our stock price. Promising acquisitions are difficult to identify and complete for a number of reasons, including high valuations, competition among prospective buyers, the availability of affordable funding in the capital markets and the need to satisfy applicable closing conditions and obtain antitrust and other regulatory approvals on acceptable terms. In addition, competition for acquisitions may result in higher purchase prices. Changes in accounting or regulatory requirements or instability in the credit markets could also adversely impact our ability to consummate acquisitions.

Our growth depends in part on the timely development and commercialization, and customer acceptance, of new and enhanced products and services based on technological innovation.

We generally sell our products and services in industries that are characterized by rapid technological changes, frequent new product introductions and changing industry standards. If we do not develop innovative new and enhanced products and services on a timely basis, our offerings will become obsolete over time and our competitive position and financial statements will suffer. Our success will depend on several factors, including our ability to:

- correctly identify customer needs and preferences and predict future needs and preferences;
- allocate our research and development funding to products and services with higher growth prospects;
- anticipate and respond to our competitors' development of new products and services and technological innovations;
- differentiate our offerings from our competitors' offerings and avoid commoditization;
- innovate and develop new technologies and applications, and acquire or obtain rights to third-party technologies that may have valuable applications in our served markets;
- obtain adequate intellectual property rights with respect to key technologies before our competitors do;
- successfully commercialize new technologies in a timely manner, price them competitively and cost-effectively manufacture and deliver sufficient volumes of new products of appropriate quality on time; and
- stimulate customer demand for and convince customers to adopt new technologies.

In addition, if we fail to accurately predict future customer needs and preferences or fail to produce viable technologies, we may invest heavily in research and development of products and services that do not lead to significant revenue, which would adversely affect our profitability. Even if we successfully innovate and develop new and enhanced products and services, we may incur substantial costs in doing so, and our profitability may suffer.

Our reputation, ability to do business and financial statements may be impaired by improper conduct by any of our employees, agents or business partners.

We cannot provide assurance that our internal controls and compliance systems will always protect us from acts committed by employees, agents or business partners of ours (or of businesses we acquire or partner with) that would violate U.S. and/or non-U.S. laws, including the laws governing payments to government officials, bribery, fraud, kickbacks and false claims, sales and marketing practices, conflicts of interest, competition, export and import compliance, money laundering and data privacy. In particular, the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business, and we operate in many parts of the world that have experienced governmental corruption to some degree. Any such improper actions or allegations of such acts could damage our reputation and subject us to civil or criminal investigations in the United States and in other jurisdictions and related shareholder lawsuits, could lead to substantial civil and criminal, monetary and non-monetary penalties and could cause us to incur significant legal and investigatory fees. In addition, though we rely on our suppliers to adhere to our supplier standards of conduct, material violations of such standards of conduct could occur that could have a material effect on our financial statements.

Our acquisition of businesses, joint ventures and strategic relationships could negatively impact our financial statements.

As part of our business strategy we acquire businesses and enter other strategic relationships in the ordinary course, some of which may be material; please see "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") for additional details. These acquisitions and strategic relationships involve a number of financial, accounting, managerial, operational, legal, compliance and other risks and challenges, including the following, any of which could adversely affect our financial statements:

- any acquired business, technology, service or product could under-perform relative to our expectations and the price that we paid for it, or not perform in accordance with our anticipated timetable;
- we may incur or assume significant debt in connection with our acquisitions or strategic relationships;

- acquisitions or strategic relationships could cause our financial results to differ from our own or the investment community's expectations in any given period, or over the long-term;
- pre-closing and post-closing earnings charges could adversely impact operating results in any given period, and the impact may be substantially different from period to period;
- acquisitions or strategic relationships could create demands on our management, operational resources and financial and internal control systems that we are unable to effectively address;
- we could experience difficulty in integrating personnel, operations and financial and other controls and systems and retaining key employees and customers;
- we may be unable to achieve cost savings or other synergies anticipated in connection with an acquisition or strategic relationship;
- we may assume by acquisition or strategic relationship unknown liabilities, known contingent liabilities that become realized, known liabilities that prove greater than anticipated, internal control deficiencies or exposure to regulatory sanctions resulting from the acquired company's activities. The realization of any of these liabilities or deficiencies may increase our expenses, adversely affect our financial position or cause us to fail to meet our public financial reporting obligations;
- in connection with acquisitions, we may enter into post-closing financial arrangements such as purchase price adjustments, earn-out obligations and indemnification obligations, which may have unpredictable financial results;
- in connection with acquisitions, we have recorded significant goodwill and other intangible assets on our balance sheet. If we are not able to realize the value of these assets, we may be required to incur charges relating to the impairment of these assets; and
- we may have interests that diverge from those of strategic partners and we may not be able to direct the management and operations of the strategic relationship in the manner we believe is most appropriate, exposing us to additional risk.

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.

Certain of the acquisition agreements by which we have acquired companies require the former owners to indemnify us against certain liabilities related to the operation of the company before we acquired it. In most of these agreements, however, the liability of the former owners is limited and certain former owners may be unable to meet their indemnification responsibilities. We cannot assure you that these indemnification provisions will protect us fully or at all, and as a result we may face unexpected liabilities that adversely affect our financial statements.

Divestitures or other dispositions could negatively impact our business, and contingent liabilities from businesses that we have sold could adversely affect our financial statements.

We continually assess the strategic fit of our existing businesses and may divest or otherwise dispose of businesses that are deemed not to fit with our strategic plan or are not achieving the desired return on investment. These transactions pose risks and challenges that could negatively impact our business. For example, when we decide to sell or otherwise dispose of a business or assets, we may be unable to do so on satisfactory terms within our anticipated timeframe or at all, and even after reaching a definitive agreement to sell or dispose a business the sale is typically subject to satisfaction of pre-closing conditions which may not become satisfied. In addition, divestitures or other dispositions may dilute our earnings per share, have other adverse financial and accounting impacts and distract management, and disputes may arise with buyers. In addition, we have retained responsibility for and/or have agreed to indemnify buyers against some known and unknown contingent liabilities related to a number of businesses we have sold or disposed. The resolution of these contingencies has not had a material effect on our financial statements but we cannot be certain that this favorable pattern will continue.

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 and financial statements.

Our operations, products and services are subject to environmental laws and regulations, which impose limitations on the discharge of pollutants into the environment and establish standards for the use, generation, treatment, storage and disposal of hazardous and non-hazardous wastes. We must also comply with various health and safety regulations in the United States and abroad in connection with our operations. In addition, some of our operations require the controlled use of hazardous or energetic materials in the development, manufacturing or servicing of our products. We cannot assure you that our environmental, health and safety compliance program has been or will at all times be effective. Failure to comply with any of these laws could result in civil and criminal, monetary and non-monetary penalties and damage to our reputation. In addition, we cannot provide assurance that our costs of complying with current or future environmental protection and health and safety laws will not exceed our estimates or adversely affect our financial statements. Moreover, any accident that results in significant personal injury or property damage, whether occurring during development, manufacturing, servicing, use, or storage of our products, may result in significant production interruption, delays or claims for substantial damages caused by personal injuries or property damage, harm to our reputation, and reduction in morale among our employees, any of which may adversely and materially affect our results of operations.

In addition, we may incur costs related to remedial efforts or alleged environmental damage associated with past or current waste disposal practices or other hazardous materials handling practices. We are also from time to time party to personal injury or other claims brought by private parties alleging injury due to the presence of or exposure to hazardous substances. We may also become subject to additional remedial, compliance or personal injury costs due to future events such as changes in existing laws or regulations, changes in agency direction or enforcement policies, developments in remediation technologies, changes in the conduct of our operations and changes in accounting rules. For additional information regarding these risks, please refer to Note 16 to the Consolidated and Combined Financial Statements. We cannot assure you that our liabilities arising from past or future releases of, or exposures to, hazardous substances will not exceed our estimates or adversely affect our reputation and financial statements or that we will not be subject to additional claims for personal injury or remediation in the future based on our past, present or future business activities.

Our businesses are subject to extensive regulation; failure to comply with those regulations could adversely affect our financial statements and reputation.

In addition to the environmental, health, safety, anticorruption and other regulations noted above, our businesses are subject to extensive regulation by U.S. and non-U.S. governmental and self-regulatory entities at the supranational, federal, state, local and other jurisdictional levels, including the following:

- we are required to comply with various import laws and export control and economic sanctions laws, which may affect our transactions with certain customers, business partners and other persons and dealings between our employees and subsidiaries. In certain circumstances, export control and economic sanctions regulations may prohibit the export of certain products, services and technologies. In other circumstances, we may be required to obtain an export license before exporting the controlled item. Compliance with the various import laws that apply to our businesses can restrict our access to, and increase the cost of obtaining, certain products and at times can interrupt our supply of imported inventory;

- we also have agreements to sell products and services to government entities and are subject to various statutes and regulations that apply to companies doing business with government entities. The laws governing government contracts differ from the laws governing private contracts. For example, many government contracts contain pricing and other terms and conditions that are not applicable to private contracts. Our agreements with government entities may be subject to termination, reduction or modification at the convenience of the government or in the event of changes in government requirements, reductions in federal spending and other factors, and we may underestimate our costs of performing under the contract. Government contracts that have been awarded to us following a bid process could become the subject of a bid protest by a losing bidder, which could result in loss of the contract. We are also subject to investigation and audit for compliance with the requirements governing government contracts; and

- we are also required to comply with increasingly complex and changing data privacy regulations in multiple jurisdictions that regulate the collection, use, protection and transfer of personal data, including the transfer of personal data between or among countries. Many of these foreign data privacy regulations (including the General Data Protection Regulation effective in the European Union in May 2018) are more stringent than those in the U.S. We may also face audits or investigations by one or more domestic or foreign government agencies relating to our compliance with these regulations. An adverse outcome under any such investigation or audit could subject us to fines or other penalties. That or other circumstances related to our collection, use and transfer of personal data could cause a loss of reputation in the market and/or adversely affect our business and financial position.

These are not the only regulations that our businesses must comply with. The regulations we are subject to have tended to become more stringent over time and may be inconsistent across jurisdictions. We, our representatives and the industries in which we operate may at times be under review and/or investigation by regulatory authorities. Failure to comply (or any alleged or perceived failure to comply) with the regulations referenced above or any other regulations could result in civil and criminal, monetary and non-monetary penalties, and any such failure or alleged failure (or becoming subject to a regulatory enforcement investigation) could also damage our reputation, disrupt our business, limit our ability to manufacture, import, export and sell products and services, result in loss of customers and disbarment from selling to certain federal agencies and cause us to incur significant legal and investigatory fees. Compliance with these and other regulations may also affect our returns on investment, require us to incur significant expenses or modify our business model or impair our flexibility in modifying product, marketing, pricing or other strategies for growing our business. Our products and operations are also often subject to the rules of industrial standards bodies such as the International Standards Organization, and failure to comply with these rules could result in withdrawal of certifications needed to sell our products and services and otherwise adversely impact our financial statements. For additional information regarding these risks, please refer to the section entitled "Business-Regulatory Matters."

International economic, political, legal, compliance and business factors could negatively affect our financial statements.

In 2018, approximately 45% of our sales were derived from customers outside the United States. In addition, many of our manufacturing operations, suppliers and employees are located outside the United States. Since our growth strategy depends in part on our ability to further penetrate markets outside the United States and increase the localization of our products and services, we expect to continue to increase our sales and presence outside the United States, particularly in high-growth markets. Our international business (and particularly our business in high-growth markets) is subject to risks that are customarily encountered in non-U.S. operations, including:

- interruption in the transportation of materials to us and finished goods to our customers;
- differences in terms of sale, including payment terms;
- local product preferences and product requirements;
- changes in a country's or region's political or economic conditions, including changes in relationship with the United States;
- trade protection measures, embargoes and import or export restrictions and requirements;
- unexpected changes in laws or regulatory requirements, including negative changes in tax laws;
- limitations on ownership and on repatriation of earnings and cash;
- the potential for nationalization of enterprises;
- limitations on legal rights and our ability to enforce such rights;
- difficulty in staffing and managing widespread operations;
- differing labor regulations;
- difficulties in implementing restructuring actions on a timely or comprehensive basis; and
- differing protection of intellectual property.

Any of these risks could negatively affect our financial statements and growth.

We may be required to recognize impairment charges for our goodwill and other intangible assets.

As of December 31, 2018, the net carrying value of our goodwill and other intangible assets totaled approximately $8.6 billion. In accordance with generally accepted accounting principles in the United States of America ("GAAP"), we periodically assess these assets to determine if they are impaired. Significant negative industry or economic trends, disruptions to our business, inability to effectively integrate acquired businesses, unexpected significant changes or planned changes in use of our assets, changes in the structure of our business, divestitures, market capitalization declines, or increases in associated discount rates may impair our goodwill and other intangible assets. Any charges relating to such impairments would adversely affect our results of operations in the periods recognized.

Foreign currency exchange rates may adversely affect our financial statements.

Sales and purchases in currencies other than the U.S. dollar expose us to fluctuations in foreign currencies relative to the U.S. dollar and may adversely affect our financial statements. Increased strength of the U.S. dollar increases the effective price of our products sold in U.S. dollars into other countries, which may require us to lower our prices or adversely affect sales to the extent we do not increase local currency prices. Decreased strength of the U.S. dollar could adversely affect the cost of materials, products and services we purchase overseas. Sales and expenses of our non-U.S. businesses are also translated into U.S. dollars for reporting purposes and the strengthening or weakening of the U.S. dollar could result in unfavorable translation effects. In addition, certain of our businesses may transact in a currency other than the business' functional currency, and movements in the transaction currency relative to the functional currency could also result in unfavorable exchange rate effects. We also face exchange rate risk from our investments in subsidiaries owned and operated in foreign countries.

Changes in our effective 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 are subject to income and transaction taxes in the United States and in multiple foreign jurisdictions. Because we have a wide range of statutory tax rates in the multiple jurisdictions in which we operate, any changes in our geographical source of earnings could materially impact our consolidated effective tax rate. Furthermore, a change in the tax laws of the jurisdictions where we operate could result in a material increase in our tax expense. In addition, foreign remittance taxes have not been provided for on undistributed earnings of certain of our non-U.S. subsidiaries to the extent such earnings are considered to be indefinitely reinvested in the operations of those subsidiaries. If our intentions regarding reinvestment of such earnings change, then our income tax expense could increase. On December 22, 2017, the U.S. enacted comprehensive tax reform commonly referred to as the Tax Cut and Jobs Act ("TCJA"). The TCJA represents one of the most significant overhauls to the US federal tax code since 1986 according to the SEC. The TCJA includes numerous provisions that affect businesses and introduces changes that impact U.S. corporate tax rates, business-related exclusions, deductions, and credits. In addition, pursuant to the interpretive guidance in Staff Accounting Bulletin No. 118, we prepared and recorded tax accounting for the year ended December 31, 2017 applying tax laws in effect prior to the application of the provisions of the TCJA and recorded provisional estimates for all the effects of the TCJA, with adjustments to the provisional estimates recorded in 2018. In addition, further guidance, regulations, and technical corrections pertaining to TCJA continue to be issued by the tax authorities, including those with retroactive application. We will continue to assess such new guidance, regulations and corrections as they are issued. However, there can be no assurance that the retroactive applications of such new guidance, regulations or corrections issued by the tax authorities will not result in revisions to our prior interpretation of the corresponding provisions of TCJA that may have a material adverse effect on our financial results.

Further changes in the tax laws of foreign jurisdictions could arise as a result of the base erosion and profit shifting project undertaken by the Organisation for Economic Co-operation and Development ("OECD"), which represents a coalition of member countries. The OECD has issued a series of reports recommending changes to numerous long-standing tax principles, many of which are being adopted by various countries in which we do business. Changes in relation to international tax reform could increase uncertainty in the corporate tax area and may adversely affect our provision for income taxes. In addition, the amount of income taxes we pay is subject to ongoing audits by U.S. federal, state and local tax authorities and by non-U.S. tax authorities. Due to the potential for changes to tax laws (or changes to the interpretation thereof) and the ambiguity of tax laws, the subjectivity of factual interpretations, the complexity of our intercompany arrangements and other factors, our estimates of income tax liabilities may differ from actual payments or assessments. If these audits result in payments or assessments different from our reserves, our future results may include unfavorable adjustments to our tax liabilities and our financial statements could be adversely affected. If we determine to repatriate earnings from foreign jurisdictions that have been considered permanently re-invested under existing accounting standards, it could also increase our effective tax rate.

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.

As of December 31, 2018, we had approximately $3.4 billion of long-term debt, including the current portion of long-term debt, on a consolidated basis. We may also obtain additional long-term debt and lines of credit to meet future financing needs. Our debt level and related debt service obligations could have negative consequences, including:

- requiring us to dedicate significant cash flow from operations to the payment of principal and interest on our debt, which would reduce the funds we have available for other purposes, such as acquisitions;
- making it more difficult for us to satisfy our obligations with respect to our debt;
- placing us at a competitive disadvantage compared to our competitors that are not as highly leveraged;
- limiting our ability to borrow additional funds;
- reducing our flexibility in planning for or reacting to changes in our business and market conditions;
- exposing us to interest rate risk since a portion of our debt obligations are at variable rates; and
- resulting in an event of default if we fail to satisfy our obligations under our debt or fail to comply with the financial or restrictive covenants contained in our debt instruments, which event of default could result in all of our debt becoming immediately due and payable and could permit certain of our lenders to foreclose on our assets securing such debt.

Our ability to satisfy our obligations depends on our future operating performance and on economic, financial, competitive and other factors beyond our control. Our business may not generate sufficient cash flow to meet these obligations. If we are unable to service our debt or obtain additional financing, we may be forced to delay strategic acquisitions, capital expenditures or research and development expenditures. We may not be able to obtain additional financing on terms acceptable to us or at all.

Additionally, the agreements governing our debt require that we maintain certain financial ratios, and contain affirmative and negative covenants that restrict our activities by, among other limitations, limiting our ability to incur additional indebtedness, make investments, create liens, sell assets and enter into transactions with affiliates. The covenants in our credit agreement include a debt-to-EBITDA ratio. Specifically, the credit agreement requires us to maintain as of the end of any fiscal quarter a consolidated net leverage ratio of debt to consolidated EBITDA (as defined in the credit agreement) of less than 3.50 to 1.00 or, for four consecutive quarters immediately following the consummation of any qualified acquisition, less than 4.00 to 1.00. In addition, the credit agreement requires us to maintain a consolidated interest coverage ratio of consolidated EBITDA to interest expense of greater than 3.50 to 1.00 as of the end of any fiscal quarter.

Our ability to comply with these restrictions and covenants may be affected by events beyond our control. Our failure to comply with any of these restrictions or covenants may result in an event of default under the applicable debt instrument, which could permit acceleration of the debt under that instrument and require us to prepay that debt before its scheduled due date. Also, an acceleration of the debt under one of our debt instruments would trigger an event of default under other of our debt instruments.

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.

We are subject to a variety of litigation and other legal and regulatory proceedings incidental to our business (or the business operations of previously owned entities), including claims for damages arising out of the use of products or services and claims relating to intellectual property matters, employment matters, tax matters, commercial disputes, competition and sales and trading practices, environmental matters, personal injury, insurance coverage and acquisition or divestiture-related matters, as well as regulatory investigations or enforcement. We may also become subject to lawsuits as a result of past or future acquisitions or as a result of liabilities retained from, or representations, warranties or indemnities provided in connection with, divested businesses. These lawsuits may include claims for compensatory damages, punitive and consequential damages and/or injunctive relief. The defense of these lawsuits may divert our management’s attention, we may incur significant expenses in defending these lawsuits, and we may be required to pay damage awards or settlements or become subject to equitable remedies that could adversely affect our operations and financial statements. Moreover, any insurance or indemnification rights that we may have may be insufficient or unavailable to protect us against such losses. In addition, developments in proceedings in any given period may require us to adjust the loss contingency estimates that we have recorded in our financial statements, record estimates for liabilities or assets that we were previously unable to estimate or pay cash settlements or judgments. Any of these developments could adversely affect our financial statements in any particular period. We cannot assure you that our liabilities in connection with litigation and other legal and regulatory proceedings will not exceed our estimates or adversely affect our financial statements and reputation.

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.

We own numerous patents, trademarks, copyrights, trade secrets and other intellectual property and licenses to intellectual property owned by others, which in aggregate are important to our business. The intellectual property rights that we obtain, however, may not be sufficiently broad or otherwise may not provide us a significant competitive advantage, and patents may not be issued for pending or future patent applications owned by or licensed to us. In addition, the steps that we and our licensors have taken to maintain and protect our intellectual property may not prevent it from being challenged, invalidated, circumvented, designed-around or becoming subject to compulsory licensing, particularly in countries where intellectual property rights are not highly developed or protected. In some circumstances, enforcement may not be available to us because an infringer has a dominant intellectual property position or for other business reasons, or countries may require compulsory licensing of our intellectual property. We also rely on nondisclosure and noncompetition agreements with employees, consultants and other parties to protect, in part, trade secrets and other proprietary rights. There can be no assurance that these agreements will adequately protect our trade secrets and other proprietary rights and will not be breached, that we will have adequate remedies for any breach, that others will not independently develop substantially equivalent proprietary information or that third parties will not otherwise gain access to our trade secrets or other proprietary rights. Our failure to obtain or maintain intellectual property rights that convey competitive advantage, adequately protect our intellectual property or detect or prevent circumvention or unauthorized use of such property and the cost of enforcing our intellectual property rights could adversely impact our competitive position and financial statements.

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 or services.

From time to time, we receive notices from third parties alleging intellectual property infringement or misappropriation. Any dispute or litigation regarding intellectual property could be costly and time-consuming due to the complexity of many of our technologies and the uncertainty of intellectual property litigation. Our intellectual property portfolio may not be useful in asserting a counterclaim, or negotiating a license, in response to a claim of infringement or misappropriation. In addition, as a result of such claims of infringement or misappropriation, we could lose our rights to critical technology, be unable to license critical technology or sell critical products and services, be required to pay substantial damages or license fees with respect to the infringed rights or be required to redesign our products at substantial cost, any of which could adversely impact our competitive position and financial statements. Even if we successfully defend against claims of infringement or misappropriation, we may incur significant costs and diversion of management attention and resources, which could adversely affect our financial statements.

A significant disruption in, or breach in security of, our information technology systems could adversely affect our business.

We rely on information technology systems, some of which are managed by third parties and some of which are managed on a decentralized, independent basis by our operating companies, to process, transmit and store electronic information (including sensitive data such as confidential business information and personally identifiable data relating to employees, customers and other business partners), and to manage or support a variety of critical business processes and activities. These systems may be damaged, disrupted or shut down due to attacks by computer hackers, nation states, cyber-criminals, computer viruses, employee error or malfeasance, power outages, hardware failures, telecommunication or utility failures, catastrophes or other unforeseen events, and in any such circumstances our system redundancy and other disaster recovery planning may be ineffective or inadequate. In addition, security breaches of our systems (or the systems of our customers, suppliers or other business partners) could result in the misappropriation, destruction or unauthorized disclosure of confidential information or personal data belonging to us or to our employees, partners, customers or suppliers. Like many multinational corporations, our information technology systems have been subject to computer viruses, malicious codes, unauthorized access and other cyber-attacks and we expect to be subject to similar incidents in the future as such attacks become more sophisticated and frequent. Any of the attacks, breaches or other disruptions or damage described above could interrupt our operations, delay production and shipments, result in theft of our and our customers' intellectual property and trade secrets, damage customer and business partner relationships and our reputation or result in defective products or services, legal claims and proceedings, liability and penalties under privacy laws and increased costs for security and remediation, each of which could adversely affect our business and financial statements.

Defects and unanticipated use or inadequate disclosure with respect to our products (including software) or services could adversely affect our business, reputation and financial statements.

Manufacturing or design defects impacting safety, cybersecurity or quality issues (or the perception of such issues) for our products and services can lead to personal injury, death, property damage, data loss or other damages. These events could lead to recalls or safety or other public alerts, result in product or service downtime or the temporary or permanent removal of a product or service from the market and result in product liability or similar claims being brought against us. Recalls, downtime, removals and product liability and similar claims (regardless of their validity or ultimate outcome) can result in significant costs, as well as negative publicity and damage to our reputation that could reduce demand for our products and services.

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.

Certain of our businesses sell a significant amount of their products to key distributors and other channel partners that have valuable relationships with customers and end-users. Some of these distributors and other partners also sell our competitors' products or compete with us directly, and if they favor competing products for any reason they may fail to market our products effectively. Adverse changes in our relationships with these distributors and other partners, or adverse developments in their financial condition, performance or purchasing patterns, could adversely affect our financial statements. The levels of inventory maintained by our distributors and other channel partners, and changes in those levels, can also significantly impact our results of operations in any given period. In addition, the consolidation of distributors and customers in certain of our served industries could adversely impact our profitability.

Our financial results are subject to fluctuations in the cost and availability of commodities that we use in our operations.

As discussed in the section entitled "Business-Materials," our manufacturing and other operations employ a wide variety of components, raw materials and other commodities. Prices for and availability of these components, raw materials and other commodities have fluctuated significantly in the past. Any sustained interruption in the supply of these items could adversely affect our business. In addition, due to the highly competitive nature of the industries that we serve, the cost-containment efforts of our customers and the terms of certain contracts we are party to, if commodity prices rise we may be unable to pass along cost increases through higher prices. If we are unable to fully recover higher commodity costs through price increases or offset these increases through cost reductions, or if there is a time delay between the increase in costs and our ability to recover or offset these costs, we could experience lower margins and profitability and our financial statements could be adversely affected.

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.

We purchase materials, components and equipment from third parties for use in our manufacturing operations. Our income could be adversely impacted if we are unable to adjust our purchases to reflect changes in customer demand and market fluctuations, including those caused by seasonality or cyclicality. During a market upturn, suppliers may extend lead times, limit supplies or increase prices. If we cannot purchase sufficient products at competitive prices and quality and on a timely enough basis to meet increasing demand, we may not be able to satisfy market demand, product shipments may be delayed, our costs may increase or we may breach our contractual commitments and incur liabilities. Conversely, in order to secure supplies for the production of products, we sometimes enter into noncancelable purchase commitments with vendors, which could impact our ability to adjust our inventory to reflect declining market demands. If demand for our products is less than we expect, we may experience additional excess and obsolete inventories and be forced to incur additional charges and our profitability may suffer.

In addition, some of our businesses purchase certain requirements from sole or limited source suppliers for reasons of quality assurance, cost effectiveness, availability or uniqueness of design. If these or other suppliers encounter financial, operating or other difficulties or if our relationship with them changes, we might not be able to quickly establish or qualify replacement sources of supply. The supply chains for our businesses could also be disrupted by supplier capacity constraints, bankruptcy or exiting of the business for other reasons, decreased availability of key raw materials or commodities and external events such as natural disasters, pandemic health issues, war, terrorist actions, governmental actions and legislative or regulatory changes. Any of these factors could result in production interruptions, delays, extended lead times and inefficiencies.

Because we cannot always immediately adapt our production capacity and related cost structures to changing market conditions, our manufacturing capacity may at times exceed or fall short of our production requirements. Any or all of these problems could result in the loss of customers, provide an opportunity for competing products to gain market acceptance and otherwise adversely affect our profitability.

Our restructuring actions could have long-term adverse effects on our business.

In recent years, we have implemented multiple, significant restructuring activities across our businesses to adjust our cost structure, and we may engage in similar restructuring activities in the future. These restructuring activities and our regular ongoing cost reduction activities (including in connection with the integration of acquired businesses) reduce our available talent, assets and other resources and could slow improvements in our products and services, adversely affect our ability to respond to customers and limit our ability to increase production quickly if demand for our products increases. In addition, delays in implementing planned restructuring activities or other productivity improvements, unexpected costs or failure to meet targeted improvements may diminish the operational or financial benefits we realize from such actions. Any of the circumstances described above could adversely impact our business and financial statements.

Work stoppages, union and works council campaigns and other labor disputes could adversely impact our productivity and results of operations.

We have certain U.S. collective bargaining units and various non-U.S. collective labor arrangements. We are subject to potential work stoppages, union and works council campaigns and other labor disputes, any of which could adversely impact our productivity, results of operations and reputation.

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.

Our facilities, supply chains, distribution systems and information technology systems are subject to catastrophic loss due to fire, flood, earthquake, hurricane, public health crisis, war, terrorism or other natural or man-made disasters. If any of these facilities, supply chains or systems were to experience a catastrophic loss, it could disrupt our operations, delay production and shipments, result in defective products or services, damage customer relationships and our reputation and result in legal exposure and large repair or replacement expenses. The third-party insurance coverage that we maintain will vary from time to time in both type and amount depending on cost, availability and our decisions regarding risk retention, and may be unavailable or insufficient to protect us against losses.

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 ("Restated Certificate of Incorporation") and amended and restated bylaws ("Amended and Restated Bylaws") contain, and Delaware law contains, provisions that are intended to deter coercive takeover practices and inadequate takeover bids and to encourage prospective acquirers to negotiate with the Board of Directors (the "Board") rather than to attempt an unsolicited takeover not approved by the Board. These provisions include, among others:

- the inability of our shareholders to call a special meeting;
- the inability of our shareholders to act by written consent;
- rules regarding how shareholders may present proposals or nominate directors for election at shareholder meetings;
- the right of the Board to issue preferred stock without shareholder approval;
- the ability of our directors, and not shareholders, to fill vacancies (including those resulting from an enlargement of the Board) on the Board; and
- the requirement that the affirmative vote of shareholders holding at least 80% of our voting stock is required to amend our amended and restated bylaws and certain provisions in our amended and restated certificate of incorporation.

In addition, because we have not chosen to be exempt from Section 203 of the Delaware General Corporation Law (the "DGCL"), this provision could also delay or prevent a change of control that you may favor. Section 203 provides that, subject to limited exceptions, persons that acquire, or are affiliated with a person that acquires, more than 15% of the outstanding voting stock of a Delaware corporation (an "interested stockholder") shall not engage in any business combination with that corporation, including by merger, consolidation or acquisitions of additional shares, for a three-year period following the date on which the person became an interested stockholder, unless (i) prior to such time, the board of directors of such corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder; (ii) upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of such corporation at the time the transaction commenced (excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) the voting stock owned by directors who are also officers or held in employee benefit plans in which the employees do not have a confidential right to tender or vote stock held by the plan); or (iii) on or subsequent to such time the business combination is approved by the board of directors of such corporation and authorized at a meeting of shareholders by the affirmative vote of at least two-thirds of the outstanding voting stock of such corporation not owned by the interested stockholder.

We believe these provisions will protect our shareholders from coercive or otherwise unfair takeover tactics by requiring potential acquirers to negotiate with the Board and by providing the Board with more time to assess any acquisition proposal. These provisions are not intended to make our company immune from takeovers.

However, these provisions will apply even if the offer may be considered beneficial by some shareholders and could delay or prevent an acquisition that the Board determines is not in the best interests of our company and our shareholders. These provisions may also prevent or discourage attempts to remove and replace incumbent directors.

Changes in U.S. GAAP could adversely affect our reported financial results and may require significant changes to our internal accounting systems and processes.

We prepare our consolidated financial statements in conformity with U.S. GAAP. These principles are subject to interpretation by the Financial Accounting Standards Board ("FASB"), the SEC and various bodies formed to interpret and create appropriate accounting principles and guidance. The FASB issued new accounting standards for revenue recognition and accounting for leases. These and other such standards may result in different accounting principles, which may significantly impact our reported results or could result in volatility of our financial results.

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.

Our amended and restated certificate of incorporation provides that unless the Board otherwise determines, 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, will be the sole and exclusive forum for any derivative action or proceeding brought on behalf of our company, any action asserting a claim of breach of a fiduciary duty owed by any of our directors or officers to our company or our shareholders, any action asserting a claim against our company or any of our directors or officers arising pursuant to any provision of the DGCL or our amended and restated certificate of incorporation or bylaws, or any action asserting a claim against our company or any of our directors or officers governed by the internal affairs doctrine. This exclusive forum provision may limit the ability of our shareholders to bring a claim in a judicial forum that such shareholders find favorable for disputes with our company or our directors or officers, which may discourage such lawsuits against our company and our directors and officers.

Certain of our executive officers and directors may have actual or potential conflicts of interest because of their equity interest in Danaher.

Because of their current or former positions with Danaher, certain of our executive officers and directors own equity interests in Danaher. In addition, certain of our directors are currently serving on the Danaher board of directors. Continuing ownership of shares of Danaher common stock and equity awards, or service as a director at both companies could create, or appear to create, potential conflicts of interest if we and Danaher face decisions that could have implications for both Danaher and us.

Potential liabilities may arise due to fraudulent transfer considerations, which would adversely affect our financial condition and our results of operations.

In connection with the Separation, Danaher undertook several corporate restructuring transactions which, together with the Separation, may be subject to federal and state fraudulent conveyance and transfer laws. If, under these laws, a court were to determine that, at the time of the Separation, any entity involved in these restructuring transactions or the Separation:

- was insolvent;
- was rendered insolvent by reason of the Separation;
- had remaining assets constituting unreasonably small capital; or
- intended to incur, or believed it would incur, debts beyond its ability to pay these debts as they matured,

then the court could void the Separation, in whole or in part, as a fraudulent conveyance or transfer. The court could then require our shareholders to return to Danaher some or all of the shares of our common stock issued in the distribution, or require Danaher or us, as the case may be, to fund liabilities of the other company for the benefit of creditors. The measure of insolvency will vary depending upon the jurisdiction whose law is being applied. Generally, however, an entity would be considered insolvent if the fair value of its assets was less than the fair value of its liabilities or if it incurred debt beyond its ability to repay the debt as that debt matures.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Our corporate headquarters is located in Everett, Washington in a facility that we own. As of December 31, 2018, our facilities included approximately 90 significant facilities, which are used for manufacturing, distribution, warehousing, research and development, general administrative and/or sales functions. Approximately 50 of these facilities are located in the United States in over 20 states and approximately 40 are located outside the United States in over 20 countries, including Canada and countries in Asia Pacific, Europe and Latin America. These facilities cover approximately 9 million square feet, of which approximately 6 million square feet are owned and approximately 3 million square feet are leased. Particularly outside the United States, facilities may serve more than one business segment and may be used for multiple purposes, such as administration, sales, manufacturing, warehousing and/or distribution. The number of significant facilities by business segment is: Professional Instrumentation, 55; and Industrial Technologies, 35.

We consider our facilities suitable and adequate for the purposes for which they are used and do not anticipate difficulty in renewing existing leases as they expire or in finding alternative facilities. We believe our properties and equipment have been well-maintained. Please refer to Note 15 to the Consolidated and Combined Financial Statements for additional information with respect to our lease commitments.

ITEM 3. LEGAL PROCEEDINGS

We are, from time to time, subject to a variety of litigation and other legal and regulatory proceedings and claims incidental to our business. Based upon our experience, current information and applicable law, we do not believe that these proceedings and claims will have a material effect on our financial position, results of operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below are the names, ages, positions and experience of our executive officers as of February 27, 2019. All of our executive officers hold office at the pleasure of our Board.

Name	Age	Position	Officer Since
James A. Lico	53	President and Chief Executive Officer	2016
Patrick J. Byrne	58	Senior Vice President	2016
Martin Gafinowitz	60	Senior Vice President	2016
Barbara B. Hulit	52	Senior Vice President	2016
Charles E. McLaughlin	57	Senior Vice President – Chief Financial Officer	2016
Patrick K. Murphy	57	Senior Vice President	2016
William W. Pringle	51	Senior Vice President	2016
Raj Ratnakar	51	Vice President – Strategic Development	2016
Jonathan L. Schwarz	47	Vice President – Corporate Development	2016
Peter C. Underwood	49	Senior Vice President – General Counsel and Secretary	2016
Stacey A. Walker	48	Senior Vice President – Human Resources	2016
Emily A. Weaver	47	Vice President – Chief Accounting Officer	2016

James A. Lico has served as Chief Executive Officer and President, as well as a member of the Board since July 2016. Prior to July 2016, Mr. Lico served in leadership positions in a variety of different functions and businesses at Danaher after joining Danaher in 1996, including as Executive Vice President from 2005 to 2016.

Patrick J. Byrne has served as a Senior Vice President of Fortive since July 2016. Prior to July 2016, Mr. Byrne served as President of Danaher's Tektronix business from July 2014 to July 2016, after serving as Chief Technology Officer and Vice President-Strategy and Business Development for Danaher's Test and Measurement segment from 2012 to July 2014. Prior to joining Danaher, he served as Chief Executive Officer of Intermec Technologies, a manufacturer of automated identification and data capture equipment, from 2007 until 2012.

Martin Gafinowitz has served as a Senior Vice President of Fortive since July 2016. Prior to July 2016, Mr. Gafinowitz served as Senior Vice President-Group Executive of Danaher from March 2014 to July 2016 after serving as Vice President-Group Executive of Danaher from 2005 to March 2014.

Barbara B. Hulit has served as a Senior Vice President since July 2016. Prior to July 2016, Ms. Hulit served as Senior Vice President-Danaher Business System Office for Danaher from January 2013 to July 2016 and as President and Group Executive of Fluke Corporation from May 2005 to January 2013. Prior to joining Danaher, Ms. Hulit was a partner at The Boston Consulting Group, a global management consulting firm.

Charles E. McLaughlin has served as Senior Vice President, Chief Financial Officer since July 2016. Prior to July 2016, Mr. McLaughlin served as Senior Vice President-Diagnostics Group CFO for Danaher's Diagnostics business from May 2012 to July 2016, and as Senior Vice President-Chief Financial Officer of Danaher's Beckman Coulter business from July 2011 to July 2016.

Patrick K. Murphy has served as Senior Vice President of Fortive since July 2016. Prior to July 2016, Mr. Murphy served as a Group President of Danaher after joining Danaher in March 2014 until July 2016. Prior to joining Danaher, he served as CEO of Nidec Motor Corporation and President of the ACIM (Appliance, Commercial and Industrial Motor) Business Unit of Nidec Corporation, a manufacturer of commercial, industrial, and appliance motors and controls, from 2010 until October 2013.

William W. Pringle has served as a Senior Vice President of Fortive since July 2016. Prior to July 2016, Mr. Pringle served as Senior Vice President-Fluke and Qualitrol for Danaher from October 2015 to July 2016 and as President of Danaher's Fluke business from July 2013 to July 2016, after serving as President-Fluke Industrial Group from May 2012 to July 2013. Prior to joining Danaher, Mr. Pringle served in a series of progressively more responsible roles with Whirlpool Corporation, a manufacturer of home appliances, from 2008 until May 2012, including most recently as Senior Vice President-Integrated Business Units.

Raj Ratnakar has served as Vice President, Strategic Development of Fortive since July 2016. Prior to July 2016, Mr. Ratnakar served as a Vice President-Strategic Development of Danaher from August 2012 to July 2016. Prior to joining Danaher, he served as Vice President and Head of Corporate Strategy for Tyco Electronics, a global technology company, from 2009 until August 2012.

Jonathan L. Schwarz has served as Vice President, Corporate Development of Fortive since July 2016. Prior to July 2016, Mr. Schwarz served as Vice President-Corporate Development of Danaher from 2010 to July 2016.

Peter C. Underwood has served as Senior Vice President, General Counsel and Secretary of Fortive since May 2016. Prior to joining Fortive, Mr. Underwood served as Vice President, General Counsel and Secretary of Regal Beloit Corporation, a manufacturer of electric motors, from 2010 through May 2016.

Stacey A. Walker has served as a Senior Vice President, Human Resources of Fortive since July 2016. Prior to July 2016, Ms. Walker served as Vice President-Talent Management of Danaher from January 2014 to July 2016 after serving as Vice President-Talent Planning from December 2012 to December 2013 and as Vice President-Human Resources for Danaher's Chemtreat business from 2008 to November 2012.

Emily A. Weaver has served as Vice President, Chief Accounting Officer of Fortive since July 2016. Prior to July 2016, Ms. Weaver served as Vice President-Finance of Danaher from April 2013 to July 2016.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock has been traded on the New York Stock Exchange under the symbol FTV since July 2, 2016. As of February 21, 2019, there were approximately 2,400 holders of record of our common stock.

Issuer Purchases of Equity Securities

During the fiscal quarter ended December 31, 2018, we acquired the following shares of our common stock in connection with the split-off of the businesses in our automation and specialty platform (excluding our Hengstler and Dynapar businesses):

Period	Total Number of Shares (or Units) Purchased [1]	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs [1]	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
September 29, 2018 - October 28, 2018	15,824,931	(1)	15,824,931	N/A
October 29, 2018 - November 28, 2018	—	—	—	N/A
November 29, 2018 - December 31, 2018	—	—	—	N/A
Total	15,824,931		15,824,931	N/A

[1] On October 1, 2018, we completed the split-off of businesses in our automation and specialty platform (excluding our Hengstler and Dynapar businesses) (the "A&S Business") to our shareholders who elected to exchange shares of our common stock for all issued and outstanding shares of Stevens Holding Company, Inc. ("Stevens"), the entity we incorporated to hold the A&S Business. The split-off was immediately followed by the merger of Stevens with a subsidiary of Altra Industrial Motion Corp. ("Altra"). Our shareholders who participated in the exchange offer tendered 15,824,931 shares of our common stock in exchange for 35,000,000 shares of Altra.

Recent Issuances of Unregistered Securities

None

ITEM 6. SELECTED FINANCIAL DATA
($ in millions, except per share information)

The following table sets forth the selected consolidated financial data for the five-years ended December 31, 2018. Unless otherwise indicated, the following disclosures reflect our continuing operations. Refer to Note 4 to the Consolidated and Combined Financial Statements included in this report for additional information regarding discontinued operations.

This selected financial data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our Consolidated and Combined Financial Statements and accompanying notes included in this report. Historical results presented herein may not be indicative of future results.

	As of and for the Year Ended December 31				
	2018	2017	2016	2015	2014
Summary of Operations					
Sales	$ 6,452.7	$ 5,756.1	$ 5,378.2	$ 5,311.8	$ 5,838.8
Operating profit	1,178.4	1,143.0	1,061.7	1,081.5	1,004.6
Net earnings from continuing operations	918.3	884.3	740.2	737.6	714.0
Net earnings per share from continuing operations:					
Basic	2.56	2.54	2.14	2.14	2.07
Diluted	2.52	2.51	2.13	2.14	2.07
Common stock dividends declared and paid per share	0.28	0.28	0.14	—	—
Preferred stock dividends declared and paid per share	25.28	—	—	—	—
Financial Position					
Assets of continuing operations	$ 12,875.6	$ 9,629.6	$ 7,353.1	$ 6,377.9	$ 6,485.1
Assets of discontinued operations	30.0	871.0	836.7	832.7	850.5
Total assets	12,905.6	10,500.6	8,189.8	7,210.6	7,335.6
Current portion of long-term debt	455.6	—	—	—	—
Long-term debt, net of current maturities	2,974.7	4,056.2	3,358.0	—	—
Long-term debt	3,430.3	4,056.2	3,358.0	—	—

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Fortive 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 solutions, transportation technology, sensing, 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. Our research and development, manufacturing, sales, distribution, service and administrative facilities are located in more than 50 countries across North America, Asia Pacific, Europe and Latin America.

This MD&A is designed to provide a reader of our financial statements with a narrative from the perspective of management. Our MD&A is divided into eight sections:

- Basis of Presentation
- Overview
- Results of Operations
- Financial Instruments and Risk Management
- Liquidity and Capital Resources
- Critical Accounting Estimates
- New Accounting Standards
- Separation from Danaher

BASIS OF PRESENTATION

On March 7, 2018, we entered into a definitive agreement to combine four of our operating companies from our Automation & Specialty platform (the "A&S Business") with Altra Industrial Motion Corp. ("Altra") in a tax-efficient Reverse Morris Trust transaction. On October 1, 2018, we completed the split-off of the A&S Business and have presented the results of operations of the A&S Business in our Consolidated and Combined Statements of Income, and the related assets and liabilities in the Consolidated Balance Sheets as discontinued operations. These changes have been applied to all periods presented. Unless otherwise noted, amounts, percentages and discussion for all periods included in Management's Discussion and Analysis reflect the results of operations and financial condition from our continuing operations. Refer to Note 4 to our consolidated and combined financial statements for additional information on discontinued operations.

We completed the Separation from Danaher Corporation on July 2, 2016, the first day of our fiscal third quarter of 2016 ("the Separation"). Before that date, Fortive was a wholly-owned subsidiary of Danaher and our businesses were comprised of certain Danaher operating units. Danaher transferred these businesses to us prior to the Separation. The Separation was completed in the form of a pro rata distribution by Danaher to its stockholders of record on June 15, 2016, of all of the outstanding shares of Fortive held by Danaher. Fortive was incorporated in the state of Delaware on November 10, 2015 in order to facilitate the Separation.

OVERVIEW

General

Fortive is a multinational business with global operations. Please see "Item 1. Business – General" included in this Annual Report for a discussion of the Company's strategies for delivering long-term shareholder value. During 2018, approximately 45% of our sales were derived from customers outside the United States. As a diversified industrial growth company with global operations, 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, 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) sales impacts from acquired businesses, (2) sales impacts from the Separation and (3) the impact of currency translation. References to sales or operating profit attributable to acquisitions or acquired businesses refer to GAAP sales or operating profit, as applicable, from acquired businesses recorded prior to the first anniversary of the acquisition less the amount of sales or operating profit, as applicable, attributable to certain divested businesses or product lines not considered discontinued operations prior to the first anniversary of the divestiture. Sales impacts from the Separation refer to 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 from acquired businesses or the Separation) and (b) the period-to-period change in sales (excluding sales 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 easier 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 (including the impact of agreements with Danaher that were entered into or terminated in connection with the Separation) 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 currency translation is not under management's control and is subject to volatility. Management believes the exclusion of the effect of acquisition and divestiture (including Separation-related items) and currency translation may facilitate 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 hardware and software products, and services increased during 2018 as compared to 2017 resulting in aggregate year-over-year sales growth of 12.1% and sales growth from existing businesses of 4.1%. Our continued application and deployment of the Fortive Business System including investments in sales growth initiatives and new product introductions, as well as increased demand in both high-growth and developed markets and other business-specific factors discussed below contributed to overall sales growth from existing businesses.

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. In our Industrial Technologies segment, the liability shift related to enhanced credit card security requirements in the United States based on the Europay, Mastercard and Visa ("EMV") global standards is continuing to drive demand within our transportation technologies businesses. EMV is expected to continue to drive increased demand for dispensers and payment systems in 2019.

Geographically, sales from existing businesses grew at a mid-single digit rate in both high-growth and developed markets during 2018 as compared to 2017. Year-over-year sales from existing businesses grew at a mid-single digit rate in North America and Asia, with low double-digit rate growth in China, while sales from existing businesses were flat in Western Europe.

We expect overall sales from existing businesses to continue to grow on a year-over-year basis during 2019; however, we continue to monitor developments from macro-economic and geopolitical uncertainties, including global uncertainties related to governmental policies toward international trade, monetary and fiscal policies, including the current uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations, and tariffs, as well as other factors identified in "Item 1A. Risk Factors."

Completed Acquisitions

2018

Gordian

On July 27, 2018, we acquired TGG Ultimate Holdings, Inc. and its subsidiaries, including The Gordian Group, Inc. ("Gordian"), a privately-held, leading provider of construction cost data, software and service, for a total purchase price of $778 million net of cash acquired (the "Gordian Acquisition"). Gordian's comprehensive offerings serve the entire building lifecycle and provide workflow solutions designed to optimize every stage of an asset owner's construction and maintenance needs, including connecting the owner and contractors in the same exchange and providing access to cost and facility metrics databases via a subscription-based model. We preliminarily recorded approximately $429 million of goodwill related to the Gordian Acquisition.

Accruent

On September 6, 2018, we acquired Athena SuperHoldCo, Inc., including Accruent, LLC ("Accruent"), a privately-held, leading provider of facilities asset management software, for a total purchase price of approximately $2.0 billion net of acquired cash (the "Accruent Acquisition"). Accruent is a recognized leader in the facilities asset management industry, combining deep domain and industry capabilities with an integrated, cloud-based framework that provides insights spanning the full lifecycle of real estate, facilities and asset management. Accruent serves over 10,000 global customers, and helps assure clients fulfill the mission of their organization by extending the lifecycle of assets, monitoring full compliance and reducing safety risks. We preliminarily recorded approximately $1.1 billion of goodwill related to the Accruent Acquisition.

In addition to the acquisitions of Accruent and Gordian, during 2018, we acquired two businesses for total consideration of $44 million in cash, net of cash acquired. The businesses acquired complement existing units of both our segments. We preliminarily recorded an aggregate of $31 million of goodwill related to these acquisitions.

2017

During 2017, we acquired three businesses for total consideration of $1.56 billion in cash, net of cash acquired. The businesses acquired complement existing units of both our segments. The aggregate annual sales of these businesses at the time of their respective acquisitions, in each case based on the acquired company's revenues for its last completed fiscal year prior to the acquisition, were approximately $389 million. We recorded an aggregate of $1.04 billion of goodwill related to these acquisitions.

2016

During 2016, we acquired three businesses for total consideration of $190 million in cash, net of cash acquired. The businesses acquired complement existing units of both our segments. The aggregate annual sales of these businesses at the time of their respective acquisitions, in each case based on the acquired company's revenues for its last completed fiscal year prior to the acquisition, were approximately $47 million. We recorded an aggregate of $113 million of goodwill related to these acquisitions.

Pending Acquisition

On June 6, 2018, we made a binding offer to Ethicon, Inc., a subsidiary of Johnson & Johnson, to purchase its Advanced Sterilization Products ("ASP") business for approximately $2.7 billion in cash. On September 20, 2018, Ethicon, Inc. accepted our offer and countersigned the purchase agreement. The transaction is expected to close after the end of the first quarter of 2019 and is subject to customary closing conditions.

ASP is a leading global provider of innovative sterilization and disinfection solutions and pioneered low-temperature hydrogen peroxide sterilization technology. ASP's products, which are sold globally, include the STERRAD system for sterilizing instruments and the EVOTECH and ENDOCLENS systems for endoscope reprocessing and cleaning.

Divestiture of A&S Business

On March 7, 2018, we entered into a definitive agreement to combine four of our operating companies from our Automation & Specialty platform (the "A&S Business") with Altra Industrial Motion Corp. ("Altra") in a tax-efficient Reverse Morris Trust transaction. The A&S Business includes the market-leading brands of Kollmorgen, Thomson, Portescap and Jacobs Vehicle Systems, and generated approximately $900 million in revenue for the year ended December 31, 2017. On October 1, 2018, we completed the split-off of the A&S Business. The total consideration received was $2.7 billion and consisted of (i) $1.3 billion through a fully-subscribed exchange offer, in which we accepted and subsequently retired 15,824,931 shares of our own common stock from our stockholders in exchange for 35,000,000 shares of common stock of Stevens Holding Company, Inc.; (ii) $1.0 billion in cash paid to us for the direct sales of certain assets and liabilities of the A&S Business; (iii) $250.0 million as part of a non-cash debt-for-debt exchange that reduced outstanding indebtedness of Fortive, which is inclusive of accrued interest and fees; and (iv) $150 million in cash paid to us by Stevens Holding Company, Inc. as a dividend. The results of the A&S Business are reported as discontinued operations for all periods presented, which includes the after-tax gain on the transaction of $1.9 billion.

RESULTS OF OPERATIONS

Components of Sales Growth

	2018 vs. 2017	2017 vs. 2016
Total revenue growth (GAAP)	**12.1%**	**7.0%**
Existing businesses (Non-GAAP)	4.1%	4.2%
Acquisitions [(a)] (Non-GAAP)	7.6%	2.5%
Currency exchange rates (Non-GAAP)	0.4%	0.3%

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

Refer to —Professional Instrumentation and —Industrial Technologies sections below for further discussion of year-over-year sales growth.

Operating Profit Margins

Operating profit margins were 18.3% for the year ended December 31, 2018, a decrease of 160 basis points as compared to 19.9% in 2017.

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

- Higher 2018 sales volumes from existing businesses, price increases, incremental year-over-year cost savings associated with restructuring and productivity improvement initiatives and changes in currency exchange rates, which were partially offset by incremental year-over-year costs associated with various product development and sales and marketing growth investments, incremental general and administrative expenses, depreciation and amortization associated with acquisitions completed in prior years, and increased material costs associated primarily with inflationary pressures and recently enacted tariffs — 35 basis points

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

- Acquisition-related transaction costs and acquisition-related restructuring — 75 basis points
- The incremental year-over-year net dilutive effect of acquired businesses — 120 basis points

Operating profit margins were 19.9% for the year ended December 31, 2017, an increase of 20 basis points as compared to 19.7% in 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, costs associated with various growth investments made in 2016 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 and increased general and administrative costs required to operate as a stand-alone public company — 90 basis points

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

- Acquisition-related transaction costs and acquisition-related restructuring — 30 basis points
- The incremental year-over-year net dilutive effect of acquired businesses — 40 basis points

Business Segments and Geographic Area Results

Sales by business segment and geographic area for the year ended December 31 are as follows ($ in millions):

	2018	2017	2016
Segments			
Professional Instrumentation	$ 3,655.1	$ 3,139.1	$ 2,891.6
Industrial Technologies	2,797.6	2,617.0	2,486.6
Total	$ 6,452.7	$ 5,756.1	$ 5,378.2
Geographic area			
United States	$ 3,539.6	$ 3,148.7	$ 3,028.8
China	569.0	498.4	458.9
Germany	234.7	217.2	180.5
All other (each country individually less than 5% of total sales)	2,109.4	1,891.8	1,710.0
Total	$ 6,452.7	$ 5,756.1	$ 5,378.2

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 products 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; portable gas detection equipment, consumables, and software as a service (SaaS) offerings including safety/user behavior, asset management, and compliance monitoring; subscription-based technical, analytical, and compliance services to determine occupational and environmental radiation exposure; and software, data analytics and services for critical infrastructure in utility, industrial, energy, construction, facilities management, public safety, mining, and healthcare applications. Product realization services and products help developers and engineers across the end-to-end product creation cycle from concepts to finished products and also include highly-engineered energetic materials components in specialized vertical applications. Our Sensing Technologies business offers devices that sense, monitor and control operational or manufacturing variables, such as temperature, pressure, level, flow, turbidity and conductivity.

Professional Instrumentation Selected Financial Data

	For the Year Ended December 31		
($ in millions)	2018	2017	2016
Sales	$ 3,655.1	$ 3,139.1	$ 2,891.6
Operating profit	749.6	712.9	645.1
Depreciation	64.4	41.9	35.6
Amortization	104.3	40.1	63.8
Operating profit as a % of sales	20.5%	22.7%	22.3%
Depreciation as a % of sales	1.8%	1.3%	1.2%
Amortization as a % of sales	2.9%	1.3%	2.2%

Components of Sales Growth

	2018 vs. 2017	2017 vs. 2016
Total revenue growth (GAAP)	**16.4%**	**8.6%**
Existing businesses (Non-GAAP)	3.9%	5.5%
Acquisitions (Non-GAAP)	11.8%	3.0%
Currency exchange rates (Non-GAAP)	0.7%	0.1%

2018 COMPARED TO 2017

Sales from existing businesses in the segment's Advanced Instrumentation & Solutions businesses grew at a mid-single digit rate during 2018 as compared to 2017. Year-over-year sales from existing businesses of field solutions products and services grew at a mid-single digit rate during 2018 as compared to 2017 due to continued broad-based demand across our product offerings, most notably for industrial test equipment, network tools and SaaS offerings, offset somewhat by declines in demand for electrical grid condition-based monitoring equipment. Growth from existing businesses was also broad-based geographically, with strong growth in North America and China.

Year-over-year sales from existing businesses of product realization solutions grew at a low-single digit rate during 2018 driven primarily by increased demand for oscilloscopes, new product introductions, and our energetic materials business, which were partially offset by declines for our products in the 3D sensing market. Geographically, demand from existing businesses increased on a year-over-year basis in North America, Western Europe and China.

Sales from existing businesses in the segment's Sensing Technologies businesses grew at a mid-single digit rate during 2018 as compared to 2017 due to increased year-over-year demand in the industrial, medical, and energy end markets. Geographically, demand from existing businesses increased on a year-over-year basis in China, Western Europe and North America.

Price increases are reflected as a component of the change in sales from existing businesses, and year-over-year price increases in the segment contributed 0.7% to sales growth during 2018 as compared to 2017.

Operating profit margin decreased 220 basis points during 2018 as compared to 2017.

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

- Higher 2018 sales volumes from existing businesses, price increases, incremental year-over-year cost savings associated with restructuring and productivity improvement initiatives, and changes in currency exchange rates, net of incremental year-over-year costs associated with various product development and sales and marketing growth investments, incremental depreciation and amortization from acquisitions completed in prior years, and increased material costs associated primarily with inflationary pressures and recently enacted tariffs — 110 basis points

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

- The incremental year-over-year net dilutive effect of acquired businesses, including amortization and acquisition-related fair value adjustments to deferred revenue — 210 basis points

- Acquisition-related transaction costs, including costs related to our pending acquisition of ASP, and acquisition-related restructuring — 120 basis points

2017 COMPARED TO 2016

Sales from existing businesses in the segment's Advanced Instrumentation & Solutions businesses grew at a mid-single digit rate during 2017 as compared to 2016. Year-over-year sales from existing businesses of field solutions products and services grew at a mid-single digit rate during 2017 as compared to 2016 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 high-single digit rate during 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 but were partly offset by a decline in demand for design, engineering and manufacturing services. Sales in the segment's energetic materials business also contributed to growth during 2017. Geographically, demand from existing businesses 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.

Sales from existing businesses in the segment's Sensing Technologies businesses grew at a mid-single digit rate during 2017 as compared to 2016. Increased year-over-year demand in the industrial end market was partly offset by lower demand in the medical end market. Geographically, increases in demand on a year-over-year basis were driven by growth in Asia, North America and Western Europe.

Year-over-year price increases in the segment contributed 0.6% to sales growth during 2017 as compared to 2016 and are reflected as a component of the change in sales from existing businesses.

Operating profit margin increased 40 basis points during 2017 as compared to 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, the positive impact in 2016 of a transition services agreement related to a disposition made by Danaher prior to the Separation and incremental year-over-year bad debt charges — 190 basis points

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

- Acquisition-related transaction costs and acquisition-related restructuring — 70 basis points
- The incremental year-over-year net dilutive effect of acquired businesses — 80 basis points

INDUSTRIAL TECHNOLOGIES

The Industrial Technologies segment consists of our Transportation Technologies and Franchise Distribution businesses. Our Transportation Technologies business is a leading worldwide provider 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. Our Franchise Distribution business manufactures and distributes professional tools and a full-line of wheel service equipment.

Industrial Technologies Selected Financial Data

	For the Year Ended December 31		
($ in millions)	2018	2017	2016
Sales	$ 2,797.6	$ 2,617.0	$ 2,486.6
Operating profit	525.6	503.6	480.3
Depreciation	57.9	45.4	38.7
Amortization	30.8	24.9	21.5
Operating profit as a % of sales	18.8%	19.2%	19.3%
Depreciation as a % of sales	2.1%	1.7%	1.6%
Amortization as a % of sales	1.1%	1.0%	0.9%

Components of Sales Growth

	2018 vs. 2017	2017 vs. 2016
Total revenue growth (GAAP)	**6.9 %**	**5.2%**
Existing businesses (Non-GAAP)	4.4 %	2.7%
Acquisitions [(a)] (Non-GAAP)	2.6 %	2.0%
Currency exchange rates (Non-GAAP)	(0.1)%	0.5%

[(a)] Includes the impact from acquisitions, divestitures, and the Separation

2018 COMPARED TO 2017

Sales from existing businesses in the segment's Transportation Technologies businesses grew at a mid-single digit rate during 2018 as compared to 2017 due primarily to strong demand for dispensers and payment solutions in North America, as well as strong demand for fuel management systems in North America, India and China. Results in North America were favorably impacted by the approaching deadline for the liability shift related to EMV global standards. Geographically, sales from existing businesses increased on a year-over-year basis in North America and in high growth markets, led by China, partially offset by declines in Western Europe.

Sales from existing businesses in the segment's Franchise Distribution businesses grew at a low-single digit rate during 2018 as compared to 2017 largely driven by increased year-over-year demand for hardline and diagnostic tools, and tool storage products.

Price increases are reflected as a component of the change in sales from existing businesses and year-over-year price increases contributed 0.8% to sales growth in the segment during 2018 as compared to 2017.

Operating profit margin decreased 40 basis points during 2018 as compared to 2017. Higher 2018 sales volumes from existing businesses, price increases and incremental year-over-year cost savings associated with restructuring and productivity improvement initiatives, were equally offset by continued investments in our sales and marketing growth initiatives and unfavorable sales mix.

Year-over-year operating profit margin comparisons were unfavorably impacted by 40 basis points due to the incremental year-over-year net dilutive effect of acquired businesses.

2017 COMPARED TO 2016

Sales from existing businesses in the segment's Transportation Technologies businesses grew at a low-single digit rate during 2017 as compared to 2016 due primarily to strong demand for dispensers and payment systems in both the United States and Europe, partly offset 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. Geographically, sales from existing businesses increased on a year-over-year basis in Europe, Latin America and the United States, partially offset by declines in the Asia-Pacific region.

Sales from existing businesses in the segment's Franchise Distribution businesses grew at a low-single digit rate during 2017 as compared to 2016. 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 0.1% to sales growth during 2017 as compared to 2016 and are reflected as a component of the change in sales from existing businesses.

Operating profit margin decreased 10 basis points during 2017 as compared to 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, costs associated with various growth investments made in 2016 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 — 10 basis points

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

- The incremental year-over-year net dilutive effect of acquired businesses — 20 basis points

COST OF SALES AND GROSS PROFIT

	For the Year Ended December 31		
($ in millions)	2018	2017	2016
Sales	$ 6,452.7	$ 5,756.1	$ 5,378.2
Cost of sales	(3,131.4)	(2,834.7)	(2,692.7)
Gross profit	3,321.3	2,921.4	2,685.5
Gross profit margin	51.5%	50.8%	49.9%

The year-over-year increase in cost of sales during 2018 as compared to 2017 is due primarily to the impact of higher year-over-year sales volumes from existing businesses, incremental cost of sales from our recently acquired businesses, and increased material costs associated primarily with inflationary pressures and recently enacted tariffs, partly offset by incremental year-over-year cost savings associated with restructuring and productivity improvement initiatives and material cost and supply chain improvement actions. Changes in currency exchange rates increased costs of sales in 2018.

The year-over-year increase in gross profit (and the related 70 basis point increase in gross profit margin) during 2018 as compared to 2017 is due primarily to the favorable impact of pricing improvements and higher year-over-year sales volumes from existing businesses, incremental year-over-year cost savings associated with restructuring and productivity improvement initiatives, material cost and supply chain improvement actions, and the impact of recently acquired businesses. Increased material costs associated primarily with inflationary pressures and recently enacted tariffs and changes in foreign currency exchange rates partially offset the factors described above.

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

The year-over year increase in gross profit (and the related 90 basis point increase in gross profit margin) during 2017 as compared to 2016 is due primarily to the favorable impact of pricing improvements and higher year-over-year sales volumes, incremental year-over-year cost savings associated with restructuring actions, continued productivity and material cost and supply chain improvement actions, partly offset by incremental year-over-year costs associated with various growth investments and higher year-over-year costs associated with restructuring actions.

OPERATING EXPENSES

	For the Year Ended December 31		
($ in millions)	2018	2017	2016
Sales	$ 6,452.7	$ 5,756.1	$ 5,378.2
Sales, general and administrative (“SG&A”) expenses	1,728.6	1,409.1	1,272.8
Research and development (“R&D”) expenses	414.3	369.3	351.0
SG&A as a % of sales	26.8%	24.5%	23.7%
R&D as a % of sales	6.4%	6.4%	6.5%

SG&A expenses increased during 2018 as compared to 2017 due primarily to transaction costs associated with the announced acquisitions, incremental year-over-year depreciation and amortization from our businesses we acquired over the last two years, continued investments in our sales and marketing growth initiatives and changes in foreign currency exchange rates. These increases were partly offset by incremental year-over-year cost savings associated with restructuring and productivity improvement initiatives. SG&A expenses as a percentage of sales increased 230 basis points in 2018 as compared to 2017.

SG&A expenses increased during 2017 as compared to 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 the 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. SG&A expenses as a percentage of sales increased 80 basis points in 2017 as compared to 2016.

R&D expenses (consisting principally of internal and contract engineering personnel costs) increased during 2018 as compared to 2017 due to incremental year-over-year investments in our product development initiatives and expenses from businesses we acquired over the last two years. On a year-over-year basis, R&D expenses as a percentage of sales were flat as the investments in our product development initiatives grew at the same rate as sales.

R&D expenses increased during 2017 as compared to 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 decreased 10 basis points 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 10 to the Consolidated and Combined Financial Statements.

Interest expense of $97 million was recorded during 2018 compared to $89 million during 2017 and $46 million during 2016. Interest expense increased in 2018 due to higher average debt balances during the year. In the event that additional liquidity is required, particularly in connection with acquisitions, we may enter into additional borrowings under our commercial paper programs or credit facilities and/or access the capital markets. If we enter into such additional financing transactions, the amount of annual interest expense will increase.

INCOME TAXES

General

Income tax expense and deferred tax assets and liabilities reflect management’s assessment of future taxes expected to be paid on items reflected in our financial statements. We record the tax effect of discrete items and items that are reported net of their tax effects in the period in which they occur.

On December 22, 2017, the U.S. enacted comprehensive tax reform commonly referred to as the Tax Cuts and Jobs Act (the “TCJA”). The TCJA represents a significant overhaul to the U.S. federal tax code. The TCJA impacts, among other things, U.S.

corporate tax rates, business-related exclusions, deductions, and credits. During 2018, the U.S. Treasury Department issued significant initial guidance. We have completed the accounting for all the impacts of the TCJA based upon the proposed regulations and guidance already provided by federal authorities as of December 31, 2018.

The U.S. Government is still issuing significant amounts of TCJA guidance that we expect to continue into the foreseeable future. On January 15, 2019, Treasury and the Internal Revenue Service issued final Treasury Regulations under Section 965 of the Internal Revenue Code involving the one-time transition tax on international earnings. These final Treasury Regulations are retroactive to the enactment of Section 965 of the TCJA on December 22, 2017. The Company is evaluating the impact of these final Treasury Regulations on the application of Section 965 to the Company's unremitted international earnings. Any future adjustments resulting from guidance issued after December 31, 2018 will be considered as discrete income tax expense or benefit in the interim period the guidance is issued.

The Company continues to expect that the TCJA will have a favorable impact on our financial statements for the foreseeable future and our future ability to engage in acquisition activities.

Our effective tax rate can be affected by, among others, changes in the mix of earnings in countries with differing statutory tax rates (including as a result of business acquisitions and dispositions), changes in the valuation of deferred tax assets and liabilities, accruals related to contingent tax liabilities and period-to-period changes in such accruals, the results of audits and examinations of previously filed tax returns (as discussed below), the expiration of statutes of limitations, the implementation of tax planning strategies, tax rulings, court decisions, settlements with tax authorities and changes in tax laws, including legislative policy changes that may result from the Organization for Economic Co-operation and Development's ("OECD") initiative on Base Erosion and Profit Shifting.

The OECD has issued significant global tax policy changes that include both expanded reporting as well as technical global tax policy changes. Many countries in which we operate have implemented tax law and administrative changes that align with many aspects of the OECD policy guidelines. We have taken comprehensive measures to address the requirements of these changes in global tax policy. We do not expect these global tax policy changes to have a significant impact on our results of operations or cash flows.

We conduct business globally, and, as part of our global business, we file numerous income tax returns in the U.S. federal, state and foreign jurisdictions. After the TCJA, our ability to obtain a tax benefit in certain countries that continue to have a lower statutory tax rates than the United States is dependent on our levels of taxable income in such foreign countries. We believe that a change in the statutory tax rate of any individual foreign country would not have a material effect on our financial statements given the geographic dispersion of our taxable income.

The amount of income taxes we pay is subject to audit by federal, state and foreign tax authorities, which may result in proposed assessments. The Company is subject to examination in the United States, various states and foreign jurisdiction for the tax years 2008 to 2018. We review our global tax positions on a quarterly basis. Based on these reviews, the results of discussions and resolutions of matters with certain tax authorities, tax rulings and court decisions and the expiration of statutes of limitations reserves for contingent tax liabilities are accrued or adjusted as necessary. For a discussion of risks related to these and other tax matters, please refer to "Item 1A. Risk Factors."

We are routinely examined by various domestic and international taxing authorities. In connection with the Separation of Fortive from Danaher, we entered into the Agreements with Danaher, including a tax matters agreement. The tax matters agreement distinguishes between the treatment of tax matters for "Joint" filings compared to "separate" filings prior to the separation. "Joint" filings involve legal entities, such as those in the United States, that include operations from both Danaher and the Company. By contrast, "separate" filings involve certain entities (primarily outside of the United States), that exclusively include either Danaher's or the Company's operations, respectively. In accordance with the tax matters agreement, the Company is liable for and has indemnified Danaher against all income tax liabilities involving "separate" filings for the periods prior to the separation.

During 2018, the Company entered into a Tax Matters Agreement in connection with the split-off of the A&S Business. The Company remains liable for pre-disposition income tax liabilities related to the A&S Business.

Comparison of the Years Ended December 31, 2018, 2017 and 2016

Our effective tax rate for the years ended December 31, 2018, 2017 and 2016 was 14.8%, 17.6% and 26.7%, respectively.

Our effective tax rate for 2018 differs from the U.S. federal statutory rate of 21% due primarily to the effect of the TCJA U.S. federal permanent differences, the impact of credits and deductions provided by law, earnings outside the United States that are indefinitely reinvested and taxed at rates lower than the U.S. federal statutory rate, and the effect of 2018 TCJA adjustments to the 2017 provisional estimates in accordance with SEC Staff Accounting Bulletin No. 118.

Our effective tax rate for 2017, including provisional estimates of the TCJA, differs from the U.S. federal statutory rate of 35.0% due primarily to net favorable impacts associated with the TCJA, our earnings outside the United States that are indefinitely reinvested and taxed at rates lower than the U.S. federal statutory rate, the impact of credits and deductions provided by law, state tax impacts, and favorable adjustments related to differences between estimates included in the 2016 provision and amounts calculated on the 2016 U.S. income tax return filed in October 2017.

Our effective tax rate for 2016 differs from the U.S. federal statutory rate of 35.0% 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. The effective tax rate for 2016 includes benefits from the release of reserves resulting from expirations of statutes of limitations, primarily from periods prior to the Separation.

For the period prior to the Separation, current income tax liabilities related to entities which filed jointly with Danaher are assumed to be immediately settled with Danaher and are relieved through Former Parent's investment. Income tax expense and other income tax related information contained in the consolidated and combined financial statements are presented as if we filed a separate tax return. The separate tax return method applies the accounting guidance for income taxes to the standalone financial statements as if we were a standalone taxpayer for the periods prior to the Separation. The calculation of our income taxes on a separate income tax return basis requires considerable judgment, estimates and allocations.

COMPREHENSIVE INCOME

Comprehensive income increased by $1.61 billion in 2018 as compared to 2017, due to net earnings that were higher by $1.87 billion and unfavorable changes in foreign currency translation adjustments of $264 million. Favorable pension benefit adjustments in 2018 were $4 million compared to favorable adjustments of $2 million in 2017.

Comprehensive income increased by $442 million in 2017 as compared to 2016, due primarily to favorable changes in foreign currency translation adjustments of $260 million and net earnings that were higher by $172 million. In addition, we recorded favorable pension benefit adjustments of $2 million in 2017 compared to unfavorable adjustments of $8 million in 2016.

INFLATION

The effect of inflation on our revenues and net earnings was not significant in any of the years ended December 31, 2018, 2017 or 2016.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

We are exposed to market risk from changes in interest rates, foreign currency exchange rates, credit risk and commodity prices, each of which could impact our financial statements. We generally address our exposure to these risks through our normal operating and financing activities. In addition, our broad-based business activities help to reduce the impact that volatility in any particular area or related areas may have on our operating profit as a whole.

Interest Rate Risk

We manage interest cost using a mixture of fixed-rate and variable-rate debt. A change in interest rates on long-term debt impacts the fair value of our fixed-rate long-term debt but not our earnings or cash flows because the interest on such debt is fixed. Generally, the fair market value of fixed-rate debt will increase as interest rates fall and decrease as interest rates rise. As of December 31, 2018, an increase of 100 basis points in interest rates would have decreased the fair value of our fixed-rate long-term debt by approximately $145 million.

As of December 31, 2018, our variable-rate debt obligations consisted primarily of U.S. dollar and Euro-denominated commercial paper and term loan borrowings (refer to Note 10 to the Consolidated and Combined Financial Statements for information regarding our outstanding indebtedness as of December 31, 2018). As a result, our primary interest rate exposure results from changes in short-term interest rates. As these shorter duration obligations mature, we anticipate issuing additional short-term commercial paper obligations and term loans to refinance all or part of these borrowings. The annual effective rate associated with our outstanding U.S. dollar and Euro-denominated commercial paper and delayed-draw term loan, and Yen term loan for the year ended December 31, 2018 was approximately 2.98%, (0.10)%, 2.97% and 0.50%, respectively, and we recorded interest expense of $30.8 million on these variable-rate obligations. A hypothetical 10 basis points increase in market interest rates as of December 31, 2018 on our variable-rate debt obligations as of December 31, 2018 would have increased our interest expense by $2.5 million in 2018.

Foreign Currency Exchange Rate Risk

We face transactional exchange rate risk from transactions with customers in countries outside of the United States and from intercompany transactions between affiliates. Transactional exchange rate risk arises from the purchase and sale of goods and services in currencies other than our functional currency or the functional currency of an applicable subsidiary. We also face translational exchange rate risk related to the translation of financial statements of our foreign operations into U.S. dollars, our functional currency. Costs incurred and sales recorded by subsidiaries operating outside of the United States are translated into U.S. dollars using exchange rates effective during the respective period. As a result, we are exposed to movements in the exchange rates of various currencies against the U.S. dollar. The effect of a change in currency exchange rates on our net investment in international subsidiaries is reflected in the accumulated other comprehensive income (loss) component of equity. A 10% depreciation in major currencies relative to the U.S. dollar as of December 31, 2018 would have resulted in a reduction of stockholders's equity of approximately $191 million.

Currency exchange rates positively impacted 2018 reported sales by 0.4% as compared to 2017, as the U.S. dollar was, on average, weaker against most major currencies during 2018 as compared to exchange rate levels during 2017. If the exchange rates in effect as of December 31, 2018 were to prevail throughout 2019, currency exchange rates would negatively impact 2019 estimated sales by approximately 1.2% relative to our performance in 2018. In general, additional weakening of the U.S. dollar against other major currencies would further positively impact our sales and results of operations on an overall basis and any strengthening of the U.S. dollar against other major currencies would adversely impact our sales and results of operations.

We have generally accepted the exposure to exchange rate movements without using derivative financial instruments to manage this risk. Both positive and negative movements in currency exchange rates against the U.S. dollar will therefore continue to affect the reported amount of sales, profit, and assets and liabilities in our consolidated and combined financial statements.

Credit Risk

We are exposed to potential credit losses in the event of nonperformance by counterparties to our financial instruments. Financial instruments that potentially subject us to credit risk consist of cash and highly-liquid investment grade cash equivalents, and receivables from customers. We place cash and cash equivalents with various high-quality financial institutions throughout the world and exposure is limited at any one institution. Although we typically do not obtain collateral or other security to secure these obligations, we regularly monitor the third party depository institutions that hold our cash and cash equivalents. We emphasize safety and liquidity of principal over yield on those funds. In addition, concentrations of credit risk arising from receivables from customers are limited due to the diversity of our customers. Our businesses perform credit evaluations of their customers' financial conditions as appropriate and also obtain collateral or other security when appropriate.

Commodity Price Risk

For a discussion of risks relating to commodity prices, refer to "Item 1A. Risk Factors."

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. Refer also to Note 10 to our consolidated and combined financial statements for additional information.

2018 Financing and Capital Transactions

During 2018, we completed the following financing and capital transactions:

- On June 29, 2018, we issued 1,380,000 shares of 5.0% Mandatory Convertible Preferred Stock, Series A ("MCPS") with a par value of $0.01 per share and liquidation preference of $1,000 per share, which included the exercise of an over-allotment option in full to purchase 180,000 shares. We received net $1.34 billion in proceeds from the issuance of the MCPS, excluding $43 million of issuance costs. We used the net proceeds from the issuance of MCPS to fund our acquisition activities and for general corporate purposes, including repayment of debt, working capital and capital expenditures. Each then outstanding share of MCPS will convert automatically on July 1, 2021 into between 10.9041 and 13.3575 common shares, subject to further anti-dilution adjustments.

- On July 20, 2018, we prepaid $325 million of our outstanding U.S dollar variable interest rate term loan due in 2019, and on October 5, 2018, we prepaid the remaining $175 million of the outstanding balance. The prepayment penalties associated with these payments were immaterial.

- On August 22, 2018, we entered into a credit facility agreement that provides for a 364-day delayed-draw term loan facility ("Delayed-Draw Term Loan") with an aggregate principal amount of $1.75 billion. On September 5, 2018, we drew down the full $1.75 billion available under the Delayed-Draw Term Loan in order to fund, in part, the Accruent Acquisition. The Delayed-Draw Term Loan bears interest at a variable rate equal to the London inter-bank offered rate ("LIBOR") plus a ratings based margin currently at 75 basis points. During 2018, the annual effective rate was approximately 2.97% per annum. The Delayed-Draw Term Loan is prepayable at our option, and we are not permitted to re-borrow once the term loan is repaid. On September 26, 2018 and November 21, 2018, we repaid $400 million of and $950 million of this loan, respectively.

- On October 1, 2018, in connection with the debt exchange in the split-off of the A&S Business, we retired $244.7 million of our 1.80% senior unsecured notes due in 2019.

- On November 30, 2018 we entered into an amended and restated agreement ("the Credit Agreement") extending the availability period of the Revolving Credit Facility to November 30, 2023 and increased the facility to $2.0 billion. The Revolving Credit Facility is subject to a one year extension option at our request and with the consent of the lenders. The Credit Agreement also contains an option permitting us to request an increase in the amounts available under the Credit Agreement of up to an aggregate additional $1.0 billion.

2017 Financing Transactions

During 2017, we completed the following financing transactions:

- 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, dividends and working capital.

- On August 24, 2017, we entered into a term loan agreement that provides for a five-year ¥13.8 billion senior unsecured term facility ("Yen Term Loan") that matures 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 December 31, 2018, borrowings under the Yen Term Loan bear an interest rate of 0.50% per annum and the annual effective rate was approximately 0.50% during the year ended December 31, 2018. The Yen Term Loan is pre-payable at our option, and the terms and conditions, including covenants, applicable to the Yen Term Loan are substantially similar to those applicable to the senior unsecured revolving credit facility (the "Revolving Credit Facility") as described in Note 10 of the Consolidated and Combined Financial Statements.

2016 Financing Transactions

During 2016, we completed the following financing transactions:

- Entered into a credit agreement with a syndicate of banks providing for a three-year $500 million senior term facility that expires on June 16, 2019 (the "Term Facility") and a five-year $1.5 billion Revolving Credit Facility that expires on June 16, 2021. We borrowed the entire $500 million of loans under the Term Facility;
- Completed the private placement of $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"); and
- Established U.S. dollar and Euro-denominated commercial paper programs (collectively the "Commercial Paper Programs") supported by the Revolving Credit Facility.

Approximately $3.0 billion of the net proceeds of these financings activities was paid to Danaher in June 2016 as a cash dividend in connection with the Separation. Refer to Note 10 of the Consolidated and Combined Financial Statements for more information related to our long-term indebtedness.

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"). And, 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.

Overview of Cash Flows and Liquidity

Following is an overview of our cash flows and liquidity:

	Year Ended December 31,		
($ in millions)	2018	2017	2016
Total operating cash provided by continuing operations	$ 1,201.3	$ 1,020.1	$ 982.4
Cash paid for acquisitions, net of cash received	$ (2,815.1)	$ (1,556.6)	$ (190.1)
Payments for additions to property, plant and equipment	(112.3)	(111.1)	(110.1)
Proceeds from sale of property	—	21.5	9.0
All other investing activities	(42.1)	1.5	—
Total investing cash used in continuing operations	$ (2,969.5)	$ (1,644.7)	$ (291.2)
Net (repayments of) proceeds from borrowings (maturities of 90 days or less)	$ (266.1)	$ 556.2	$ 373.8
Proceeds from borrowings (maturities greater than 90 days)	1,750.0	125.9	2,978.1
Repayment of borrowings (maturities greater than 90 days)	(1,850.0)	—	—
Proceeds from issuance of mandatory convertible preferred stock, net of $43 million of issuance costs	1,337.4	—	—
Payment of common stock cash dividend to shareholders	(96.6)	(97.2)	(48.4)
Payment of mandatory convertible preferred stock cash dividend to shareholders	(34.9)	—	—
Payment of cash dividend to former Parent	—	—	(3,000.0)
Net transfers to former Parent	—	—	(301.4)
Other financing activities	39.3	13.4	0.3
Total financing cash provided by continuing operations	$ 879.1	$ 598.3	$ 2.4

Operating Activities

Continuing operations cash flows from operating activities can fluctuate significantly from period-to-period as working capital needs and the timing of payments for income taxes, restructuring activities, pension funding and other items impact reported cash flows.

Operating cash flows from continuing operations were approximately $1.20 billion in 2018, an increase of $181 million, or approximately 18%, as compared to 2017. This year-over-year change in operating cash flows from continuing operations was primarily attributable to the following factors:

- 2018 operating cash flows benefited from higher net earnings from continuing operations as compared to 2017. Net earnings for 2018 benefited from a year-over-year increase in operating profits of $35 million, partially offset by a year-over-year increase in interest expense of $8 million primarily associated with our financing activities, and the 2017 impacts of a non-cash acquisition related gain of $15 million and a gain on the sale of property of $8 million. The year-over-year increase in operating profit was partially offset by higher depreciation and amortization expenses of $103 million largely attributable to our recently acquired businesses. Depreciation and amortization are noncash expenses that decrease earnings without a corresponding impact to operating cash flows.
- On a year over year basis, net earnings from continuing operations was $57.8 million lower than 2017 due to the impact of the TCJA, which was enacted in 2017.
- The aggregate of accounts receivable, inventories and trade accounts payable used $103 million of operating cash flows during 2018 compared to using $20 million of cash during 2017. 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 provided $66 million of cash in 2018 as compared to providing $36 million in 2017. The timing of cash tax payments and refunds drove the majority of this change.

Operating cash flows from continuing operations were approximately $1.02 billion in 2017, an increase of $38 million or approximately 4%, as compared to 2016. This year-over-year change in operating cash flows was primarily attributable to the following factors:

- 2017 operating cash flows benefited from higher net earnings from continuing operations as compared to 2016. Net earnings from continuing operations for 2017 benefited from a year-over-year increase in operating profits of $81 million, a $15 million non-cash gain from an acquisition and an $8 million gain on the sale of property. These were partially offset by a year-over-year increase in interest expense, net and other non-operating expenses of $42 million primarily associated with debt issued in June 2016 in connection with the Separation. The year-over-year increase in operating profit was not significantly impacted by changes in depreciation and amortization, which 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 $20 million of operating cash flows during 2017 compared to providing $15 million of cash during 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.
- Net earnings included a benefit of $70 million representing our provisional estimate of the impacts of the TCJA. This benefit did not impact cash flows in 2017.

Investing Activities

Cash flows relating to investing activities consist primarily of cash used for acquisitions and capital expenditures. Net cash used in investing activities from continuing operations was approximately $2.97 billion during 2018 compared to approximately $1.64 billion and $291 million of net cash used in 2017 and 2016, respectively. For a discussion of our acquisitions refer to "—Overview."

Capital expenditures are made primarily for increasing capacity, replacing equipment, supporting product development initiatives, improving information technology systems and purchase of equipment that is used in operating-type lease arrangements with customers. Capital expenditures totaled $112 million in 2018, $111 million in 2017 and $110 million in 2016. The change in capital expenditures is due primarily to timing of investments and, in 2017, increased year-over-year expenditures on equipment, which contribute to our recurring revenue base. Excluding the impact of our pending acquisition, we expect capital spending to be between approximately $120 million and $130 million in 2019, 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 debt and commercial paper, the issuance of shares of 5.0% Mandatory Convertible Preferred Stock, Series A (“MCPS”) and payments of quarterly cash dividends to shareholders. Financing activities from continuing operations generated cash of $879 million in 2018 compared to $598 million of cash provided in 2017 and $2 million provided in 2016. In 2018, we received proceeds from the issuance of our MCPS of $1.34 billion, received proceeds from borrowings with maturities greater than 90 days of $1.75 billion, repaid net $266.1 million of commercial paper under the Commercial Paper Programs and borrowings with maturities greater than 90 days of $1.85 billion, and paid $132 million of cash dividends to shareholders.

Refer to —Liquidity and Capital Resources section above for a description of our financing activities in 2018, 2017 and 2016.

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 the Revolving Credit Facility. We classified our borrowings outstanding under the Commercial Paper Programs as long-term debt in the accompanying Consolidated Balance Sheet as of December 31, 2018, 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.

The carrying value of total debt outstanding as of December 31, 2018 was approximately $3.4 billion. We had $2.0 billion available under the Revolving Credit Facility as of December 31, 2018. Of this amount, approximately $660 million was being used to backstop outstanding U.S. and Euro commercial paper balances. Accordingly, we had the ability to incur an additional $1.34 billion of indebtedness under the Revolving Credit Facility as of December 31, 2018. Refer to Note 10 to the Consolidated and Combined 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 December 31, 2018, commercial paper outstanding under the U.S. dollar-denominated commercial paper program had an annual effective rate of 2.98% and a weighted average remaining maturity of approximately 18 days. As of December 31, 2018, commercial paper outstanding under the Euro-denominated commercial paper program had an annual effective rate of (0.10)% and a weighted average remaining maturity of approximately 58 days.

In 2017, we received net proceeds from the issuance of commercial paper under the Commercial Paper Programs of $556 million, received proceeds from borrowings of $126 million and paid $97 million of cash dividends to shareholders.

In 2016, we incurred approximately $3.4 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.

Dividends

On November 8, 2018, we declared a regular quarterly dividend of $0.07 per common share paid on December 28, 2018 to holders of record on November 30, 2018. In addition, Fortive announced that its Board of Directors declared a regular quarterly cash dividend of $12.50 per share of its 5.00% Mandatory Convertible Preferred Stock, Series A, payable on January 2, 2019 to preferred stockholders of record on December 15, 2018. The dividend to preferred shareholders was paid on December 31, 2018.

Aggregate cash payments for the dividends paid to shareholders during the year ended December 31, 2018 were $132 million and were recorded as dividends to shareholders in the Consolidated and Combined Statements of Changes in Equity and the Consolidated and Combined Statements of Cash Flows.

On January 29, 2019 we declared a regular quarterly cash dividend of $0.07 per share payable on March 29, 2019 to common stockholders of record on February 22, 2019 and a regular quarterly cash dividend of $12.50 per share on our MCPS payable on April 1, 2019 to preferred stockholders of record on March 15, 2019.

Cash and Cash Requirements

As of December 31, 2018, we held approximately $1.18 billion of cash and cash equivalents that were invested in highly liquid investment-grade instruments with a maturity of 90 days or less with an annual effective rate of approximately 1.0%. Substantially all of the cash was held outside of 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, fund our restructuring activities and pension plans as required, pay dividends to shareholders 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.

The TCJA that was enacted in December 2017 is materially improving our U.S. liquidity through lower corporate tax rates and enhanced cash repatriation. During the year ended December 31, 2018, we repatriated $275 million in connection with the TCJA and these repatriations did not result in any foreign remittance taxes.

Conversely, we have made an assertion regarding the amount of earnings that we do not intend to repatriate due to local working capital needs, local law restrictions, high foreign remittance costs, previous investments in physical assets and acquisitions, or future growth needs. Such earnings are intended for indefinite foreign reinvestment and no provision for non-U.S. income taxes has been made. The amount of income taxes that may be applicable to such earnings is not readily determinable given the unknown duration of local law restrictions as applicable to such earnings, unknown changes in foreign tax law that may occur during the restriction periods, and 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. We expect the TCJA to have a favorable impact in our future ability to engage in acquisition activities.

As of December 31, 2018, we believe that we have sufficient liquidity to satisfy our cash needs, including our cash needs in the United States.

During 2018, we contributed $10 million to our non-U.S. defined benefit pension plans. During 2019, our cash contribution requirements for our non-U.S. defined benefit pension plans are expected to be approximately $8 million. We do not expect to make contributions to the U.S. plan during 2019. 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.

Contractual Obligations

The following table sets forth, by period due or year of expected expiration, as applicable, a summary of our contractual obligations as of December 31, 2018 under (1) long-term debt obligations, (2) leases, (3) purchase obligations and (4) other long-term liabilities reflected on our balance sheet under GAAP. Certain of our acquisitions may involve the potential payment of contingent consideration. The table below does not reflect any such obligations, as the timing and amounts of any such payments are uncertain. Refer to "—Off-Balance Sheet Arrangements" for a discussion of other contractual obligations that are not reflected in the table below.

($ in millions)	Total	Less than one year	1-3 years	3-5 years	More than 5 years
Debt and leases:					
Long-term debt obligations [a][b]	$ 3,444.3	$ 1,118.6	$ 875.7	$ —	$ 1,450.0
Capital lease obligations[b]	3.0	0.1	0.9	0.5	1.5
Long-term debt	3,447.3	1,118.7	876.6	0.5	1,451.5
Interest payments on long-term debt and capital lease obligations [c]	905.4	70.3	130.0	104.2	600.9
Operating lease obligations [d]	181.4	54.2	73.6	37.5	16.1
Other:					
Purchase obligations [e]	335.7	306.2	26.1	3.4	—
Other long-term liabilities reflected on the balance sheet under GAAP [f][g]	1,125.9	—	118.3	85.0	922.6
Total	$ 5,995.7	$ 1,549.4	$ 1,224.6	$ 230.6	$ 2,991.1

[a] As described in Note 10 to the Consolidated and Combined Financial Statements.

[b] Amounts do not include interest payments. Interest on long-term debt and capital lease obligations is reflected in a separate line in the table.

[c] Interest payments on long-term debt are projected for future periods using the interest rates in effect as of December 31, 2018. Certain of these projected interest payments may differ in the future based on changes in market interest rates.

[d] Includes future minimum lease payments for operating leases having initial or remaining noncancelable lease terms in excess of one year. Certain leases require us to pay real estate taxes, insurance, maintenance and other operating expenses associated with the leased premises. These future costs are not included in the schedule above.

[e] Consist of agreements to purchase goods or services that are enforceable and legally binding on us and that specify all significant terms, including fixed or minimum quantities to be purchased, fixed, minimum or variable price provisions and the approximate timing of the transaction.

[f] Primarily consist of obligations under product service and warranty policies and allowances, performance and operating cost guarantees, estimated environmental remediation costs, self-insurance and litigation claims, post-retirement benefits, pension benefit obligations, net tax liabilities and deferred compensation obligations. The timing of cash flows associated with these obligations is based upon management's estimates over the terms of these arrangements and is largely based upon historical experience.

[g] Includes non-contractual obligations of $149 million of noncurrent gross unrecognized tax benefits. However, the timing of these liabilities is uncertain, and therefore, they have been included in the "more than 5 years" column. Also includes our obligation under the TCJA for the transition tax on cumulative foreign earnings and profits, which we expect to pay over eight years. Refer to Note 13 to the Consolidated and Combined Financial Statements for additional information on unrecognized tax benefits.

Off-Balance Sheet Arrangements

The following table sets forth, by period due or year of expected expiration, as applicable, a summary of our off-balance sheet commitments as of December 31, 2018:

	Amount of Commitment Expiration per Period				
($ in millions)	Total	Less Than One Year	1-3 Years	4-5 Years	More Than 5 Years
Guarantees	$ 138.0	$ 74.3	$ 23.5	$ 6.2	$ 34.0

Guarantees consist primarily of outstanding standby letters of credit, bank guarantees and performance and bid bonds. These guarantees have been provided in connection with certain arrangements with vendors, customers, financing counterparties and governmental entities to secure our obligations and/or performance requirements related to specific transactions.

Other Off-Balance Sheet Arrangements

We have, from time to time, divested certain of our businesses and assets. In connection with these divestitures, we often provide representations, warranties and/or indemnities to cover various risks and unknown liabilities, such as claims for damages arising out of the use of products or relating to intellectual property matters, commercial disputes, environmental matters or tax matters. We have not included any such items in the contractual obligations table above because they relate to unknown conditions and we cannot reasonably estimate the potential liabilities from such matters, but we do not believe it is reasonably possible that any such liability will have a material effect on our financial statements. In addition, as a result of these divestitures, as well as restructuring activities, certain properties leased by us have been sublet to third parties. In the event any of these third parties vacate any of these premises, we would be legally obligated under master lease arrangements. We believe the financial risk of default by such sub-lessors is individually and in the aggregate not material to our financial statements.

In the normal course of business, we periodically enter into agreements that require us to indemnify customers, suppliers or other business partners for specific risks, such as claims for injury or property damage arising out of our products or services or claims alleging that our products, services or software infringe third party intellectual property. We have not included any such indemnification provisions in the contractual obligations table above. Historically, we have not experienced significant losses on these types of indemnification obligations.

Our Restated Certificate of Incorporation requires us to indemnify to the full extent authorized or permitted by law any person made, or threatened to be made a party to any action or proceeding by reason of his or her service as a director or officer of the Company, or by reason of serving at the request of the Company as a director or officer of any other entity, subject to limited exceptions. Our Amended and Restated Bylaws provide for similar indemnification rights. In addition, we have executed with each of our directors and executive officers an indemnification agreement which provides for substantially similar indemnification rights and under which we have agreed to pay expenses in advance of the final disposition of any such indemnifiable proceeding. While we maintain insurance for this type of liability, a significant deductible applies to this coverage and any such liability could exceed the amount of the insurance coverage.

Legal Proceedings

Please refer to Note 16 to the Consolidated and Combined Financial Statements for information regarding legal proceedings and contingencies, and for a discussion of risks related to legal proceedings and contingencies, refer to “Item 1A. Risk Factors.”

CRITICAL ACCOUNTING ESTIMATES

Management’s discussion and analysis of our financial condition and results of operations is based upon our consolidated and combined financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We base these estimates and judgments on historical experience, the current economic environment and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ materially from these estimates and judgments.

We believe the following accounting estimates are most critical to an understanding of our financial statements. Estimates are considered to be critical if they meet both of the following criteria: (1) the estimate requires assumptions about material matters that are uncertain at the time the estimate is made, and (2) material changes in the estimate are reasonably likely from period to period. For a detailed discussion on the application of these and other accounting estimates, refer to Note 2 to the Consolidated and Combined Financial Statements.

Accounts Receivable: We maintain allowances for doubtful accounts to reflect probable credit losses inherent in our portfolio of receivables. Determination of the allowances requires us to exercise judgment about the timing, frequency and severity of credit losses that could materially affect the allowances for doubtful accounts and, therefore, net income. The allowances for doubtful accounts represent management’s best estimate of the credit losses expected from our trade accounts, contract and financing receivable portfolios. The level of the allowances is based on many quantitative and qualitative factors including historical loss experience by receivable type, portfolio duration, delinquency trends, economic conditions and credit risk quality. We regularly perform detailed reviews of our accounts receivable portfolio to determine if an impairment has occurred and to assess the adequacy of the allowances. If the financial condition of our customers were to deteriorate with a severity, frequency and/or timing different from our assumptions, additional allowances would be required and our financial statements would be adversely impacted.

Inventories: We record inventory at the lower of cost or net realizable value, which is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. We estimate the net realizable value of our inventory based on assumptions of future demand and related pricing. Estimating the net realizable value of inventory is inherently uncertain because levels of demand, technological advances and pricing competition in many of our markets can fluctuate significantly from period to period due to circumstances beyond our control. If actual market conditions are less favorable than those we projected, we could be required to reduce the value of our inventory, which would adversely impact our financial statements. Refer to Note 5 to the Consolidated and Combined Financial Statements.

Acquired Intangibles: Our business acquisitions typically result in the recognition of goodwill, in-process R&D and other intangible assets, which affect the amount of future period amortization expense and possible impairment charges that we may incur. Refer to Notes 2, 3 and 7 to the Consolidated and Combined Financial Statements for a description of our policies relating to goodwill, acquired intangibles and acquisitions.

In performing our goodwill impairment testing, we estimate the fair value of our reporting units primarily using a market based approach. We estimate fair value based on multiples of earnings before interest, taxes, depreciation and amortization (“EBITDA”) determined by current trading market multiples of earnings for companies operating in businesses similar to each of our reporting units, in addition to recent market available sale transactions of comparable businesses. In evaluating the estimates derived by the market based approach, we make judgments about the relevance and reliability of the multiples by considering factors unique to our reporting units, including operating results, business plans, economic projections, anticipated future cash flows, and transactions and marketplace data as well as judgments about the comparability of the market proxies selected. In certain circumstances we also evaluate other factors including results of the estimated fair value utilizing a discounted cash flow analysis (i.e., an income approach), market positions of the businesses, comparability of market sales transactions and financial and operating performance in order to validate the results of the market approach. The discounted cash flow model requires judgmental assumptions about projected revenue growth, future operating margins, discount rates and terminal values. There are inherent uncertainties related to these assumptions and management’s judgment in applying them to the analysis of goodwill impairment.

In 2018, we had thirteen reporting units for goodwill impairment testing. Reporting units resulting from recent acquisitions generally present the highest risk of impairment. We believe the impairment risk associated with these reporting units generally decreases as we integrate these businesses and better position them for potential future earnings growth. The carrying value of the goodwill included in each individual reporting unit ranges from $15 million to $1.7 billion. Our annual goodwill impairment analysis in 2018 indicated that in all instances, the fair values of our reporting units exceeded their carrying values and consequently did not result in an impairment charge. The excess of the estimated fair value over carrying value (expressed as a percentage of carrying value for the respective reporting unit) for each of our reporting units as of the annual testing date ranged from approximately 0% to approximately 900%. In order to evaluate the sensitivity of the fair value calculations used in the goodwill impairment test, we applied a hypothetical 10% decrease to the fair values of each reporting unit and compared those hypothetical values to the reporting unit carrying values. Based on this hypothetical 10% decrease, the excess of the estimated fair value over carrying value (expressed as a percentage of carrying value for the respective reporting unit) for each of our reporting units ranged from approximately -10% to approximately 800%. After applying the hypothetical 10% decrease, two reporting units, representing recently acquired businesses, had hypothetical fair values below their carrying value. We evaluated other factors relating to the fair value of these reporting units including, as applicable, results of the estimated fair value using an income approach, market positions of the businesses, comparability of market sales transactions and financial and operating performance, and we concluded no impairment charge was required.

We review identified intangible assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether an impairment loss occurred requires a comparison of the carrying amount to the sum of undiscounted cash flows expected to be generated by the asset. We also test intangible assets with indefinite lives at least annually for impairment. These analyses require management to make judgments and estimates about future revenues, expenses, market conditions and discount rates related to these assets.

If actual results are not consistent with management’s estimates and assumptions, goodwill and other intangible assets may be overstated and a charge would need to be taken against net earnings which would adversely affect our financial statements.

Contingent Liabilities: As discussed in Note 16 to the Consolidated and Combined Financial Statements, we are, from time to time, subject to a variety of litigation and similar contingent liabilities incidental to our business (or the business operations of previously owned entities). We recognize a liability for any contingency that is known or probable of occurrence and reasonably estimable. These assessments require judgments concerning matters such as litigation developments and outcomes, the anticipated outcome of negotiations, the number of future claims and the cost of both pending and future claims. In addition, because most contingencies are resolved over long periods of time, liabilities may change in the future due to various factors, including those discussed in Note 16 to the Consolidated and Combined Financial Statements. If the reserves we established with respect to these contingent liabilities are inadequate, we would be required to incur an expense equal to the amount of the loss incurred in excess of the reserves, which would adversely affect our financial statements.

Revenue Recognition: We derive revenues from the sale of products and services. On January 1, 2018, we adopted Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which superseded nearly all existing revenue recognition guidance. Refer to Note 12 to the Consolidated and Combined Financial Statements for additional information on our adoption of this ASU.

If our judgments regarding revenue recognition prove incorrect, our reported revenues in particular periods may be adversely affected. Historically, our estimates of revenue have been materially correct.

Stock-Based Compensation: For a description of our stock-based compensation accounting practices, refer to Note 17 to our Consolidated and Combined Financial Statements. Determining the appropriate fair value model and calculating the fair value of stock-based payment awards require subjective assumptions, including the expected life of the awards, stock price volatility and expected forfeiture rate. Given our limited trading history following the Separation, stock price volatility used to calculate the fair value of stock-based payment awards in the post-Separation period was estimated based on an average historical stock price volatility of a group of peer companies. The assumptions used in calculating the fair value of stock-based payment awards represent our best estimates, but these estimates involve inherent uncertainties and the application of judgment. If actual results are not consistent with our assumptions and estimates, our equity-based compensation expense could be materially different in the future.

Pensions: For a description of our pension accounting practices, refer to Note 11 to the Consolidated and Combined Financial Statements. Certain of our non-U.S. employees participate in noncontributory defined benefit pension plans. Calculations of the amount of pension costs and obligations depend on the assumptions used in the actuarial valuations, including assumptions regarding discount rates, expected return on plan assets, rates of salary increases, health care cost trend rates, mortality rates, and other factors. If the assumptions used in calculating pension and other post-retirement benefits costs and obligations are incorrect or if the factors underlying the assumptions change (as a result of differences in actual experience, changes in key economic indicators or other factors), our financial statements could be materially affected. A 50 basis point reduction in the discount rates used for the plans during 2018 would have increased the net obligation by $21 million ($17 million on an after tax basis) from the amounts recorded in the financial statements as of December 31, 2018.

Our plan assets consist of various insurance contracts, equity and debt securities as determined by the administrator of each plan. The estimated long-term rate of return for the plans was determined on a plan by plan basis based on the nature of the plan assets and ranged from 1.75% to 6.0%. If the expected long-term rate of return on plan assets during 2018 was reduced by 50 basis points, pension expense in 2018 would have increased by $1.0 million ($0.8 million on an after-tax basis).

Income Taxes: For a description of our income tax accounting policies, refer to Note 2 and Note 13 to the Consolidated and Combined Financial Statements.

We establish valuation allowances for our deferred tax assets if it is more likely than not that some or all of the deferred tax asset will not be realized. As such, we make judgments and estimates regarding: (1) the timing and amount of the reversal of taxable temporary differences, (2) expected future taxable income, and (3) the impact of tax planning strategies. Future changes to tax rates would also impact the amounts of deferred tax assets and liabilities and could have an adverse impact on our financial statements.

We recognize tax benefits from uncertain tax positions only if, in our assessment, it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Judgment is required in evaluating tax positions and determining income tax provisions. We re-evaluate the technical merits of our tax positions and may recognize an uncertain tax benefit in certain circumstances, including when: (i) a tax audit is completed; (ii) applicable tax laws change, including a tax case ruling or legislative guidance; or (iii) the applicable statute of limitations expires.

In addition, certain of our tax returns are currently subject to review by tax authorities (see "-Results of Operations - Income Taxes" and Note 13 to the Consolidated and Combined Financial Statements). We believe the positions taken in these returns are in accordance with the relevant tax laws. However, the outcome of these audits is uncertain and could result in us being required to record charges for prior year tax obligations which could have a material adverse impact on our financial statements, including our effective tax rate.

An increase in our 2018 effective tax rate of 1.0% would have resulted in an additional income tax provision for the fiscal year ended December 31, 2018 of $11 million.

Corporate Allocations: Prior to the Separation we operated as part of Danaher and not as a stand-alone company. Accordingly, we had been allocated certain shared costs which are reflected as expenses in the combined financial statements for the period prior to the Separation. We consider the allocation methodologies used to be reasonable and appropriate reflections of the related expenses attributable to the Company for purposes of the combined financial statements. Refer to Note 20 to the Consolidated and Combined Financial Statements for a description of the pre-Separation allocations from Danaher and related party transactions.

NEW ACCOUNTING STANDARDS

For a discussion of new accounting standards relevant to our businesses, refer to Note 2 to the Consolidated and Combined Financial Statements.

SEPARATION FROM DANAHER

In connection with the Separation, on July 1, 2016, we entered into agreements that govern the Separation and the relationships between the parties following the Separation, including an employee matters agreement, a tax matters agreement, an intellectual property matters agreement, a Danaher Business System license agreement and a transition services agreement (collectively the “Agreements”).

Prior to the Separation on July 1, 2016, we were dependent upon 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. With the exception of cash, cash equivalents and borrowings clearly associated with Fortive and related to the Separation, including the financial transactions described above, financial transactions relating to our business operations during the period prior to the Separation were accounted for through the Former Parent’s investment, net (“Former Parent’s Investment”) account. Accordingly, none of our Former Parent’s cash, cash equivalents or debt at the corporate level was assigned to us in the financial statements for the periods prior to the Separation. As a result of the Separation, we no longer participate in Danaher’s cash management and financing operations.

The accompanying consolidated and combined financial statements present our historical financial position, results of operations, changes in equity and cash flows in accordance with GAAP. The combined financial statements for the period 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. Through the date of the Separation, all revenues and costs as well as assets and liabilities directly associated with Fortive have been included in the combined financial statements. Prior to the Separation, the combined financial statements also 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 the Company and allocations of related assets, liabilities, and the Former Parent’s investment, 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 the Company been an entity that operated independently of Danaher during the applicable periods. Related party allocations prior to the Separation, including the method for such allocation, are discussed further in Note 20 to the Consolidated and Combined Financial Statements.

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.

Prior to the Separation, these consolidated and combined financial statements may not be indicative of our results had we been a separate stand-alone entity throughout the periods presented, nor are the results stated herein indicative of what our financial position, results of operations and cash flows may be in the future.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this item is included under “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Management on Fortive Corporation's Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2018. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in "Internal Control-Integrated Framework" (2013 framework). Based on this assessment, management concluded that, as of December 31, 2018, the Company's internal control over financial reporting is effective.

The Company completed the acquisition of TGG Ultimate Holdings, Inc. and its subsidiaries, including The Gordian Group, Inc. ("Gordian") on July 27, 2018 and Athena SuperHoldCo, Inc., including Accruent, LLC ("Accruent") on September 6, 2018. The Company has not yet fully incorporated the internal controls and procedures of Gordian and Accruent into the Company's internal control over financial reporting, and as such, management excluded Gordian and Accruent from its assessment of the effectiveness of the Company's internal control over financial reporting as of and for the year ended December 31, 2018. Collectively, Gordian and Accruent constituted less than 30% of the Company's total assets as of December 31, 2018 and less than 5% of the Company's total revenues for the year ended December 31, 2018.

The Company's independent registered public accounting firm has issued an audit report on the effectiveness of the Company's internal control over financial reporting. This report dated February 27, 2019 appears on page 47 of this Form 10-K.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Fortive Corporation

Opinion on Internal Control over Financial Reporting

We have audited Fortive Corporation and subsidiaries' internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Fortive Corporation and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

As indicated in the accompanying Report of Management on Fortive Corporation's Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Athena SuperHoldCo, Incorporated ("Accruent") and TGG Ultimate Holdings, Incorporated ("Gordian"), which are included in the 2018 consolidated and combined financial statements of the Company. Collectively, Accruent and Gordian constituted less than 30% of the Company's total assets as of December 31, 2018 and less than 5% of the Company's total revenues for the year ended December 31, 2018. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Accruent and Gordian.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Fortive Corporation and subsidiaries as of December 31, 2018 and 2017, the related consolidated and combined statements of earnings, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedule listed in the Index at Item 15(a)(2) and our report dated February 27, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Fortive Corporation's Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Seattle, Washington

February 27, 2019

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Fortive Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Fortive Corporation and subsidiaries (the Company) as of December 31, 2018 and 2017, the related consolidated and combined statements of earnings, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedule listed in the Index at Item 15(a)(2) (collectively referred to as the "consolidated and combined financial statements"). In our opinion, the consolidated and combined financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 27, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2015.

Seattle, Washington

February 27, 2019

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

	As of December 31	
	2018	2017
ASSETS		
Current assets:		
Cash and equivalents	$ 1,178.4	$ 962.1
Accounts receivable less allowance for doubtful accounts of $54.9 million and $43.2 million at December 31, 2018 and December 31, 2017, respectively	1,195.1	1,020.5
Inventories	574.5	506.7
Prepaid expenses and other current assets	193.2	243.7
Current assets, discontinued operations	30.0	203.8
Total current assets	3,171.2	2,936.8
Property, plant and equipment, net	576.1	610.4
Other assets	548.9	469.5
Goodwill	6,133.1	4,560.3
Other intangible assets, net	2,476.3	1,256.4
Other assets, discontinued operations	—	667.2
Total assets	$ 12,905.6	$ 10,500.6
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 455.6	$ —
Trade accounts payable	706.5	629.0
Accrued expenses and other current liabilities	999.3	815.3
Current liabilities, discontinued operations	30.7	158.0
Total current liabilities	2,192.1	1,602.3
Other long-term liabilities	1,125.9	969.7
Long-term debt	2,974.7	4,056.2
Long-term liabilities, discontinued operations	—	64.2
Commitments and Contingencies		
Equity:		
5.0% Mandatory convertible preferred stock, series A: $0.01 par value, 15.0 million shares authorized; 1.4 million shares issued and outstanding at December 31, 2018; no shares issued or outstanding at December 31, 2017	—	—
Common stock: $0.01 par value, 2.0 billion shares authorized; 335.1 and 348.2 million issued; 334.5 and 347.8 million outstanding at December 31, 2018 and December 31, 2017, respectively	3.4	3.5
Additional paid-in capital	3,126.0	2,444.1
Retained earnings	3,552.7	1,350.3
Accumulated other comprehensive income (loss)	(86.6)	(7.6)
Total Fortive stockholders' equity	6,595.5	3,790.3
Noncontrolling interests	17.4	17.9
Total stockholders' equity	6,612.9	3,808.2
Total liabilities and equity	$ 12,905.6	$ 10,500.6

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

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

	Year Ended December 31		
	2018	2017	2016
Sales of products	$ 5,755.0	$ 5,173.3	$ 4,814.0
Sales of services	697.7	582.8	564.2
Total sales	6,452.7	5,756.1	5,378.2
Cost of product sales	(2,657.2)	(2,440.3)	(2,302.7)
Cost of service sales	(474.2)	(394.4)	(390.0)
Total cost of sales	(3,131.4)	(2,834.7)	(2,692.7)
Gross profit	3,321.3	2,921.4	2,685.5
Operating costs:			
Selling, general, and administrative expenses	(1,728.6)	(1,409.1)	(1,272.8)
Research and development expenses	(414.3)	(369.3)	(351.0)
Operating profit	1,178.4	1,143.0	1,061.7
Non-operating income (expense):			
Gain from acquisition	—	15.3	—
Interest expense, net	(97.0)	(88.7)	(46.4)
Other non-operating expenses	(3.0)	4.0	(4.8)
Earnings from continuing operations before income taxes	1,078.4	1,073.6	1,010.5
Income taxes	(160.1)	(189.3)	(270.3)
Net earnings from continuing operations	918.3	884.3	740.2
Earnings from discontinued operations, net of income taxes	1,995.5	160.2	132.1
Net earnings	2,913.8	1,044.5	872.3
Mandatory convertible preferred dividends	(34.9)	—	—
Net earnings attributable to common stockholders	$ 2,878.9	$ 1,044.5	$ 872.3
Net earnings per common share from continuing operations:			
Basic	$ 2.56	$ 2.54	$ 2.14
Diluted	$ 2.52	$ 2.51	$ 2.13
Net earnings per share from discontinued operations:			
Basic	$ 5.78	$ 0.46	$ 0.38
Diluted	$ 5.69	$ 0.45	$ 0.38
Net earnings per share:			
Basic	$ 8.33	$ 3.01	$ 2.52
Diluted	$ 8.21	$ 2.96	$ 2.51
Average common stock and common equivalent shares outstanding:			
Basic	345.5	347.5	345.7
Diluted	350.7	352.6	347.3

The sum of net earnings per share amount does not add due to rounding.

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

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

	Year Ended December 31		
	2018	**2017**	**2016**
Net earnings	$ 2,913.8	$ 1,044.5	$ 872.3
Other comprehensive income (loss), net of income taxes:			
Foreign currency translation adjustments	(127.3)	136.6	(123.8)
Pension adjustments	3.6	1.6	(7.6)
Total other comprehensive income (loss), net of income taxes	(123.7)	138.2	(131.4)
Comprehensive income	$ 2,790.1	$ 1,182.7	$ 740.9

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

FORTIVE CORPORATION AND SUBSIDIARIES
CONSOLIDATED AND COMBINED STATEMENTS OF CHANGES IN EQUITY
($ and shares in millions)

	Common Stock		Preferred Stock						
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Former Parent's Investment, Net	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests
Balance, January 1, 2016	—	$ —	—	$ —	$ —	$ —	$ 5,193.9	$ (14.4)	$ 3.0
Net earnings for the period	—	—	—	—	—	451.4	420.9	—	—
Recapitalization	345.2	3.5	—	—	—	—	(3.5)	—	—
Cash dividend paid to Former Parent	—	—	—	—	—	—	(3,000.0)	—	—
Dividends to common shareholders	—	—	—	—	—	(48.4)	—	—	—
Net transfers to Former Parent	—	—	—	—	—	—	(301.4)	—	—
Non-cash adjustment to Net former Parent investment	—	—	—	—	2,381.3	—	(2,332.3)	—	—
Other comprehensive loss	—	—	—	—	—	—	—	(131.4)	—
Former Parent common stock-based award activity	—	—	—	—	—	—	22.4	—	—
Fortive common stock-based award activity	0.7	—	—	—	45.9	—	—	—	—
Changes in noncontrolling interests	—	—	—	—	—	—	—	—	0.1
Balance, December 31, 2016	345.9	3.5	—	—	2,427.2	403.0	—	(145.8)	3.1
Net earnings for the period	—	—	—	—	—	1,044.5	—	—	—
Dividends to common shareholders	—	—	—	—	—	(97.2)	—	—	—
Non-cash adjustment to Net former Parent investment	—	—	—	—	(50.2)	—	—	—	—
Other comprehensive income	—	—	—	—	—	—	—	138.2	—
Common stock-based award activity	1.9	—	—	—	67.1	—	—	—	—
Change in noncontrolling interest	—	—	—	—	—	—	—	—	14.8
Balance, December 31, 2017	347.8	3.5	—	—	2,444.1	1,350.3	—	(7.6)	17.9
Adoption of accounting standards	—	—	—	—	—	(3.9)	—	—	—
Balance, January 1, 2018	347.8	3.5	—	—	2,444.1	1,346.4	—	(7.6)	17.9
Net earnings for the period	—	—	—	—	—	2,913.8	—	—	—
Dividends to common shareholders	—	—	—	—	—	(96.6)	—	—	—

Mandatory convertible preferred stock cumulative dividends	—	—	—	—	—	(34.9)	—	—	—
Non-cash adjustment to Net former Parent investment	—	—	—	—	9.1	—	—	—	—
Other comprehensive income	—	—	—	—	—	—	—	(123.7)	—
Common stock-based award activity	2.5	0.1	—	—	95.7	—	—	—	—
Issuance of mandatory convertible preferred stock	—	—	1.4	—	1,337.0	—	—	—	—
Split-off of A&S Business	(15.8)	(0.2)		—	(759.9)	(576.0)	—	44.7	—
Change in noncontrolling interest	—	—	—	—	—	—	—	—	(0.5)
Balance, December 31, 2018	334.5	$ 3.4	1.4	$ —	$ 3,126.0	$ 3,552.7	$ —	$ (86.6)	$ 17.4

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

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

	Year Ended December 31		
	2018	2017	2016
Cash flows from operating activities:			
Net earnings from continuing operations	$ 918.3	$ 884.3	$ 740.2
Noncash items:			
Depreciation	125.7	93.3	75.6
Amortization	135.1	65.0	85.3
Stock-based compensation expense	50.8	44.2	40.7
Impairment charges on intangible assets	1.1	2.3	4.8
Gain on acquisition	—	(15.3)	—
Gain on sale of property	—	(8.0)	—
Change in deferred income taxes	7.7	(61.0)	(15.3)
Change in trade accounts receivable, net	(105.9)	(55.4)	33.8
Change in inventories	(73.4)	17.5	(31.3)
Change in trade accounts payable	76.2	17.7	12.3
Change in prepaid expenses and other assets	63.3	(100.5)	(16.7)
Change in accrued expenses and other liabilities	2.4	136.0	53.0
Total operating cash provided by continuing operations	1,201.3	1,020.1	982.4
Total operating cash provided by discontinued operations	143.1	156.3	154.5
Net cash provided by operating activities	1,344.4	1,176.4	1,136.9
Cash flows from investing activities:			
Cash paid for acquisitions, net of cash received	(2,815.1)	(1,556.6)	(190.1)
Payments for additions to property, plant and equipment	(112.3)	(111.1)	(110.1)
Proceeds from sale of property	—	21.5	9.0
All other investing activities	(42.1)	1.5	—
Total investing cash used in continuing operations	(2,969.5)	(1,644.7)	(291.2)
Total investing cash provided by discontinued operations	1,002.9	(25.0)	(19.6)
Net cash used in investing activities	(1,966.6)	(1,669.7)	(310.8)
Cash flows from financing activities:			
Net (repayments of) proceeds from borrowings (maturities of 90 days or less)	(266.1)	556.2	373.8
Proceeds from borrowings (maturities greater than 90 days)	1,750.0	125.9	2,978.1
Repayment of borrowings (maturities greater than 90 days)	(1,850.0)	—	—
Proceeds from issuance of mandatory convertible preferred stock, net of $43 million of issuance costs	1,337.4	—	—
Payment of common stock cash dividend to shareholders	(96.6)	(97.2)	(48.4)
Payment of mandatory convertible preferred stock cash dividend to shareholders	(34.9)	—	—
Payment of cash dividend to former Parent	—	—	(3,000.0)
Net transfers to former Parent	—	—	(301.4)
Other financing activities	39.3	13.4	0.3
Total financing cash provided by continuing operations	879.1	598.3	2.4
Total financing cash provided by discontinued operations	—	1.4	1.4
Net cash provided by financing activities	879.1	599.7	3.8
Effect of exchange rate changes on cash and equivalents	(40.6)	52.5	(26.7)
Net change in cash and equivalents	216.3	158.9	803.2
Beginning balance of cash and equivalents	$ 962.1	$ 803.2	$ —
Ending balance of cash and equivalents	$ 1,178.4	$ 962.1	$ 803.2

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

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

NOTE 1. BUSINESS OVERVIEW

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 solutions, transportation technology, sensing, 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.

Our research and development, manufacturing, sales, distribution, service and administrative facilities are located in more than 50 countries.

We report our results in two separate business segments consisting of Professional Instrumentation and Industrial Technologies. 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; portable gas detection equipment, consumables, and software as a service (SaaS) offerings including safety/user behavior, asset management, and compliance monitoring; subscription-based technical, analytical, and compliance services to determine occupational and environmental radiation exposure; software, data analytics and services for critical infrastructure in utility, industrial, energy, construction, facilities management, public safety, mining, and healthcare applications. Product realization services and products help developers and engineers across the end-to-end product creation cycle from concepts to finished products and also include highly-engineered energetic materials components in specialized vertical applications. Our Sensing Technologies business offers devices that sense, monitor and control operational or manufacturing variables, such as temperature, pressure, level, flow, turbidity and conductivity.

The Industrial Technologies segment consists of our Transportation Technologies and Franchise Distribution businesses. Our Transportation Technologies business is a leading worldwide provider 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. Our Franchise Distribution business manufactures and distributes professional tools and a full line of wheel service equipment.

On October 1, 2018, we completed the split-off of businesses in our automation and specialty platform (excluding our Hengstler and Dynapar businesses) (the "A&S Business") to our shareholders who elected to exchange shares of our common stock for all issued and outstanding shares of Stevens Holding Company, Inc. ("Stevens"), the entity we incorporated to hold the A&S Business. The split-off was immediately followed by the merger of Stevens with a subsidiary of Altra Industrial Motion Corp. ("Altra"). Our shareholders who participated in the exchange offer tendered approximately 15.8 million shares of our common stock in exchange for 35.0 million shares of Altra. Concurrently with such split-off, we sold directly to Altra the remainder of the assets and liabilities of A&S Business that were not otherwise contributed to Stevens. Accordingly, the A&S Business have been reported as discontinued operations in our Consolidated and Combined Statements of Income, and the related assets and liabilities have been presented as assets and liabilities of discontinued operations in the Consolidated and Combined Balance Sheets for all periods presented. Unless otherwise noted, discussion within these notes to the consolidated financial statements relates to continuing operations. Refer to Note 4 for additional information on discontinued operations. Prior to the disposition, the A&S Business was reported in our Industrial Technologies segment.

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"). Refer to Note 20 for additional information regarding the Separation.

The accompanying consolidated and combined 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"). Certain reclassifications have been made to prior year financial information to conform to the current period presentation. Unless otherwise indicated, all amounts in the Notes to the Consolidated and Combined Financial Statements refer to continuing operations.

The financial statements include our accounts and the accounts of our subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation. The consolidated and combined financial statements also reflect the impact of non-controlling interests. Noncontrolling interests do not have a significant impact on our consolidated and combined results of operations, therefore net earnings and net earnings per share attributable to noncontrolling interests are not presented separately in our Consolidated and Combined Statements of Earnings. Net earnings attributable to noncontrolling interests have been reflected in selling, general and administrative expenses ("SG&A") and were insignificant in all periods presented.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates—The preparation of financial statements in conformity with GAAP requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We base these estimates on historical experience, the current economic environment and on various other assumptions that are believed to be reasonable under the circumstances. However, uncertainties associated with these estimates exist and actual results may differ from these estimates.

Cash and Equivalents—We consider all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents.

Accounts Receivable and Allowances for Doubtful Accounts—All trade accounts are reported in the accompanying Consolidated Balance Sheets adjusted for any write-offs and net of allowances for doubtful accounts. The allowances for doubtful accounts represent management's best estimate of the credit losses expected from our trade accounts, contract and financing receivable portfolios. Determination of the allowances requires management to exercise judgment about the timing, frequency and severity of credit losses that could materially affect the provision for credit losses and, therefore, net earnings. We regularly perform detailed reviews of our portfolios to determine if an impairment has occurred and evaluate the collectability of receivables based on a combination of financial and qualitative factors that may affect customers' ability to pay, including customers' financial condition, collateral, debt-servicing ability, past payment experience and credit bureau information. In circumstances where we are aware of a specific customer's inability to meet its financial obligations, a specific reserve is recorded against amounts due to reduce the recognized receivable to the amount reasonably expected to be collected. Additions to the allowances for doubtful accounts are charged to current period earnings, amounts determined to be uncollectible are charged directly against the allowances, while amounts recovered on previously written-off accounts increase the allowances. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional reserves would be required. We do not believe that accounts receivable represent significant concentrations of credit risk because of the diversified portfolio of individual customers and geographical areas. We recorded $49 million, $38 million and $31 million of expense associated with doubtful accounts for the years ended December 31, 2018, 2017 and 2016, respectively.

Included in other assets on the Consolidated Balance Sheets as of December 31, 2018 and 2017 are $263 million and $247 million of net aggregate financing receivables, respectively. Financing receivables are evaluated for impairment collectively in broad groupings that represent homogeneous portfolios based on the underlying nature and risks.

Inventory Valuation—Inventories include the costs of material, labor and overhead. Domestic inventories are stated at the lower of cost or net realizable value primarily using the first-in, first-out ("FIFO") method with certain businesses applying the last-in, first-out method ("LIFO") to value inventory. Inventories held outside the United States are stated at the lower of cost or net realizable value primarily using the FIFO method.

Property, Plant and Equipment—Property, plant and equipment are carried at cost. The provision for depreciation has been computed principally by the straight-line method based on the estimated useful lives of the depreciable assets as follows:

Category	Useful Life
Buildings	30 years
Leased assets and leasehold improvements	Amortized over the lesser of the economic life of the asset or the term of the lease
Machinery and equipment	3 – 10 years

Estimated useful lives are periodically reviewed and, when appropriate, changes to estimates are made prospectively. Amortization of capital lease assets is included in depreciation expense as a component of SG&A.

Other Assets—Other assets principally include noncurrent financing receivables, deferred tax assets and other investments.

Fair Value of Financial Instruments—Our financial instruments consist primarily of accounts receivable and obligations under trade accounts payable and short and long-term debt. Due to their short-term nature, the carrying values for accounts receivable, trade accounts payable and short-term debt approximate fair value. Refer to Note 8 for the fair values of our other obligations.

Goodwill and Other Intangible Assets—Goodwill and other intangible assets result from our acquisition of existing businesses. In accordance with accounting standards related to business combinations, goodwill is not amortized, however, certain definite-lived identifiable intangible assets, primarily customer relationships and acquired technology, are amortized over their estimated useful lives. Intangible assets with indefinite lives are not amortized. In-process research and development ("IPR&D") is initially capitalized at fair value and when the IPR&D project is complete, the asset is considered a finite-lived intangible asset and amortized over its estimated useful life. If an IPR&D project is abandoned, an impairment loss equal to the value of the intangible asset is recorded in the period of abandonment. We review identified intangible assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. We also test intangible assets with indefinite lives at least annually for impairment. Refer to Note 3 and Note 7 for additional information about our goodwill and other intangible assets.

Revenue Recognition—As described above, we derive revenues primarily from the sale of Professional Instrumentation and Industrial Technologies products and services. Revenue is recognized when control of promised products or services is transferred to customers in an amount that reflects the consideration we expect to be entitled to in exchange for those products or services.

Product Sales include revenues from the sale of products and equipment, which includes our software as a service product offerings and equipment rentals.

Service Sales includes revenues from extended warranties, post-contract customer support, maintenance contracts or services, contract labor to perform ongoing service at a customer location, and services related to previously sold products.

For revenue related to a product or service to qualify for recognition, we must have an enforceable contract with a customer that defines the goods or services to be transferred and the payment terms related to those goods or services. Further, collection of substantially all consideration for the goods or services transferred must be probable based on the customer's intent and ability to pay the promised consideration. We apply judgment in determining the customer's ability and intention to pay, which is based on a combination of financial and qualitative factors, including the customers' financial condition, collateral, debt-servicing ability, past payment experience and credit bureau information.

Customer allowances and rebates, consisting primarily of volume discounts and other short-term incentive programs, are considered in determining the transaction price for the contract; these allowances and rebates are reflected as a reduction in the contract transaction price. Significant judgment is exercised in determining product returns, customer allowances and rebates, and are estimated based on historical experience and known trends.

Most of our sales contracts contain standard terms and conditions. We evaluate contracts to identify distinct goods and services promised in the contract (performance obligations). Sometimes this evaluation involves judgment to determine whether the goods or services are highly dependent on or highly interrelated with one another, or whether such goods or services significantly modify or customize one another. Certain customer arrangements include multiple performance obligations, typically hardware, installation, training, consulting, services and/or post contract support ("PCS"). Generally, these elements are delivered within the same reporting period, except PCS or other services. We allocate the contract transaction price to each performance obligation using the observable price that the good or service sells for separately in similar circumstances and to similar customers, and/or a residual approach when the observable selling price of a good or service is not known and is either highly variable or uncertain. Allocating the transaction price to each performance obligation sometimes requires significant judgment.

Our principal terms of sale are FOB Shipping Point, or equivalent, and, as such, we primarily record revenue upon shipment as we have transferred control to the customer at that point and our performance obligations are satisfied. We evaluate contracts with delivery terms other than FOB Shipping Point and recognize revenue when we have transferred control and satisfied our performance obligations. If any significant obligation to the customer with respect to a sales transaction remains to be fulfilled following shipment (typically installation, other services noted above or acceptance by the customer), revenue recognition is deferred until such obligations have been fulfilled. Further, revenue related to separately priced extended warranty and product maintenance agreements is deferred when appropriate and recognized as revenue over the term of the agreement.

Shipping and Handling—Shipping and handling costs are included as a component of cost of sales. Revenue derived from shipping and handling costs billed to customers is included in sales.

Advertising—Advertising costs are expensed as incurred.

Research and Development—We conduct research and development activities for the purpose of developing new products, enhancing the functionality, effectiveness, ease of use and reliability of our existing products and expanding the applications for which uses of our products are appropriate. Research and development costs are expensed as incurred.

Restructuring—We periodically initiate restructuring activities to appropriately position our cost base relative to prevailing economic conditions and associated customer demand as well as in connection with certain acquisitions. Costs associated with restructuring actions can include one-time termination benefits and related charges in addition to facility closure, contract termination and other related activities. We record the cost of the restructuring activities when the associated liability is incurred. Refer to Note 14 for additional information.

Foreign Currency Translation and Transactions—Exchange rate adjustments resulting from foreign currency transactions are recognized in net earnings, whereas effects resulting from the translation of financial statements are reflected as a component of accumulated other comprehensive income (loss) within stockholders' equity. Assets and liabilities of subsidiaries operating outside the United States with a functional currency other than U.S. dollars are translated into U.S. dollars using year end exchange rates and income statement accounts are translated at weighted average exchange rates. Net foreign currency transaction gains or losses were not material in any of the years presented.

Accounting for Stock-Based Compensation—We account for stock-based compensation by measuring the cost of employee services received in exchange for all equity awards granted, including stock options, restricted stock units ("RSUs") and performance stock units ("PSUs"), based on the fair value of the award as of the grant date. Equity-based compensation expense is recognized net of an estimated forfeiture rate on a straight-line basis over the requisite service period of the award, except that in the case of RSUs, compensation expense is recognized using an accelerated attribution method. Refer to Note 17 for additional information on the stock-based compensation plans.

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"). The expense associated with our employees who participated in the Danaher Plans was allocated to us in the accompanying Consolidated and Combined Statements of Earnings for the period prior to the Separation.

Income Taxes—In accordance with GAAP, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted rates expected to be in effect during the year in which the differences reverse. Deferred tax assets generally represent items that can be used as a tax deduction or credit in our tax return in future years for which the tax benefit has already been reflected on our Consolidated and Combined Statements of Earnings. We establish valuation allowances for our deferred tax assets if, in our assessment, it is more likely than not that some or all of the deferred tax asset will not be realized. Deferred tax liabilities generally represent items that have already been taken as a deduction on our tax return but have not yet been recognized as an expense in our Consolidated and Combined Statements of Earnings. The effect on deferred tax assets and liabilities due to a change in tax rates is recognized in income tax expense in the period that includes the enactment date. We recognize tax benefit from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated and combined financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Judgment is required in evaluating tax positions and determining income tax provisions. We reevaluate the technical merits of our tax positions and may recognize an uncertain tax benefit in certain circumstances, including when: (1) a tax audit is completed; (2) applicable tax laws change, including a tax case ruling or legislative guidance; or (3) the applicable statute of limitations expires. We recognize potential accrued interest and penalties associated with unrecognized tax positions in income tax expense. Refer to Note 13 for additional information.

As discussed in Note 13, for the periods prior to the Separation, current income tax liabilities are assumed to be immediately settled with Danaher and are relieved through Former Parent's Investment. Income tax expense and other income tax related information contained in the consolidated and combined financial statements for the period prior to the Separation are presented as if we filed a separate tax return. The separate tax return method applies the accounting guidance for income taxes to the standalone financial statements as if we had been a standalone taxpayer for the periods prior to the Separation. The calculation of our income taxes on a separate income tax return basis requires considerable judgment, estimates, and allocations.

Accumulated Other Comprehensive Income (Loss)—Foreign currency translation adjustments are generally not adjusted for income taxes as they relate to indefinite investments in non-U.S. subsidiaries. We have designated our Euro-denominated commercial paper and ¥13.8 billion senior unsecured term facility loan as net investment hedges of our investment in certain foreign operations. Accordingly, foreign currency transaction gains or losses on the debt are deferred in the foreign currency translation component of accumulated OCI as an offset to the foreign currency translation adjustments on our investments in foreign subsidiaries. We recognized gains of $9.4 million for the year ended December 31, 2018, losses of $18.8 million for the year ended December 31, 2017, and gains of $0.6 million for the year ended December 31, 2016 in OCI related to the net investment hedge. Any amounts deferred in accumulated OCI will remain until the hedged investment is sold or substantially liquidated. The Company recorded no ineffectiveness from its net investment hedges during the years ended December 31, 2018, 2017 and 2016.

The changes in accumulated other comprehensive income (loss) by component are summarized below ($ in millions):

	Foreign currency translation adjustments	Pension & post-retirement plan benefit adjustments [b]	Total
Balance, January 1, 2016	$ 51.2	$ (65.6)	$ (14.4)
Other comprehensive income (loss) before reclassifications:			
Increase (decrease)	(123.8)	(13.8)	(137.6)
Income tax impact	—	2.0	2.0
Other comprehensive income (loss) before reclassifications, net of income taxes	(123.8)	(11.8)	(135.6)
Amounts reclassified from accumulated other comprehensive income (loss):			
Increase (decrease)	—	5.5 [a]	5.5
Income tax impact	—	(1.3)	(1.3)
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes:	—	4.2	4.2
Net current period other comprehensive income (loss):	(123.8)	(7.6)	(131.4)
Balance, December 31, 2016	$ (72.6)	$ (73.2)	$ (145.8)
Other comprehensive income (loss) before reclassifications:			
Increase (decrease)	136.6	(3.5)	133.1
Income tax impact	—	0.9	0.9
Other comprehensive income (loss) before reclassifications, net of income taxes	136.6	(2.6)	134.0
Amounts reclassified from accumulated other comprehensive income (loss):			
Increase (decrease)	—	5.5 [a]	5.5
Income tax impact	—	(1.3)	(1.3)
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	4.2	4.2
Net current period other comprehensive income (loss)	136.6	1.6	138.2
Balance, December 31, 2017	$ 64.0	$ (71.6)	$ (7.6)
Other comprehensive income (loss) before reclassifications:			
Increase (decrease)	(127.3)	0.3	(127.0)
Income tax impact	—	(0.2)	(0.2)
Other comprehensive income (loss) before reclassifications, net of income taxes	(127.3)	0.1	(127.2)
Amounts reclassified from accumulated other comprehensive income (loss):			
Increase (decrease)	—	4.3 [a]	4.3
Income tax impact	—	(0.8)	(0.8)
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes:	—	3.5	3.5
Net current period other comprehensive income (loss)	(127.3)	3.6	(123.7)
Divestiture of A&S Business	34.0	10.7	44.7
Balance, December 31, 2018	$ (29.3)	$ (57.3)	$ (86.6)

[a] This accumulated other comprehensive income (loss) component is included in the computation of net periodic pension cost (refer to Note 11 for additional details) and also includes activity related to the divestiture of the A&S Business.

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

Pension—We measure our pension assets and obligations to determine the funded status as of year end, and recognize an asset for an overfunded status or a liability for an underfunded status on our balance sheet. Changes in the funded status of the pension plans are recognized in the year in which the changes occur and are reported in other comprehensive income (loss). Refer to Note 11 for additional information on our pension plans including a discussion of actuarial assumptions, our policy for recognizing associated gains and losses and the method used to estimate service and interest cost components.

New Accounting Standards

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which aims to simplify the subsequent measurement of goodwill by removing Step 2 of the current goodwill impairment test, which requires a hypothetical purchase price allocation. Under the new standard, an impairment loss will be recognized in the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. This standard is effective for us prospectively beginning January 1, 2020, with early adoption permitted. We are currently evaluating the impact of this standard on 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 lessees and lessors to disclose the amount, timing and uncertainty of cash flows arising from leases. The accounting applied by a lessor is largely unchanged from the current standard. 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. This standard is effective for us beginning January 1, 2019, and it also provides for certain practical expedients that we plan to elect. In July 2018, the FASB issued ASU No. 2018-11, *Leases (Topic 842), Targeted Improvements,* which provides an additional transition method that allows the initial application of the lease standard at the adoption date using a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. We plan to adopt this standard on January 1, 2019 utilizing the new transition method. Based on our efforts to date, we expect the recognition of the right-of-use asset and lease liability for our real estate and equipment leases will have a material impact on the Consolidated Balance Sheets, and we are still assessing the impact of this guidance on our recent acquisitions. We do not expect this standard to have a material impact on our future Consolidated Statements of Earnings and do not expect the adoption of this guidance to impact our ability to comply with our debt covenants.

NOTE 3. ACQUISITIONS

We continually evaluate potential mergers, acquisitions and divestitures that align with our strategy and expedite the evolution of our portfolio of businesses into new and attractive areas. We have completed a number of acquisitions that have been accounted for as purchases and resulted in the recognition of goodwill in our financial statements. This goodwill arises because the purchase price for each acquired business reflects a number of factors including the complimentary fit, acceleration of our strategy and synergies the business brings with respect to our existing operations, the future earnings and cash flow potential of the business, the potential to add other strategically complimentary acquisitions to the acquired business, the scarce or unique nature of the business in its markets, competition to acquire the business, the valuation of similar businesses in the marketplace (as reflected in a multiple of revenues, earnings or cash flows) and 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.

We make an initial allocation of the purchase price at the date of acquisition based on 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 assets and evaluating the tax impact of certain acquisitions. We make appropriate adjustments to purchase price allocations prior to completion of the applicable measurement period, as required.

The following describes our acquisition activity for the three years ended December 31, 2018.

Completed Acquisitions in 2018

Accruent

On September 6, 2018, we acquired Athena SuperHoldCo, Inc., including Accruent, LLC (“Accruent”), a privately-held, leading provider of facilities asset management software, for a total purchase price of approximately $2.0 billion net of acquired cash (the “Accruent Acquisition”). Accruent is a recognized leader in the facilities asset management industry, combining deep domain and industry capabilities with an integrated, cloud-based framework that provides insights spanning the full lifecycle of real estate, facilities and asset management. Accruent serves over 10,000 global customers, and helps assure clients fulfill the mission of their organization by extending the lifecycle of assets, monitoring full compliance and reducing safety risks. Accruent is headquartered in Austin, Texas, and is included in our the Professional Instrumentation Segment. Accruent generated annual revenues of approximately $200 million in 2017. We financed the Accruent Acquisition with available cash and proceeds from our financing activities. We preliminarily recorded approximately $1.1 billion of goodwill related to the Accruent Acquisition which is not tax deductible.

Gordian

On July 27, 2018, we acquired TGG Ultimate Holdings, Inc. and its subsidiaries, including The Gordian Group, Inc. (“Gordian”), a privately-held, leading provider of construction cost data, software and service, for a total purchase price of $778 million net of cash acquired (the “Gordian Acquisition”). Gordian’s comprehensive offerings serve the entire building lifecycle and provide workflow solutions designed to optimize every stage of an asset owner’s construction and maintenance needs, including connecting the owner and contractors in the same exchange and providing access to cost and facility metrics databases via a subscription-based model. Gordian is headquartered in Greenville, South Carolina, and is included in our Professional Instrumentation segment. Gordian generated annual revenues of approximately $110 million in 2017. We financed the Gordian Acquisition with available cash. We preliminarily recorded approximately $429 million of goodwill related to the Gordian Acquisition which is not tax deductible.

Revenue and operating losses attributable to these acquisitions was $115 million and $51 million for the year ended December 31, 2018, respectively.

In addition to the acquisitions of Accruent and Gordian, during 2018, we acquired two businesses for total consideration of $44 million in cash, net of cash acquired. The businesses acquired complement existing units of both our segments. The aggregate annual sales of these businesses at the time of their respective acquisitions, in each case based on the acquired company’s revenues for its last completed fiscal year prior to the acquisition, were approximately $35 million. We preliminarily recorded an aggregate of $31 million of goodwill related to these acquisitions.

During 2017, we acquired three businesses for total consideration of $1.56 billion in cash, net of cash acquired. The businesses acquired complement existing units of both our segments. The aggregate annual sales of these businesses at the time of their respective acquisitions, in each case based on the acquired company’s revenues for its last completed fiscal year prior to the acquisition, were approximately $389 million. We recorded an aggregate of $1.04 billion of goodwill related to these acquisitions.

During 2016, we acquired three businesses for total consideration of $190 million in cash, net of cash acquired. The businesses acquired complement existing units of both our segments. The aggregate annual sales of these businesses at the time of their respective acquisitions, in each case based on the acquired company’s revenues for its last completed fiscal year prior to the acquisition, were approximately $47 million. We recorded an aggregate of $113 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 years ended December 31 ($ in millions):

	2018	2017	2016
Accounts receivable	$ 86.7	$ 103.7	$ 5.2
Inventories	3.9	37.3	2.2
Property, plant and equipment	7.1	137.1	0.6
Goodwill	1,601.2	1,035.2	113.2
Other intangible assets, primarily customer relationships, trade names and technology	1,345.8	587.8	82.7
Trade accounts payable	(9.9)	(18.7)	(1.5)
Other assets and liabilities, net	(219.7)	(289.0)	(12.3)
Previously held investment	—	(36.8)	—
Net cash consideration	$ 2,815.1	$ 1,556.6	$ 190.1

The following summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition for the individually significant acquisitions in 2018 discussed above, and all of the other 2018 acquisitions as a group ($ in millions):

	Accruent	Gordian	Other	Total
Accounts receivable	$ 54.3	$ 28.7	$ 3.7	$ 86.7
Inventories	—	—	3.9	3.9
Property, plant and equipment	4.1	2.6	0.4	7.1
Goodwill	1,141.0	428.9	31.3	1,601.2
Other intangible assets, primarily customer relationships, trade names and technology	953.0	386.0	6.8	1,345.8
Trade accounts payable	(8.8)	(1.0)	(0.1)	(9.9)
Other assets and liabilities, net	(150.2)	(67.1)	(2.4)	(219.7)
Net cash consideration	$ 1,993.4	$ 778.1	$ 43.6	$ 2,815.1

We incurred approximately $25 million of pretax transaction-related costs related to these four acquisitions in 2018 and incurred approximately $19 million of pretax transaction-related costs in 2017, which were primarily for banking fees, legal fees, amounts paid to other third-party advisers, and other change in control costs. Transaction-related costs for acquisitions closed in 2016 were not material. Transaction-related costs are recorded in SG&A.

We recorded certain adjustments to the preliminary purchase price allocation of acquisitions that closed during 2018 that resulted in a net increase of $61 million to goodwill. Purchase price allocation adjustments recorded in 2018 that related to acquisitions closed in 2017 were immaterial.

Pro Forma Financial Information (Unaudited)

The unaudited pro forma information for the periods set forth below gives effect to the 2018 and 2017 acquisitions as if they had occurred as of January 1, 2017. The pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisitions been consummated as of that time ($ in millions except per share amounts):

	2018	2017
Sales	$ 6,707.3	$ 6,407.5
Net earnings from continuing operations	$ 834.6	$ 707.6
Diluted net earnings per share from continuing operations	$ 2.38	$ 2.01

Pending Acquisition

Advanced Sterilization Products

On June 6, 2018, we made a binding offer to Ethicon, Inc., a subsidiary of Johnson & Johnson, to purchase its Advanced Sterilization Products ("ASP") business for approximately $2.7 billion in cash. On September 20, 2018, Ethicon, Inc. accepted our offer and countersigned the purchase agreement. The transaction is expected to close after the end of the first quarter of 2019 and is subject to customary closing conditions.

ASP is a leading global provider of innovative sterilization and disinfection solutions and pioneered low-temperature hydrogen peroxide sterilization technology. ASP's products, which are sold globally, include the STERRAD system for sterilizing instruments and the EVOTECH and ENDOCLENS systems for endoscope reprocessing and cleaning.

NOTE 4. DISCONTINUED OPERATIONS

On March 7, 2018, we entered into a definitive agreement to combine four of our operating companies from our Automation & Specialty platform (the "A&S Business") with Altra Industrial Motion Corp. ("Altra") in a tax-efficient Reverse Morris Trust transaction. The A&S Business includes the market-leading brands of Kollmorgen, Thomson, Portescap and Jacobs Vehicle Systems that were previously reported within our Industrial Technologies segment. On October 1, 2018, we completed the split-off of the A&S Business. The total consideration received was $2.7 billion and consisted of (i) $1.3 billion through a fully-subscribed exchange offer, in which we accepted and subsequently retired 15,824,931 shares of our own common stock from our stockholders in exchange for the 35,000,000 shares of common stock of Stevens Holding Company, Inc.; (ii) $1.0 billion in cash paid to us for the direct sales of certain assets and liabilities of the A&S Business; (iii) $250.0 million as part of a non-cash debt-for-debt exchange that reduced outstanding indebtedness of Fortive, which was inclusive of accrued interest and related fees; and (iv) $150 million in cash paid to us by Stevens Holding Company, Inc. as a dividend. We recognized an after-tax gain on the transaction of $1.9 billion.

The accounting requirements for reporting the disposition of the A&S Business as a discontinued operation were met when the separation and merger were completed. Accordingly, the accompanying consolidated financial statements for all periods presented reflect this business as discontinued operations.

We incurred approximately $77 million of pretax transaction-related costs associated with the divestiture during the year ended December 31, 2018, which was primarily for professional fees. These amounts are recorded in the gain on disposition of discontinued operations before income taxes.

We are providing certain support services under transition services agreements, and the impact of these services on our consolidated and combined financial statements was immaterial.

The key components of income from discontinued operations for the years ended December 31 were as follows ($ in millions):

	2018	2017	2016
Sales	$ 750.5	$ 900.0	$ 846.1
Cost of sales	(438.9)	(522.9)	(497.2)
Selling, general and administrative expenses	(92.3)	(124.5)	(126.0)
Research and development expenses	(26.9)	(36.7)	(33.8)
Gain on disposition of discontinued operations before income taxes	1,909.9	—	—
Interest expense and other	(4.6)	(5.3)	(2.6)
Earnings before income taxes	2,097.7	210.6	186.5
Income taxes	(102.2)	(50.4)	(54.4)
Net earnings	$ 1,995.5	$ 160.2	$ 132.1

Interest expense related to the debt retired as part of the debt-for-debt exchange was allocated to discontinued operations for all periods presented.

The following table summarizes the major classes of assets and liabilities of discontinued operations that were included in the Company's accompanying Consolidated Balance Sheets as of December 31 ($ in millions):

		2018		2017
ASSETS				
Trade accounts receivable, net	$	4.2	$	123.1
Inventories		4.4		73.9
Other current assets		21.4		6.8
Total current assets, discontinued operations		30.0		203.8
Property, plant and equipment, net		—		102.1
Goodwill		—		538.2
Other intangible assets, net		—		19.6
Other non-current assets		—		7.3
Total other assets, discontinued operations		—		667.2
Total assets, discontinued operations	$	30.0	$	871.0
LIABILITIES				
Current liabilities:				
Trade accounts payable	$	9.2	$	98.5
Accrued expenses and other current liabilities		21.5		59.5
Total current liabilities, discontinued operations		30.7		158.0
Other long-term liabilities		—		64.2
Total liabilities, discontinued operations	$	30.7	$	222.2

NOTE 5. INVENTORIES

The classes of inventory as of December 31 are summarized as follows ($ in millions):

		2018		2017
Finished goods	$	219.5	$	201.3
Work in process		103.1		73.1
Raw materials		251.9		232.3
Total	$	574.5	$	506.7

As of December 31, 2018 and 2017, the difference between inventories valued at LIFO and the value of that same inventory if the FIFO method had been used was not significant. The liquidation of LIFO inventory did not have a significant impact on our results of operations in any period presented.

NOTE 6. PROPERTY, PLANT AND EQUIPMENT

The classes of property, plant and equipment as of December 31 are summarized as follows ($ in millions):

		2018		2017
Land and improvements	$	63.1	$	64.9
Buildings and leasehold improvements		343.6		341.4
Machinery and equipment		1,059.2		1,028.5
Gross property, plant and equipment		1,465.9		1,434.8
Less: accumulated depreciation		(889.8)		(824.4)
Property, plant and equipment, net	$	576.1	$	610.4

No interest was capitalized related to capitalized expenditures in any period.

NOTE 7. GOODWILL AND OTHER INTANGIBLE ASSETS

As discussed in Note 3, goodwill arises from the purchase price for acquired businesses exceeding the fair value of tangible and intangible assets acquired less assumed liabilities. We assess the goodwill of each of our reporting units for impairment at least annually as of the first day of the fourth quarter and as "triggering" events occur that indicate that it is more likely than not that an impairment exists. We elected to bypass the optional qualitative goodwill assessment allowed by applicable accounting standards and performed a quantitative impairment test for all reporting units as this was determined to be the most effective method to assess for impairment across a large spectrum of reporting units.

We estimate the fair value of our reporting units primarily using a market approach, based on multiples of earnings before interest, taxes, depreciation and amortization ("EBITDA") determined by current trading market multiples of earnings for companies operating in businesses similar to each of our reporting units, in addition to recent market available sale transactions of comparable businesses. In certain circumstances we also evaluate other factors including results of the estimated fair value utilizing a discounted cash flow analysis (i.e., an income approach), market positions of the businesses, comparability of market sales transactions and financial and operating performance in order to validate the results of the market approach. If the estimated fair value of the reporting unit is less than its carrying value, we must perform additional analysis to determine if the reporting unit's goodwill has been impaired.

In 2018, we had thirteen reporting units for goodwill impairment testing. The carrying value of the goodwill included in each individual reporting unit ranges from $15 million to approximately $1.7 billion. No goodwill impairment charges were recorded for the years ended December 31, 2018, 2017 and 2016 and no "triggering" events have occurred subsequent to the performance of the 2018 annual impairment test. The factors used by management in its impairment analysis are inherently subject to uncertainty. If actual results are not consistent with management's estimates and assumptions, goodwill and other intangible assets may be overstated and a charge would need to be taken against net earnings.

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

	Professional Instrumentation	Industrial Technologies	Total
Balance, January 1, 2017	$ 2,423.7	$ 1,021.4	$ 3,445.1
Attributable to 2017 acquisitions	851.8	183.4	1,035.2
Foreign currency translation & other	55.5	24.5	80.0
Balance, December 31, 2017	3,331.0	1,229.3	4,560.3
Attributable to 2018 acquisitions	1,571.8	29.4	1,601.2
Foreign currency translation & other	(8.2)	(20.2)	(28.4)
Balance, December 31, 2018	$ 4,894.6	$ 1,238.5	$ 6,133.1

Finite-lived intangible assets are amortized over the shorter of their legal or estimated useful lives. The following summarizes the gross carrying value and accumulated amortization for each major category of intangible asset as of December 31 ($ in millions):

	2018		2017	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Finite-lived intangibles:				
Patents and technology	$ 614.0	$ (280.8)	$ 373.9	$ (252.4)
Customer relationships and other intangibles	2,204.2	(589.9)	1,214.7	(495.5)
Total finite-lived intangibles	2,818.2	(870.7)	1,588.6	(747.9)
Indefinite-lived intangibles:				
Trademarks and trade names	528.8	—	415.7	—
Total intangibles	$ 3,347.0	$ (870.7)	$ 2,004.3	$ (747.9)

During 2018 we acquired finite-lived intangible assets, consisting primarily of customer relationships and developed technology, with weighted average life of 12 years. During 2017, we acquired finite-lived intangible assets, consisting primarily of customer relations, with a weighted average life of 13 years. Refer to Note 3 for additional information on the intangible assets acquired.

Total intangible amortization expense in 2018, 2017 and 2016 was $135 million, $65 million and $85 million, respectively. Based on the intangible assets recorded as of December 31, 2018, amortization expense is estimated to be $201 million during 2019, $194 million during 2020, $191 million during 2021, $181 million during 2022 and $166 million during 2023.

NOTE 8. FAIR VALUE MEASUREMENTS

Accounting standards define fair value based on an exit price model, establish a framework for measuring fair value for assets and liabilities required to be carried at fair value and provide for certain disclosures related to the valuation methods used within the 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.

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
December 31, 2018				
Deferred compensation liabilities	—	$ 20.8	—	$ 20.8
December 31, 2017				
Deferred compensation liabilities	—	$ 20.0	—	$ 20.0

Certain 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 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 ("401(k) Programs") (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 as of December 31 were as follows ($ in millions):

	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Current portion of long-term debt	$ 455.6	$ 454.9	$ —	$ —
Long-term debt, net of current maturities	$ 2,974.7	$ 2,867.5	$ 4,056.2	$ 4,051.8

As of December 31, 2018 and December 31, 2017, 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, trade accounts receivable, net and trade accounts payable approximate their carrying amounts due to the short-term maturities of these instruments.

Refer to Note 11 for information related to the fair value of the Company-sponsored defined benefit pension plan assets.

NOTE 9. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities as of December 31 were as follows ($ in millions):

	2018		2017	
	Current	Long-term	Current	Long-term
Compensation and post retirement benefits	$ 244.5	$ 60.2	$ 232.7	$ 59.5
Claims, including self-insurance and litigation	10.9	74.4	20.3	70.5
Pension benefit obligations	7.8	117.6	10.0	126.5
Taxes, income and other	174.7	728.3	86.1	573.0
Deferred revenue	288.1	92.6	211.4	86.7
Sales and product allowances	49.8	—	39.5	—
Warranty	71.0	1.1	63.9	1.4
Other	152.5	51.7	151.4	52.1
Total	$ 999.3	$ 1,125.9	$ 815.3	$ 969.7

NOTE 10. FINANCING

The carrying value of the components of our debt as of December 31 were as follows ($ in millions):

	2018	2017
U.S. dollar-denominated commercial paper	$ 390.1	$ 665.1
Euro-denominated commercial paper	270.1	282.7
U.S. dollar variable interest rate term loan due 2019	—	500.0
Delayed-draw term loan due 2019	400.0	—
Yen variable interest rate term loan due 2022	125.7	122.4
1.80% senior unsecured notes due 2019	55.6	298.9
2.35% senior unsecured notes due 2021	747.0	745.9
3.15% senior unsecured notes due 2026	891.9	891.0
4.30% senior unsecured notes due 2046	546.9	546.8
Other	3.0	3.4
Long-term debt	3,430.3	4,056.2
Less: Current portion of long-term debt	455.6	—
Long-term debt, net of current maturities	$ 2,974.7	$ 4,056.2

Unamortized debt discounts, net of premiums and issuance costs of $17 million and $18 million as of December 31, 2018 and December 31, 2017, respectively, have been netted against the aggregate principal amounts of the components of debt table above.

Credit Facilities

U.S Dollar Variable Rate Term Loan

On June 16, 2016, we entered into a credit agreement with a syndicate of banks that provides for a three-year $500 million senior term facility that expires on June 16, 2019 (the "U.S. dollar variable rate term loan") and we borrowed the entire $500 million of loans under the Term Facility. On July 20, 2018, we prepaid $325 million of our outstanding U.S dollar variable rate term loan due in 2019, and on October 5, 2018, we prepaid the remaining $175 million of the outstanding balance. The prepayment penalties associated with these payments were immaterial.

Delayed-draw Term Loan

On August 22, 2018, we entered into a credit facility agreement that provides for a 364-day delayed-draw term loan facility ("Delayed-Draw Term Loan") with an aggregate principal amount of $1.75 billion. On September 5, 2018, we drew down the full $1.75 billion available under the Delayed-Draw Term Loan in order to fund, in part, the Accruent Acquisition. The

Delayed-Draw Term Loan bears interest at a variable rate equal to the LIBOR plus a ratings based margin currently at 75 basis points. During 2018, the annual effective rate was approximately 2.97% per annum. The Delayed-Draw Term Loan is prepayable at our option, and we are not permitted to re-borrow once the term loan is repaid. The terms and conditions, including covenants, applicable to the Delayed-Draw Term Loan are substantially similar to those applicable to the Revolving Credit Facility. On September 26, 2018 and on November 21, 2018, we repaid $400 million and $950 million of this loan, respectively.

Yen Variable Interest Rate Term Loan

On August 24, 2017, we entered into a term loan agreement that provides for a five-year ¥13.8 billion senior unsecured term facility (“Yen Term Loan”) that matures 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. The annual effective interest rate was approximately 0.50% per annum as of and for the year ended December 31, 2018. 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 Yen Term Loan are substantially similar to those applicable to the senior unsecured revolving credit facility established in 2016 (the “Revolving Credit Facility”) as described below.

Revolving Credit Facility

On June 16, 2016, we entered into a five-year $1.5 billion Revolving Credit Facility that expires on June 16, 2021. On November 30, 2018 we entered into an amended and restated agreement (“the Credit Agreement”) extending the availability period of the Revolving Credit Facility to November 30, 2023 and increased the facility to $2.0 billion. The Revolving Credit Facility is subject to a one year extension option at our request and with the consent of the lenders. The Credit Agreement also contains an option permitting us to request an increase in the amounts available under the Credit Agreement of up to an aggregate additional $1.0 billion.

Borrowings under the Revolving Credit Facility bear interest at a rate equal (at our option) to either (1) a LIBOR-based rate (the “LIBOR-Based Rate”) plus a margin of between 80.5 and 117.5 basis points, depending on our long-term debt credit rating, or (2) the highest of (a) the Federal funds rate plus 1/2 of 1%, (b) the prime rate and (c) the LIBOR-Based Rate plus 17.5 basis points, plus in each case a margin that varies according to our long-term debt credit rating. We are obligated to pay an annual facility fee for the Revolving Credit Facility of between 7.0 and 20.0 basis points varying according to our long-term debt credit rating.

The Credit Agreement requires us to maintain a consolidated net leverage ratio of debt to Consolidated EBITDA (as defined in the Credit Agreement) of less than 3.50 to 1.00; provided that the maximum Consolidated Net Leverage Ratio will be increased to 4.00 to 1.00 for the four consecutive full fiscal quarters immediately following the consummation of any acquisition by us in which the purchase price exceeds $250 million. The Credit Agreement also requires us to maintain a Consolidated Interest Coverage Ratio (as defined in the Credit Agreement) of at least 3.50 to 1.00 as of the end of any fiscal quarter. The Credit Agreement also contains customary representations, warranties, conditions precedent, events of default, indemnities and affirmative and negative covenants. As of December 31, 2018 and December 31, 2017, we were in compliance with all covenants under the Credit Agreement and had no borrowings outstanding under the Revolving Credit Facility.

Commercial Paper Programs

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. Under these programs, we may issue unsecured promissory notes with maturities not exceeding 397 and 183 days, respectively. Interest expense on the notes is paid at maturity and is generally based on our credit ratings at the time of issuance and prevailing short-term interest rates.

The details of our Commercial Paper Programs as of December 31, 2018 were as follows ($ in millions):

	Carrying Value	Annual effective rate	Weighted average remaining maturity (in days)
U.S. dollar-denominated	$ 390.1	2.98 %	18
Euro-denominated	$ 270.1	(0.10)%	58

Credit support for the Commercial Paper Programs is provided by the Revolving Credit Facility. The availability of the Revolving Credit Facility as a standby liquidity facility to repay maturing commercial paper is an important factor in maintaining the Commercial Paper Programs' existing credit ratings. 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.

Our ability to access the commercial paper market, and the related costs of these borrowings, is affected by the strength of our credit rating and market conditions. Any downgrade in our credit rating would increase the cost of borrowing under our commercial paper programs and the Credit Agreement, and could limit or preclude our ability to issue commercial paper. If our access to the commercial paper market is adversely affected due to a downgrade, change in market conditions or otherwise, we would expect to rely on a combination of available cash, operating cash flow and the Revolving Credit Facility to provide short-term funding. In such event, the cost of borrowings under the Revolving Credit Facility could be higher than the historic cost of commercial paper borrowings.

We classified our borrowings outstanding under the Commercial Paper Programs as of December 31, 2018 as long-term debt in the accompanying Consolidated Balance Sheets as we have 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.

Proceeds from borrowings under the commercial paper programs are typically available for general corporate purposes, including acquisitions.

Long-Term Indebtedness

On June 20, 2016, we completed the private placement of each series of senior unsecured notes (the "Private Notes") to qualified institutional buyers under Rule 144A of the Securities Act of 1933, as amended (the "Securities Act") and outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act. 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 U.S. Securities and Exchange Commission, 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"). 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 the following Registered Notes in the Exchange Offer:

- $300 million aggregate principal amount of senior notes due June 15, 2019 (the "2019 Notes") issued at 99.893% of their principal amount and bearing interest at the rate of 1.80% per year. In connection with the debt exchange in the split-off of the A&S Business on October 1, 2018, we retired $244.7 million of these notes.
- $750 million aggregate principal amount of senior notes due June 15, 2021 issued at 99.977% of their principal amount and bearing interest at the rate of 2.35% per year.
- $900 million aggregate principal amount of senior notes due June 15, 2026 issued at 99.644% of their principal amount and bearing interest at the rate of 3.15% per year.
- $350 million and $200 million aggregate principal amounts of senior notes due June 15, 2046 issued at 99.783% and 101.564%, respectively, of their principal amounts and bearing interest at the rate of 4.30% per year.

Interest on the Registered Notes is payable semi-annually in arrears on June 15 and December 15 of each year.

We received net proceeds, after underwriting discounts and arrangement fees from the issuance of the Registered Notes and Term Facility, of approximately $3.0 billion and used these funds to make a $3.0 billion cash dividend payment to Danaher in connection with the Separation.

Covenants and Redemption Provisions Applicable to Registered Notes

We may redeem the Registered Notes of the applicable series, in whole or in part, at any time prior to the dates specified in the Registered Notes indenture (the "Call Dates") by paying the principal amount and the "make-whole" premium specified in the Registered Notes indenture, plus accrued and unpaid interest. Additionally, with the exception of the 2019 Notes, which have Call Dates equal to the contractual maturity of the note, we may redeem all or any part of the Registered Notes of the applicable series on or after the Call Dates without paying the "make-whole" premium specified in the Registered Notes indenture.

Registered Notes Series	Call Dates
1.80% senior unsecured notes due 2019	June 15, 2019
2.35% senior unsecured notes due 2021	May 15, 2021
3.15% senior unsecured notes due 2026	March 15, 2026
4.30% senior unsecured notes due 2046	December 15, 2045

If a change of control triggering event occurs, we will, in certain circumstances, be required to make an offer to repurchase the Registered Notes at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest. A change of control triggering event is defined as the occurrence of both a change of control and a rating event, each as defined in the Registered Notes indenture. Except in connection with a change of control triggering event, the Registered Notes do not have any credit rating downgrade triggers that would accelerate the maturity of the Registered Notes.

The Registered Notes contain customary covenants, including limits on the incurrence of certain secured debt and sale/leaseback transactions. None of these covenants are considered restrictive to our operations and as of December 31, 2018, we were in compliance with all of our covenants.

Other

We made interest payments of $102 million during 2018, $87 million during 2017 and $41 million during 2016.

There are $456 million of minimum principal payments due under our total long-term debt during 2019. The future minimum principal payments due are presented in the following table:

	Term Loans	Registered Notes	Total
2019	$ 400.0	$ 55.3	$ 455.3
2020	—	—	—
2021	—	750.0	750.0
2022	125.7	—	125.7
2023	—	—	—
Thereafter	—	1,450.0	1,450.0
Total principal payments [(a)]	$ 525.7	$ 2,255.3	$ 2,781.0

(a) Not included in the table above are discounts, net of premiums and issuance costs associated with the Notes and the Commercial Paper Programs, which totaled $17 million as of December 31, 2018, and have been recorded as an offset to the carrying amount of the related debt in the accompanying Consolidated Balance Sheet as of December 31, 2018. In addition, the table above does not include principal balances of $663.3 million under the Commercial Paper Programs and other financing balances of $3 million.

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, dividends and working capital.

Subsequent Events

Indenture, Notes and Guarantees

On February 22, 2019, we issued $1.437 billion in aggregate principal amount of our 0.875% Convertible Senior Notes due 2022 (the "Notes"), including $187.5 million in aggregate principal amount resulting from an exercise in full of an over-allotment option. The Notes were sold in a private placement to certain initial purchasers for resale to qualified institutional buyers pursuant to Rule 144A under the Securities Act.

The Notes were issued pursuant to an indenture (the "Indenture"), dated February 22, 2019, between us, The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and the guarantors party thereto. The Notes are fully and unconditionally guaranteed, jointly and severally, on an unsecured basis, by four of our wholly-owned domestic subsidiaries (the "Guarantees"). Under the Indenture, the Notes will be our senior unsecured obligations, and the Notes and the Guarantees will rank equally in right of payment with all of our and the guarantors' existing and future liabilities that are not subordinated, but will effectively rank junior to any of our and the guarantors secured indebtedness to the extent of the value of the assets securing such indebtedness. In addition, the Notes are structurally subordinated to all of the existing and future obligations, including trade payables, of our subsidiaries that do not guarantee the Notes.

The Notes will bear interest at a rate of 0.875% per year, payable semiannually in arrears on February 15 and August 15 of each year, beginning on August 15, 2019. The Notes will mature on February 15, 2022, unless earlier repurchased or converted in accordance with their terms prior to such date.

The Notes are convertible into shares of our common stock at an initial conversion rate of 9.3777 shares per $1,000 principal amount of Notes (which is equivalent to an initial conversion price of approximately $106.64 per share), subject to adjustment upon the occurrence of certain events. The initial conversion price represents a premium of approximately 32.5% to the $80.48 per share closing price of our common stock on February 19, 2019. Upon conversion of the Notes, holders will receive cash, shares of our common stock, or a combination thereof, at Fortive's election. Our current intention is to settle such conversions through cash up to the principal amount of the converted Notes and, if applicable, through shares of our common stock for conversion value, if any, in excess of the principal amount of the converted Notes.

Prior to November 15, 2021, the Notes will be convertible only upon the occurrence of certain events and will be convertible thereafter at any time until the close of business on the business day immediately preceding the maturity date of the Notes.

The conversion rate is subject to customary anti-dilution adjustments. If certain corporate events described in the Indenture occur prior to the maturity date, the conversion rate will be increased for a holder that elects to convert its Notes in connection with such corporate event in certain circumstances.

The Notes are not redeemable prior to maturity, and no sinking fund is provided for the Notes. If we undergo a "fundamental change," as defined in the Indenture, subject to certain conditions, holders may require us to repurchase for cash all or any portion of their Notes. The fundamental change purchase price will be 100% of the principal amount of the Notes to be repurchased plus any accrued and unpaid additional interest up to but excluding the fundamental change repurchase date.

The Indenture contains customary terms and covenants, including that upon certain events of default occurring and continuing, either the Trustee or the holders of at least 25% in aggregate principal amount of the outstanding Notes may declare 100% of the principal of, and accrued and unpaid interest, if any, on all the Notes to be due and payable.

We intend to use the net proceeds from the offering to fund a portion of the cash consideration payable for, and certain costs associated with, our pending acquisition of ASP. If the acquisition of ASP is not completed, we will use the net proceeds of the offering for working capital and other general corporate purposes, which may include, without limitation, the funding of potential future acquisitions, capital expenditures, investments in or loans to our subsidiaries, refinancing of outstanding indebtedness, share repurchases, dividends and satisfaction of other obligations.

Amendment to Term Loan and Revolving Credit Facilities

In connection with the offering of the Notes, on February 21, 2019, we entered into amendments to the credit facility agreement associated with our Delayed-Draw Term Loan dated as of August 22, 2018, and our Credit Agreement, dated as of November 30, 2018, to exclude the Guarantees from the limitations on subsidiary indebtedness under the Agreements.

NOTE 11. PENSION PLANS

Certain employees participate in noncontributory defined benefit pension plans. In general, our policy is to fund these plans based on considerations relating to legal requirements, underlying asset returns, the plan's funded status, the anticipated deductibility of the contribution, local practices, market conditions, interest rates and other factors. During 2017, we completed the acquisition of a company with a frozen U.S. pension plan, and, as such, there are no ongoing benefit accruals associated with the acquired U.S. pension plan.

The following sets forth the funded status of our plans as of the most recent actuarial valuations using measurement dates of December 31 ($ in millions):

	U.S. Pension Benefits		Non-U.S. Pension Benefits	
	2018	2017	2018	2017
Change in pension benefit obligation:				
Benefit obligation at beginning of year	$ 33.7	$ —	$ 300.8	$ 292.3
Service cost	—	—	1.3	3.5
Interest cost	1.2	0.3	5.7	5.8
Employee contributions	—	—	0.2	1.3
Benefits paid and other	(1.3)	(0.2)	(9.5)	(9.3)
Plan combinations/acquisitions	—	33.1	—	1.5
Actuarial loss (gain)	(2.7)	0.5	(7.0)	(10.8)
Amendments, settlements and curtailments	—	—	(3.0)	(17.6)
Foreign exchange rate impact	—	—	(14.2)	34.1
Benefit obligation at end of year	30.9	33.7	274.3	300.8
Change in plan assets:				
Fair value of plan assets at beginning of year	25.8	—	172.2	164.2
Actual return on plan assets	(1.2)	0.5	(3.1)	(8.3)
Employer contributions	—	—	9.8	10.4
Employee contributions	—	—	0.2	1.3
Amendments and settlements	—	—	(4.4)	(5.1)
Benefits paid and other	(1.3)	(0.2)	(9.5)	(9.3)
Plan combinations/acquisitions	—	25.5	—	0.9
Foreign exchange rate impact	—	—	(8.7)	18.1
Fair value of plan assets at end of year	23.3	25.8	156.5	172.2
Funded status	$ (7.6)	$ (7.9)	$ (117.8)	$ (128.6)

The difference between the accumulated benefit obligation and the projected benefit obligation as of December 31, 2018 and 2017 is immaterial.

Weighted average assumptions used to determine benefit obligations at date of measurement

	U.S. Pension Plans		Non-U.S. Pension Plans	
	2018	2017	2018	2017
Discount rate	4.40%	3.73%	2.30%	2.16%
Rate of compensation increase	N/A	N/A	2.63%	2.39%

Components of net periodic pension cost

($ in millions)	U.S. Pension Benefits 2018	U.S. Pension Benefits 2017	Non-U.S. Pension Benefits 2018	Non-U.S. Pension Benefits 2017	Non-U.S. Pension Benefits 2016
Service cost	$ —	$ —	$ 1.3	$ 3.5	$ 3.1
Interest cost	1.2	0.3	5.7	5.8	7.2
Expected return on plan assets	(1.4)	(0.3)	(5.8)	(6.2)	(6.8)
Amortization of net loss	—	—	2.6	3.8	4.1
Net curtailment and settlement loss recognized	—	—	1.0	0.9	0.2
Net periodic pension cost	$ (0.2)	$ —	$ 4.8	$ 7.8	$ 7.8

Included in accumulated other comprehensive income (loss) as of December 31, 2018 are the following amounts that have not yet been recognized in net periodic pension cost: unrecognized prior service cost of $1 million ($1 million, net of tax) and unrecognized actuarial losses of approximately $74 million ($56 million, net of tax). The unrecognized prior service cost included in accumulated other comprehensive income (loss) and expected to be recognized in net periodic pension cost during the year ending December 31, 2019 is immaterial. The actuarial losses included in accumulated other comprehensive income (loss) and expected to be recognized in net periodic pension cost during the year ending December 31, 2019 is $3 million ($2 million, net of tax). The unrecognized losses are calculated as the difference between the actuarially determined projected benefit obligation, the value of the plan assets and the accumulated contributions in excess of net periodic pension cost as of December 31, 2018. No plan assets are expected to be returned to us during the year ending December 31, 2019.

Weighted average assumptions used to determine net periodic pension cost at date of measurement

	U.S. Pension Plans 2018	U.S. Pension Plans 2017	Non-U.S. Pension Plans 2018	Non-U.S. Pension Plans 2017	Non-U.S. Pension Plans 2016
Discount rate	3.73%	3.83%	2.16%	2.12%	2.96%
Expected return on plan assets	5.75%	5.75%	3.48%	3.54%	4.29%
Rate of compensation increase	N/A	N/A	2.39%	3.03%	2.91%

The discount rates reflect the market rate on December 31 for high-quality fixed-income investments with maturities corresponding to our benefit obligations and are subject to change each year. For non-U.S. plans, rates appropriate for each plan are determined based on investment grade instruments with maturities approximately equal to the average expected benefit payout under the plan.

The expected rates of return reflect the asset allocation of the plans and ranged from 1.75% to 6.00% in both 2018 and 2017 and 2.25% to 6.00% in 2016, respectively. The domestic plan rate is based primarily on broad publicly-traded-equity and fixed-income indices and forward-looking estimates of active portfolio and investment management. The expected rates of return on asset assumptions for the non-U.S. plans were determined on a plan-by-plan basis based on the composition of assets.

On January 1, 2018, we retrospectively adopted ASU No. 2017-07, *Compensation–Retirement Benefits (Topic 715)*. Accordingly, we report all components of net periodic pension costs, with the exception of service costs, in other non-operating expenses as a component of non-operating income in the accompanying Consolidated and Combined Statements of Earnings for all periods presented. Service costs are reported in cost of sales and selling, general and administrative expenses in the accompanying Consolidated Combined Statements of Earnings according to the classification of the participant's compensation. This reclassification of prior year pension cost increased operating income by $4.0 million, and $4.8 million during the years ended December 31, 2017 and 2016, respectively.

Plan Assets

Plan assets are invested in various insurance contracts and equity and debt securities as determined by the administrator of each plan. Some of these investments, consisting of mutual funds and other private investments, are valued using the net asset value ("NAV") method as a practical expedient. The investments valued using the NAV method are allocated across a broad array of funds and diversify the portfolio. The value of the plan assets directly affects the funded status of our pension plans recorded in the financial statements.

The fair values of our pension plan assets as of December 31, 2018, by asset category were as follows ($ in millions):

	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and equivalents	$ 2.7	$ —	$ —	$ 2.7
Fixed income securities:				
Corporate bonds	—	0.4	—	0.4
Mutual funds	—	8.1	—	8.1
Insurance contracts	—	1.8	—	1.8
Total	$ 2.7	$ 10.3	$ —	$ 13.0
Investments measured at NAV[(a)]:				
Mutual funds				165.6
Other private investments				1.2
Total assets at fair value				$ 179.8

[(a)] The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the total fair value of plan assets.

The fair values of our pension plan assets as of December 31, 2017, by asset category were as follows ($ in millions):

	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and equivalents	$ 5.0	$ —	$ —	$ 5.0
Fixed income securities:				
Corporate bonds	—	0.3	—	0.3
Mutual funds	—	9.7	—	9.7
Insurance contracts	—	1.8	—	1.8
Total	$ 5.0	$ 11.8	$ —	$ 16.8
Investments measured at NAV[(a)]:				
Mutual funds				180.2
Other private investments				1.0
Total assets at fair value				$ 198.0

[(a)] The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the total fair value of plan assets.

Certain mutual funds are valued at the quoted closing price reported on the active market on which the individual securities are traded. Common stock, corporate bonds and mutual funds that are not traded on an active market are valued at quoted prices reported by investment brokers and dealers based on the underlying terms of the security and comparison to similar securities traded on an active market.

Certain mutual funds and other private investments are valued using NAV based on the information provided by the asset fund managers, which reflects the plan's share of the fair value of the net assets of the investment. Depending on the nature of the assets, the underlying investments are valued using a combination of either discounted cash flows, earnings and market multiples, third party appraisals or through reference to the quoted market prices of the underlying investments held by the venture, partnership or private entity where available. In addition, some of these investments have limits on their redemption to monthly, quarterly, semiannually or annually and may require up to 90 days prior written notice. Valuation adjustments reflect changes in operating results, financial condition or prospects of the applicable portfolio company.

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

Expected Contributions

During 2018, we contributed $10 million to our non-U.S. defined benefit pension plans. During 2019, our cash contribution requirements for our non-U.S. defined benefit pension plans are expected to be approximately $8 million. We do not expect to make contributions to the U.S. plan during 2019.

The following sets forth benefit payments to participants, which reflect expected future service, as appropriate, expected to be paid by the plans in the periods indicated ($ in millions):

	U.S. Pension Plans	Non-U.S. Pension Plans	All Pension Plans
2019	$ 1.4	$ 10.2	$ 11.6
2020	1.4	10.2	11.6
2021	1.5	10.9	12.4
2022	1.6	12.5	14.1
2023	1.7	11.5	13.2
2024-2028	9.3	61.5	70.8

Defined Contribution Plans

We administer and maintain 401(k) Programs. Contributions are determined based on a percentage of compensation. We recognized compensation expense for our participating U.S. employees in the 401(k) Programs totaling $53 million in 2018, $45 million in 2017 and $43 million in 2016.

NOTE 12. SALES

On January 1, 2018, we adopted ASU 2014-09 *Revenue from Contracts with Customers* ("Topic 606") using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting policy under ASC Topic 605 *Revenue Recognition*. We recorded an immaterial transition adjustment to opening retained earnings as of January 1, 2018 due to the cumulative impact of adopting Topic 606. The impact to sales as a result of applying Topic 606 was immaterial for the year ended December 31, 2018.

Revenue is recognized when control of promised products or services is transferred to customers in an amount that reflects the consideration we expect to be entitled to in exchange for those products or services.

Contract Assets — In certain circumstances, we record contract assets which include unbilled amounts typically resulting from sales under contracts when revenue recognized exceeds the amount billed to the customer, and right to payment is not only subject to the passage of time. Contract assets were immaterial as of December 31, 2018.

Contract Costs — We incur direct incremental costs to obtain certain contracts, typically sales-related commissions. Deferred sales-related commissions are generally not capitalized as the amortization period is one year or less, and we elected to use the practical expedient to expense these sales commissions as incurred.

Impairment losses recognized on our contract-related assets were immaterial in the year ended December 31, 2018.

Contract Liabilities — Our contract liabilities consist of deferred revenue generally related to post contract support ("PCS") and extended warranty sales, where in most cases we receive up-front payment and recognize revenue over the support term. We classify deferred revenue as current or noncurrent based on the timing of when we expect to recognize revenue. The noncurrent portion of deferred revenue is included in other long-term liabilities in the accompanying Consolidated Balance Sheets.

Our contract liabilities consisted of the following ($ in millions):

	2018	2017
Deferred revenue - current	$ 288.1	211.4
Deferred revenue - noncurrent	92.6	86.7
Total contract liabilities	$ 380.7	298.1

Acquisitions that closed in 2018 added $35 million of additional contract liabilities as of December 31, 2018. In the year ended December 31, 2018, we recognized $119 million of revenue related to our contract liabilities at January 1, 2018. The change in our contract liabilities from December 31, 2017 to December 31, 2018 was primarily due to the timing of cash receipts and sales of PCS and extended warranty services.

Remaining Performance Obligations — Our remaining performance obligations represent the transaction price of firm, noncancelable orders and the average contract value for software contracts, with expected delivery dates to customers greater than one year from December 31, 2018, for which work has not been performed. We have excluded performance obligations with an original expected duration of one year or less from the amounts below.

The aggregate performance obligations attributable to each of our segments is as follows ($ in millions):

	2018
Professional Instrumentation	$ 138.4
Industrial Technologies	399.1
Total remaining performance obligations	$ 537.5

The majority of remaining performance obligations are related to service and support contracts, which we expect to fulfill approximately 45 percent within the next two years, approximately 75 percent within the next three years and substantially all within four years.

Disaggregation of Revenue

We disaggregate revenue from contracts with customers by sales of product and services, geographic location, major product group and end market for each of our segments, as we believe it best depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors.

Disaggregation of revenue for the year ended December 31, 2018 is presented as follows ($ in millions):

	Total	Professional Instrumentation	Industrial Technologies
Sales:			
Sales of products	$ 5,755.0	$ 3,215.2	$ 2,539.8
Sales of services	697.7	439.9	257.8
Total	$ 6,452.7	$ 3,655.1	$ 2,797.6
Geographic:			
United States	$ 3,539.6	$ 1,829.6	$ 1,710.0
China	569.0	459.5	109.5
Germany	234.7	138.7	96.0
All other (each country individually less than 5% of total sales)	2,109.4	1,227.3	882.1
Total	$ 6,452.7	$ 3,655.1	$ 2,797.6
Major Products Group:			
Professional tools and equipment	$ 4,989.7	$ 2,962.1	$ 2,027.6
Industrial automation, controls and sensors	541.0	411.0	130.0
Franchise distribution	640.0	—	640.0
All other	282.0	282.0	—
Total	$ 6,452.7	$ 3,655.1	$ 2,797.6
End markets:			
Direct sales:			
Retail fueling [a]	$ 1,777.5	$ —	$ 1,777.5
Industrial & Manufacturing	445.1	384.5	60.6
Vehicle repair [a]	581.5	—	581.5
Utilities & Power	172.3	171.0	1.3
Other	1,720.3	1,411.7	308.6
Total direct sales	4,696.7	1,967.2	2,729.5
Distributors[a]	1,756.0	1,687.9	68.1
Total	$ 6,452.7	$ 3,655.1	$ 2,797.6

(a) Retail fueling and vehicle repair include sales to these end markets made through third-party distributors. Total distributor sales for the year ended December 31, 2018 was $3,136.8 million.

Disaggregation of revenue for the year ended December 31, 2017 is presented as follows ($ in millions):

	Total	Professional Instrumentation	Industrial Technologies
Sales:			
Sales of products	$ 5,173.3	$ 2,813.2	$ 2,360.1
Sales of services	582.8	325.9	256.9
Total	$ 5,756.1	$ 3,139.1	$ 2,617.0
Geographic:			
United States	$ 3,148.7	$ 1,486.0	$ 1,662.7
China	498.4	416.7	81.7
Germany	217.2	128.7	88.5
All other (each country individually less than 5% of total sales)	1,891.8	1,107.7	784.1
Total	$ 5,756.1	$ 3,139.1	$ 2,617.0
Major Products Group:			
Professional tools and equipment	$ 4,352.7	$ 2,480.1	$ 1,872.6
Industrial automation, controls and sensors	510.3	392.1	118.2
Franchise distribution	626.2	—	626.2
All other	266.9	266.9	—
Total	$ 5,756.1	$ 3,139.1	$ 2,617.0
End markets:			
Direct sales:			
Retail fueling [(a)]	$ 1,637.8	$ —	$ 1,637.8
Industrial & Manufacturing	314.9	265.8	49.1
Vehicle repair [(a)]	569.3	—	569.3
Utilities & Power	228.2	227.3	0.9
Other	1,442.8	1,145.0	297.8
Total direct sales	4,193.0	1,638.1	2,554.9
Distributors[(a)]	1,563.1	1,501.0	62.1
Total	$ 5,756.1	$ 3,139.1	$ 2,617.0

(a) Retail fueling and vehicle repair include sales to these end markets made through third-party distributors. Total distributor sales for the year ended December 31, 2017 was $2,877.8 million.

Disaggregation of revenue for the year ended December 31, 2016 is presented as follows ($ in millions):

	Total	Professional Instrumentation	Industrial Technologies
Sales:			
Sales of products	$ 4,814.0	$ 2,572.8	$ 2,241.2
Sales of services	564.2	318.8	245.4
Total	$ 5,378.2	$ 2,891.6	$ 2,486.6
Geographic:			
United States	$ 3,010.1	$ 1,390.9	$ 1,619.2
China	458.9	387.6	71.3
Germany	180.7	123.9	56.8
All other (each country individually less than 5% of total sales)	1,728.5	989.2	739.3
Total	$ 5,378.2	$ 2,891.6	$ 2,486.6
Major Products Group:			
Professional tools and equipment	$ 4,017.1	$ 2,252.8	$ 1,764.3
Industrial automation, controls and sensors	474.9	370.8	104.1
Franchise distribution	618.2	—	618.2
All other	268.0	268.0	—
Total	$ 5,378.2	2,891.6	2,486.6
End markets:			
Direct sales:			
Retail fueling (a)	$ 1,552.5	$ —	$ 1,552.5
Industrial & Manufacturing	358.1	304.2	53.9
Vehicle repair (a)	619.4	—	619.4
Utilities & Power	136.5	135.3	1.2
Other	1,315.9	1,116.8	199.1
Total direct sales	3,982.4	1,556.3	2,426.1
Distributors(a)	1,395.8	1,335.3	60.5
Total	$ 5,378.2	$ 2,891.6	$ 2,486.6

(a) Retail fueling and vehicle repair include sales to these end markets made through third-party distributors. Total distributor sales for the year ended December 31, 2016 was $2,620.4 million.

NOTE 13. INCOME TAXES

Tax Cuts and Jobs Act

On December 22, 2017, the U.S. enacted comprehensive tax reform commonly referred to as the Tax Cuts and Jobs Act (the "TCJA"). The TCJA represents a significant overhaul to the U.S. federal tax code. The TCJA impacts, among other things, U.S. corporate tax rates, business-related exclusions, deductions, and credits. During 2018, the U.S. Treasury Department issued significant initial guidance. We have completed the accounting for all of the impacts of the TCJA based upon the proposed regulations and guidance already provided by federal authorities as of December 31, 2018.

The U.S. Government is still issuing significant amounts of TCJA guidance that we expect to continue into the foreseeable future. On January 15, 2019, Treasury and the Internal Revenue Service issued final Treasury Regulations under Section 965 of the Internal Revenue Code involving the one-time transition tax on international earnings. These final Treasury Regulations are retroactive to the enactment of Section 965 of the TCJA on December 22, 2017. Any future adjustments resulting from guidance issued after December 31, 2018 will be considered as discrete income tax expense or benefit in the interim period the guidance is issued.

On December 22, 2017, the SEC issued Staff Accounting Bulletin No. 118 (“SAB 118”) that provides guidance on the financial statement implications of the TCJA. During 2018, the Company recorded net favorable adjustments and adjusted the effective tax rate for the true up of the 2017 provisional estimates pursuant to SAB 118.

During 2018, the Company made the election on the 2017 Federal Income Tax Return to pay the one-time TCJA Transition Tax liability over an eight-year period without interest, as allowed by TCJA.

Separation from Danaher and disposition of the A&S Business

In connection with the Separation, we entered into the Agreements with Danaher, including a tax matters agreement. The tax matters agreement distinguishes between the treatment of tax matters for “joint” filings compared to “separate” filings prior to the separation. “joint” filings involve legal entities, such as those in the United States, that include operations from both Danaher and the Company. By contrast, “separate” filings involve certain entities (primarily outside of the United States), that exclusively include either Danaher’s or the Company’s operations, respectively. In accordance with the tax matters agreement, the Company is liable for and has indemnified Danaher against all income tax liabilities involving “separate” filings for periods prior to the separation.

During 2018, the Company entered into a Tax Matters Agreement in connection with the split-off of the A&S Business. The Company remains liable for pre-disposition income tax liabilities related to the A&S Business.

Earnings and Income Taxes

Earnings before income taxes for the years ended December 31 were as follows ($ in millions):

	2018	2017	2016
United States	$ 687.7	$ 679.6	$ 681.0
International	390.7	394.0	329.5
Total	$ 1,078.4	$ 1,073.6	$ 1,010.5

The provision for income taxes for the years ended December 31 were as follows ($ in millions):

	2018	2017	2016
Current:			
Federal U.S.	$ 48.3	$ 170.0	$ 197.2
Non-U.S.	96.3	69.8	59.5
State and local	7.8	10.5	29.7
Deferred:			
Federal U.S.	27.3	(62.0)	(8.9)
Non-U.S.	(19.6)	(1.7)	(4.7)
State and local	—	2.7	(2.5)
Income tax provision	$ 160.1	$ 189.3	$ 270.3

Effective Income Tax Rate

The effective income tax rate for the years ended December 31 varies from the U.S. statutory federal income tax rate as follows:

	Percentage of Pretax Earnings		
	2018	2017	2016
Statutory federal income tax rate	21.0 %	35.0 %	35.0 %
Increase (decrease) in tax rate resulting from:			
State income taxes (net of federal income tax benefit)	1.0 %	0.7 %	1.7 %
Foreign income taxed at different rates than U.S. statutory rate	0.8 %	(5.3)%	(5.4)%
Separation related adjustments for final resolution of uncertain tax positions	— %	— %	(2.3)%
U.S. federal permanent differences related to the TCJA	(4.8)%	(2.9)%	(2.6)%
Compensation related	(1.5)%	(1.7)%	— %
Other	(0.5)%	(1.6)%	0.3 %
Effective income tax rate before adjustments related to the 2017 TCJA provisional estimates	16.0 %	24.2 %	26.7 %
Deferred tax revaluation	(1.3)%	(19.2)%	— %
Transition tax	0.1 %	12.6 %	— %
Total adjustments related to the 2017 TCJA provisional estimates	(1.2)%	(6.6)%	— %
Effective income tax rate after adjustments related to the 2017 TCJA provisional estimates	**14.8 %**	**17.6 %**	**26.7 %**

Pursuant to SAB 118, the Company recorded cumulatively $83 million of net favorable adjustments, which is made up of net favorable adjustments of $13 million and $70 million recorded during the years ended December 31, 2018 and 2017, respectively. The 2018 effective tax rate included the true-up to the 2017 provisional estimates as a discrete adjustment. The 2017 provisional estimates for the one-time TCJA Transition Tax resulted in additional tax expense of $1 million and $135 million during the years ended December 31, 2018 and 2017, respectively. The provisional estimated tax benefit for the deferred tax revaluation resulted in additional tax benefit of $14 million and $205 million during the years ended December 31, 2018 and 2017, respectively.

Our effective tax rate for 2018 differs from the U.S. federal statutory rate of 21% due primarily to the effect of the TCJA U.S. federal permanent differences, the impact of credits and deductions provided by law, earnings outside the United States that are indefinitely reinvested and taxed at rates lower than the U.S. federal statutory rate, and the effect of adjustments to the provisional estimates recorded in 2017 related to the TCJA as permitted under SAB 118.

Our estimated effective tax rate for 2017, including provisional estimates of the TCJA, differs from the U.S. federal statutory rate of 35.0% due primarily to net favorable impacts associated with the TCJA, our earnings outside the United States that are indefinitely reinvested and taxed at rates lower than the U.S. federal statutory rate, the impact of credits and deductions provided by law, state tax impacts, and favorable adjustments related to differences between estimates included in the 2016 provision and amounts calculated on the 2016 U.S. income tax return filed in October 2017.

Our effective tax rate for 2016 differs from the U.S. federal statutory rate of 35.0% 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. The effective tax rate for 2016 includes benefits from the release of reserves resulting from expirations of statutes of limitations, primarily from periods prior to the Separation.

We conduct business globally, and, as part of our global business, we file numerous income tax returns in the U.S. federal, state and foreign jurisdictions. After the TCJA, our ability to obtain a tax benefit in certain countries that continue to have lower statutory tax rates than the United States is dependent on our levels of taxable income in such foreign countries. We believe that a change in the statutory tax rate of any individual foreign country would not have a material effect on our financial statements given the geographic dispersion of our taxable income.

We are routinely examined by various domestic and international taxing authorities. The amount of income taxes we pay is subject to audit by federal, state and foreign tax authorities, which may result in proposed assessments. The Company is subject to examination in the United States, various states and foreign jurisdiction for the tax years 2010 to 2018. We review our global tax positions on a quarterly basis. Based on these reviews, the results of discussions and resolutions of matters with certain tax authorities, tax rulings and court decisions and the expiration of statutes of limitations reserves for contingent tax liabilities are accrued or adjusted as necessary.

We made income tax payments of $89 million, $196 million, and $110 million during the years ended December 31, 2018, December 31, 2017 and December 31, 2016, respectively.

Deferred Tax Assets and Liabilities

All deferred tax assets and liabilities have been classified as noncurrent and are included in other assets and other long-term liabilities in the accompanying Consolidated Balance Sheets. Deferred income tax assets and liabilities as of December 31 were as follows ($ in millions):

	2018	2017
Deferred Tax Assets:		
Allowance for doubtful accounts	$ 17.4	$ 22.0
Inventories	17.9	25.7
Pension benefits	27.3	37.1
Environmental and regulatory compliance	10.1	16.6
Other accruals and prepayments	50.5	31.2
Deferred service income	7.1	14.5
Warranty services	19.7	27.5
Stock compensation expense	14.2	20.9
Tax credit and loss carryforwards	131.4	67.8
Valuation allowances	(40.3)	(26.2)
Total deferred tax assets	255.3	237.1
Deferred Tax Liabilities:		
Property, plant and equipment	(11.7)	(73.2)
Insurance, including self-insurance	(155.2)	(140.0)
Goodwill and other intangibles	(597.1)	(526.4)
Other	(14.7)	(11.2)
Total deferred tax liabilities	(778.7)	(750.8)
Provisional estimate of the deferred tax asset revaluation	—	(51.4)
Provisional estimate of the deferred tax liability revaluation	—	247.6
Net deferred tax liability	$ (523.4)	$ (317.5)

Our deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not (a likelihood of more than 50 percent) that some portion or all of the deferred tax assets will not be realized. We evaluate the realizability of deferred income tax assets for each of the jurisdictions in which we operate. If we experience cumulative pretax income in a particular jurisdiction in the three-year period including the current and prior two years, we normally conclude that the deferred income tax assets will more likely than not be realizable and no valuation allowance is recognized, unless known or planned operating developments would lead management to conclude otherwise. However, if we experience cumulative pretax losses in a particular jurisdiction in the three-year period including the current and prior two years, we then consider a series of factors in the determination of whether the deferred income tax assets can be realized. These factors include historical operating results, known or planned operating developments, the period of time over which certain temporary differences will reverse, consideration of the utilization of certain deferred income tax liabilities, tax law carryback capability in the particular country, and prudent and feasible tax planning strategies. After evaluation of these factors, if the deferred income tax assets are expected to be realized within the tax carryforward period allowed for that specific country, we would conclude that no valuation allowance would be required. To the extent that the deferred income tax assets exceed the amount that is expected to be realized within the tax carryforward period for a particular jurisdiction, we establish a valuation allowance.

Applying the above methodology, valuation allowances have been established for certain deferred income tax assets to the extent they are not expected to be realized within the particular tax carryforward period.

Deferred taxes associated with U.S. entities consist of net deferred tax liabilities of approximately $559 million and $340 million inclusive of valuation allowances of $13 million and $12 million as of December 31, 2018 and December 31, 2017, respectively. Deferred taxes associated with non-U.S. entities consist of net deferred tax assets of $36 million and $22 million inclusive of valuation allowances of $27 million and $14 million as of December 31, 2018 and December 31, 2017, respectively. Our valuation allowance increased by $14 million and by $1 million during the year ended December 31, 2018 and 2017, respectively, due primarily to foreign net operating losses.

As of December 31, 2018, our U.S. and non-U.S. net operating loss carryforwards totaled $668 million, of which $281 million is related to federal net operating loss carryforwards, $203 million is related to state net operating loss carryforwards, and $184 million is related to non-U.S. net operating loss carryforwards. Included in deferred tax assets as of December 31, 2018 are tax benefits for U.S. and non-U.S. net operating loss carryforwards totaling $112 million, before applicable valuation allowances of $26 million. Certain of these losses can be carried forward indefinitely and others can be carried forward to various dates from 2019 through 2037. Recognition of some of these loss carryforwards is subject to an annual limit, which may cause them to expire before they are used.

As of December 31, 2018, our U.S. and non-U.S. tax credit carryforwards totaled $19 million, which is primarily related to U.S. tax credit carryforwards. Certain of these credits can be carried forward indefinitely and other can be carried forward to various dates from 2019 through 2037. As of December 31, 2018, we maintain a $12 million valuation allowance related to certain tax credit carryforwards from the Separation.

Unrecognized Tax Benefits

As of December 31, 2018, gross unrecognized tax benefits for continuing and discontinued operations were $133 million ($144 million total, including $16 million associated with interest and penalties, and net of the impact of $5 million of indirect tax benefits). As of December 31, 2017, gross unrecognized tax benefits for continuing and discontinued operations were $59 million ($69 million total, including $14 million associated with interest and penalties, and net of the impact of $4 million of indirect tax benefits). We recognized approximately $4 million in potential interest and penalties associated with uncertain tax positions during 2018, and this amount was not significant during 2017 and 2016. To the extent taxes are not assessed with respect to uncertain tax positions, substantially all amounts accrued (including interest and penalties and net of indirect offsets) will be reduced and reflected as a reduction of the overall income tax provision. Unrecognized tax benefits and associated accrued interest and penalties are included in our income tax provision.

A reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding amounts accrued for potential interest and penalties, is as follows ($ in millions):

	2018	2017	2016
Unrecognized tax benefits, beginning of year	$ 59.0	$ 28.6	$ 169.9
Additions based on tax positions related to the current year	40.8	25.3	6.0
Additions for tax positions of prior years	39.0	7.8	0.4
Reductions for tax positions of prior years	(3.8)	(1.9)	(1.2)
Lapse of statute of limitations	(3.5)	(3.3)	(1.3)
Settlements	(6.4)	(0.6)	(0.6)
Effect of foreign currency translation	(0.9)	1.9	(0.4)
Separation related adjustments [a]	9.2	1.2	(144.2)
Unrecognized tax benefits, end of year	$ 133.4	$ 59.0	$ 28.6

[a] Unrecognized tax benefits were reduced by $144 million in 2016 related to positions taken prior to the Separation for which Danaher, as the Former Parent, is the primary obligor and is responsible for settlement and payment of the tax expenses. In 2018 and 2017, reserves increased by an additional $9 million and $1 million, respectively, due primarily to unrecognized tax benefits from pre-spin periods.

Repatriation and Unremitted Earnings

The TCJA eliminated the U.S. tax cost for qualified repatriation beginning in 2018. Foreign cumulative earnings remain subject to foreign remittance taxes. As a result of the TCJA, during 2018, we repatriated an estimated $275 million subject to no foreign remittance taxes. This excludes foreign earnings: 1) required as working capital for local operating needs, 2) subject to local law restrictions, 3) subject to high foreign remittance tax costs, 4) previously invested in physical assets or acquisitions, or 5) intended for future acquisitions/growth. For most of our foreign operations, we make an assertion regarding the amount of earnings in excess of intended repatriation that are expected to be held for indefinite reinvestment. No provisions for foreign remittance taxes have been made with respect to earnings that are planned to be reinvested indefinitely. The amount of foreign remittance taxes that may be applicable to such earnings is not readily determinable given local law restrictions that may apply to a portion of such earnings, unknown changes in foreign tax law that may occur during the applicable restriction periods caused by applicable local corporate law for cash repatriation, and the various tax planning alternatives we could employ if we repatriated these earnings.

The TCJA imposed a final U.S. tax on cumulative earnings from our foreign operations that we have previously made an assertion regarding the amount of such earnings intended for indefinite reinvestment. As of December 31, 2018, the earnings we plan to reinvest indefinitely outside of the United States for which foreign deferred taxes have not been provided was estimated at $2.2 billion.

NOTE 14. RESTRUCTURING AND OTHER RELATED CHARGES

Restructuring and other related charges for the years ended December 31 were as follows ($ in millions):

	2018	2017	2016
Employee severance related	$ 5.0	$ 13.8	$ 12.8
Facility exit and other related	0.9	2.5	2.6
Impairment charges	1.1	2.3	4.8
Total restructuring and other related charges	$ 7.0	$ 18.6	$ 20.2

Substantially all restructuring activities initiated in 2018 were completed by December 31, 2018. We expect substantially all cash payments associated with remaining termination benefits recorded in 2018 will be paid during 2019. Substantially all planned restructuring activities related to the 2017 and 2016 plans have been completed. Impairment charges relate to certain intangible assets.

The nature of our restructuring and related activities initiated in 2018, 2017 and 2016 were broadly consistent throughout our segments and focused on improvements in operational efficiency through targeted workforce reductions and facility consolidations and closures. We incurred these costs to position ourselves to provide superior products and services to our customers in a cost efficient manner, and taking into consideration broad economic uncertainties.

Restructuring and other related charges recorded for the years ended December 31 by segment were as follows ($ in millions):

	2018	2017	2016
Professional Instrumentation	$ 4.5	$ 12.8	$ 6.8
Industrial Technologies	2.5	5.8	13.4
Total	$ 7.0	$ 18.6	$ 20.2

The table below summarizes the accrual balance and utilization by type of restructuring cost associated with our 2018 and 2017 restructuring actions ($ in millions):

	Balance as of January 1, 2017	Costs Incurred	Paid/ Settled	Balance as of December 31, 2017	Costs Incurred	Paid/ Settled	Balance as of December 31, 2018
Employee severance and related	$ 8.3	$ 13.8	$ (12.6)	$ 9.5	$ 5.0	$ (9.6)	$ 4.9
Facility exit and other related	0.9	4.8	(4.9)	0.8	2.0	(2.3)	0.5
Total	$ 9.2	$ 18.6	$ (17.5)	$ 10.3	$ 7.0	$ (11.9)	$ 5.4

The restructuring and other related charges incurred during 2018 include cash charges of $6 million and $1 million of noncash charges. The restructuring and other related charges incurred during 2017 included cash charges of $16 million and $2 million of noncash charges. The restructuring and other related charges incurred during 2016 included cash charges of $15 million and $5 million of noncash charges. These charges are reflected in the following captions in the accompanying Consolidated and Combined Statements of Earnings ($ in millions):

	2018	2017	2016
Cost of sales	$ 2.0	$ 2.0	$ 6.8
Selling, general and administrative expenses	5.0	16.6	13.4
Total	$ 7.0	$ 18.6	$ 20.2

NOTE 15. LEASES AND COMMITMENTS

Our operating leases extend for varying periods of time up to twenty years and, in some cases, contain renewal options that would extend existing terms beyond twenty years. Future minimum rental payments for all operating leases having initial or remaining noncancelable lease terms in excess of one year are $54 million in 2019, $41 million in 2020, $32 million in 2021, $24 million in 2022, $14 million in 2023 and $16 million thereafter. Total rent expense for all operating leases was $64 million, $46 million and $46 million for the years ended December 31, 2018, 2017 and 2016, respectively.

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 ninety 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, January 1, 2017	$ 60.4
Accruals for warranties issued during the year	73.5
Settlements made	(70.2)
Additions due to acquisitions	1.6
Effect of foreign currency translation	—
Balance, December 31, 2017	$ 65.3
Accruals for warranties issued during the year	81.7
Settlements made	(77.2)
Additions due to acquisitions	2.6
Effect of foreign currency translation	(0.3)
Balance, December 31, 2018	$ 72.1

NOTE 16. LITIGATION AND CONTINGENCIES

We are, from time to time, subject to a variety of litigation and other proceedings incidental to our business, including lawsuits involving claims for damages arising out of the use of our products, software and services, claims relating to intellectual property matters, employment matters, commercial disputes, and personal injury as well as regulatory investigations or enforcement. We may also become subject to lawsuits as a result of past or future acquisitions or as a result of liabilities retained from, or representations, warranties or indemnities provided in connection with divested businesses. Some of these lawsuits may include claims for punitive and consequential as well as compensatory damages. Based upon our experience, current information and applicable law, we do not believe that these proceedings and claims will have a material adverse effect on our financial position, results of operations or cash flows.

While we maintain workers compensation, property, cargo, automobile, crime, fiduciary, product, general, and directors' and officers' liability insurance (and have acquired rights under similar policies in connection with certain acquisitions) that cover a portion of these claims, this insurance may be insufficient or unavailable to cover such losses. In addition, while we believe we are entitled to indemnification from third parties for some of these claims, these rights may also be insufficient or unavailable to cover such losses. We maintain third party insurance policies up to certain limits to cover certain liability costs in excess of predetermined retained amounts. For most insured risks, we purchase outside insurance coverage only for severe losses (stop loss insurance) and reserves must be established and maintained with respect to amounts within the self-insured retention.

In accordance with accounting guidance, we record a liability in our consolidated and combined financial statements for loss contingencies when a loss is known or considered probable and the amount can be reasonably estimated. If the reasonable estimate of a known or probable loss is a range, and no amount within the range is a better estimate than any other, the minimum amount of the range is accrued. If a loss does not meet the known or probable level but is reasonably possible and a loss or range of loss can be reasonably estimated, the estimated loss or range of loss is disclosed. These reserves consist of specific reserves for individual claims and additional amounts for anticipated developments of these claims as well as for incurred but not yet reported claims. The specific reserves for individual known claims are quantified with the assistance of legal counsel and outside risk insurance professionals where appropriate. In addition, outside risk insurance professionals may assist in the determination of reserves for incurred but not yet reported claims through evaluation of our specific loss history, actual claims reported, and industry trends among statistical and other factors. Reserve estimates are adjusted as additional information regarding a claim becomes known. While we actively pursue financial recoveries from insurance providers, we do not recognize any recoveries until realized or until such time as a sustained pattern of collections is established related to historical matters of a similar nature and magnitude. If risk insurance reserves we have established are inadequate, we would be required to incur an expense equal to the amount of the loss incurred in excess of the reserves, which would adversely affect our net earnings. Refer to Note 9 for information about the amount of our accruals for self-insurance and litigation liability.

In addition, our operations, products and services are subject to environmental laws and regulations in various jurisdictions, which impose limitations on the discharge of pollutants into the environment and establish standards for the generation, use, treatment, storage and disposal of hazardous and non-hazardous wastes. A number of our operations involve the handling, manufacturing, use or sale of substances that are or could be classified as hazardous materials within the meaning of applicable laws. We must also comply with various health and safety regulations in both the United States and abroad in connection with our operations. Compliance with these laws and regulations has not had and, based on current information and the applicable laws and regulations currently in effect, is not expected to have a material effect on our capital expenditures, earnings or competitive position, and we do not anticipate material capital expenditures for environmental control facilities.

In addition to environmental compliance costs, from time to time, we incur costs related to alleged damages associated with past or current waste disposal practices or other hazardous materials handling practices. For example, generators of hazardous substances found in disposal sites at which environmental problems are alleged to exist, as well as the current and former owners of those sites and certain other classes of persons, are subject to claims brought by state and federal regulatory agencies pursuant to statutory authority. We have received notification from the United States Environmental Protection Agency, and from state and non-U.S. environmental agencies, that conditions at certain sites where we and others previously disposed of hazardous wastes and/or are or were property owners require clean-up and other possible remedial action, including sites where we have been identified as a potentially responsible party under United States federal and state environmental laws. We have projects underway at a number of current and former facilities, in both the United States and abroad, to investigate and remediate environmental contamination resulting from past operations. Remediation activities generally relate to soil and/or groundwater contamination and may include pre-remedial activities such as fact-finding and investigation, risk assessment, feasibility study and/or design, as well as remediation actions such as contaminant removal, monitoring and/or installation, operation and maintenance of longer-term remediation systems. From time to time we are also party to personal injury or other claims brought by private parties alleging injury due to the presence of, or exposure to, hazardous substances.

We have recorded a provision for environmental investigation and remediation and environmental-related claims with respect to sites we and our subsidiaries owned or formerly owned and third party sites where we have been determined to be a potentially responsible party. We generally make an assessment of the costs involved for our remediation efforts based on environmental studies, as well as our prior experience with similar sites. The ultimate cost of site cleanup is difficult to predict given the uncertainties of our involvement in certain sites, uncertainties regarding the extent of the required cleanup, the availability of alternative cleanup methods, variations in the interpretation of applicable laws and regulations, the possibility of insurance recoveries with respect to certain sites and the fact that imposition of joint and several liability with right of contribution is possible under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 and other environmental laws and regulations. If we determine that potential liability for a particular site or with respect to a personal injury claim is known or considered probable and reasonably estimable, we accrue the total estimated loss, including investigation and remediation costs, associated with the site or claim. As of December 31, 2018, we had a reserve of $14 million included in accrued expenses and other liabilities on the Consolidated Balance Sheets for environmental matters that are known or considered probable and reasonably estimable, which reflects our best estimate of the costs to be incurred with respect to such matters on an undiscounted basis.

All reserves for environmental liabilities have been recorded without giving effect to any possible future third party recoveries. While we actively pursue insurance recoveries, as well as recoveries from other potentially responsible parties, we do not recognize any insurance recoveries for environmental liability claims until realized or until such time as a sustained pattern of collections is established related to historical matters of a similar nature and magnitude.

As of December 31, 2018 and 2017, we had approximately $138 million and $143 million, respectively, of guarantees consisting primarily of outstanding standby letters of credit, bank guarantees and performance and bid bonds. These guarantees have been provided in connection with certain arrangements with vendors, customers, financing counterparties and governmental entities to secure our obligations and/or performance requirements related to specific transactions. We believe that if the obligations under these instruments were triggered, they would not have a material effect on our financial statements.

NOTE 17. STOCK BASED COMPENSATION

In connection with the Separation and the related employee matters agreement, the Company adopted the 2016 Stock Incentive Plan (the “Stock Plan”) that became effective upon the Separation. Outstanding equity awards of Danaher held by our employees at the Separation date (the “Converted Awards”) were converted into or replaced with Fortive equity awards (the “Conversion Awards”) under the Stock Plan based on the “concentration method,” and were adjusted to maintain the economic value immediately before and after the distribution date using the relative fair market value of Danaher and Fortive common stock based on their respective closing prices as of July 1, 2016. There was no incremental stock-based compensation expense recorded as a result of this equity award conversion.

The Stock Plan provides for the grant of stock appreciation rights, restricted stock units (“RSUs”), performance stock units (“PSUs”), performance-based restricted stock awards (“RSAs”) and performance stock awards (“PSAs”) (collectively, “Stock Awards”), stock options or any other stock-based award. A total of 40 million shares of our common stock have been authorized for issuance under the Stock Plan. As of December 31, 2018, approximately 22 million shares of our common stock remain available for issuance under the Stock Plan. Stock options under the Stock Plan generally vest pro rata over a five-year period and terminate 10 years from the grant date, though the specific terms of each grant are determined by the Compensation Committee of our Board of Directors. Our executive officers and certain other employees may be awarded stock options with different vesting criteria and stock options granted to non-employee directors are fully vested as of the grant date. Exercise prices for stock options granted under the Stock Plan were equal to the closing price of Fortive’s common stock on the NYSE on the date of grant, while stock options issued as Conversion Awards were priced to maintain the economic value before and after the Separation.

RSUs and RSAs issued under the Stock Plan provide for the issuance of common stock at no cost to the holder. RSUs granted to employees under the Stock Plan generally provide for time-based vesting over five years, although certain employees may be awarded RSUs with different time-based vesting criteria, and RSAs granted to members of our senior management are also subject to performance-based vesting criteria. RSUs granted to non-employee directors under the Stock Plan vest on the earlier of the first anniversary of the grant date or the date of, and immediately prior to, the next annual meeting of our shareholders following the grant date. However, the underlying shares are not 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 of Directors (the “Board”). Prior to vesting, RSUs granted under the Stock Plan do not have dividend equivalent rights, do not have voting rights and the shares underlying the RSUs are not considered issued or outstanding. RSAs granted under the Stock Plan have all of the same dividend, voting and other rights corresponding to all other common stock, provided, however, that the dividends payable on the RSAs will accrue and be delivered at the time of delivery of the shares upon vesting of the RSA.

During 2016 (as Conversion Awards), 2017, and 2018 PSAs and PSUs were granted under the Stock Plan. These awards vest based on our total shareholder return ranking relative to the S&P 500 Index.

Stock awards generally vest only if the employee is employed by us (or in the case of directors, the director continues to serve on the Board) on the vesting date. To cover the exercise of stock options, vesting of RSUs and PSUs and issuances of RSAs and PSAs, we generally issue shares authorized but previously unissued, although we may instead issue treasury shares; provided, however, that, either type of issuance would equally reduce the number of shares available under our Stock Plan.

We account for stock-based compensation by measuring the cost of employee services received in exchange for all equity awards granted based on the fair value of the award as of the grant date. We recognize the compensation expense over the requisite service period (which is generally the vesting period but may be shorter than the vesting period, for example, if the employee becomes retirement eligible before the end of the vesting period).

The fair value of RSUs is calculated using the closing price of Fortive common stock on the date of grant, adjusted for the impact of RSUs not having dividend rights prior to vesting. The fair value of RSAs is calculated using the closing price of Fortive common stock on the date of grant. The fair value of the PSUs and PSAs is calculated using a Monte Carlo pricing model. The fair value of the stock options granted is calculated using a Black-Scholes Merton ("Black-Scholes") option pricing model.

In connection with the exercise of certain stock options and the vesting of Stock Awards issued under the Stock Plan, a number of our shares sufficient to fund statutory minimum tax withholding requirements have 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 year ended December 31, 2018, approximately 217 thousand shares of Fortive common stock with an aggregate value of approximately $17 million, were withheld to satisfy this requirement. The tax withholding is treated as a reduction in additional paid-in capital in the accompanying Consolidated and Combined Statement of Changes in Equity.

We had no stock-based compensation plans prior to the Separation; however certain of our employees participated in the Danaher Plans, which provided for the grants of stock options, PSUs, and RSUs among other types of awards. Prior to the Separation, Danaher allocated stock-based compensation expense to the Company based on Fortive employees participating in the Danaher Plans. This is reflected in the accompanying Consolidated and Combined Statements of Earnings for the period prior to the Separation.

Outstanding performance-based RSUs and PSUs of Danaher held by our employees with pending performance goals of Danaher at the Separation date were canceled and replaced with Fortive RSAs and PSAs with comparable value, performance goals and vesting requirements. All other terms of these equity awards continued unchanged following the conversion or replacement.

Stock-based Compensation Expense

Stock-based compensation has been recognized as a component of selling, general, and administrative expenses in the accompanying Consolidated and Combined Statements of Earnings. The amount of stock-based compensation expense recognized during a period is based on the portion of the awards that are ultimately expected to vest. We estimate pre-vesting forfeitures at the time of grant by analyzing historical data and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. Ultimately, the total expense recognized over the vesting period will equal the fair value of awards that actually vest.

The following summarizes the components of our stock-based compensation expense under the Stock Plan and the Danaher Plans for the years ended December 31 ($ in millions):

	2018	2017	2016
Stock Awards:			
Pretax compensation expense	$ 30.5	$ 26.9	$ 25.4
Income tax benefit	(6.3)	(8.7)	(8.4)
Stock Award expense, net of income taxes	24.2	18.2	17.0
Stock options:			
Pretax compensation expense	20.3	17.3	15.3
Income tax benefit	(4.2)	(5.7)	(5.1)
Stock option expense, net of income taxes	16.1	11.6	10.2
Total stock-based compensation:			
Pretax compensation expense	50.8	44.2	40.7
Income tax benefit	(10.5)	(14.4)	(13.5)
Total stock-based compensation expense, net of income taxes	$ 40.3	$ 29.8	$ 27.2

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. As of January 1, 2017, we prospectively adopted ASU No. 2016-09, *Compensation—Stock Compensation (Topic 718)*. During the year ended December 31, 2018, we realized a tax benefit of $24 million related to stock options that were exercised and Stock Awards that vested. 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 financial statements. During the years ended December 31, 2018 and 2017, such Excess Tax Benefits related to stock options that were exercised and Stock Awards that vested were $17 million for both respective periods.

Prior to the adoption of ASU No. 2016-09, we realized a tax benefit of $34.7 million during the year ended December 31, 2016 related to stock options that were exercised and Stock Awards that vested. The Excess Tax Benefit was recorded as a component of equity in the consolidated and combined financial statements. For the six months ended December 31, 2016, the Excess Tax Benefit was recorded as an increase to additional paid-in capital and is reflected as a financing cash inflow in the accompanying Consolidated and Combined Statements of Cash Flows. Prior to the Separation, the Excess Tax Benefit was recorded as an increase to Former Parent's Investment.

The following summarizes the unrecognized compensation cost for the Stock Plan awards as of December 31, 2018. This compensation cost is expected to be recognized over a weighted average period of approximately three 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	$	44.8
Stock options		46.2
Total unrecognized compensation cost	$	91.0

Stock Options

The following summarizes the assumptions used in the Black-Scholes model to value stock options granted under the Stock Plan and the Danaher Plans during the years ended December 31:

	2018	2017	2016
Risk-free interest rate	2.71% - 2.96%	1.9% - 2.26%	1.21% - 1.77%
Volatility [(a)]	18.8%	20.9%	24.3%
Dividend yield [(b)]	0.4%	0.5%	0.6%
Expected years until exercise	5.5 - 8.0	5.5 - 8.0	5.5 - 8.0
Weighted average fair value at date of grant	$ 18.67	$ 13.43	$ 11.50

[(a)] Beginning August 2018, expected volatility was based on a weighted average blend of the company's historical stock price volatility from July 2, 2016 (the date of separation) through the stock option grant date and the average historical stock price volatility of a group of peer companies for the expected term of the options. The weighted average volatility from July 2, 2016 to July 2018 was estimated based on an average historical stock price volatility of a group of peer companies given our limited trading history. Weighted average volatility for the period prior to the Separation was based on implied volatility from traded options on Danaher's stock and the historical volatility of Danaher's stock.

[(b)] The dividend yield post-Separation is calculated by dividing our annual dividend, based on the most recent quarterly dividend rate, by Fortive's closing stock price on the grant date. The dividend yield for the period prior to the Separation was calculated by dividing Danaher's annual dividend, based on the most recent quarterly dividend rate, by the closing stock price on the grant date.

The following summarizes option activity under the Stock Plan and the Danaher Plans for the years ended December 31, 2018, 2017 and 2016 (in millions, except price per share and numbers of years):

	Options[c]	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding as of January 1, 2016	5.8	$ 56.00		
Granted	1.8			
Exercised	(1.6)			
Canceled/forfeited	(0.8)			
Aggregate impact of conversion related to the Separation [a]	4.2			
Outstanding as of December 31, 2016	9.4	33.23		
Granted	1.7	58.07		
Exercised	(1.0)	24.77		
Canceled/forfeited	(0.4)	45.12		
Outstanding as of December 31, 2017	9.7	38.09		
Granted	1.7	76.67		
Exercised	(1.4)	28.99		
Canceled/forfeited	(0.3)	54.13		
Outstanding as of December 31, 2018	9.7	$ 46.25	6.3	$ 228.4
Vested and expected to vest as of December 31, 2018 [b]	9.6	$ 45.35	6.2	$ 226.0
Vested as of December 31, 2018	4.6	$ 33.20	4.4	$ 160.3

[a] The “Aggregate impact of conversion related to the Separation” represents the additional stock options issued as a result of the Separation by applying the “concentration method” to convert employee options based on the ratio of the fair value of Danaher and Fortive common stock calculated using the closing prices as of July 1, 2016.

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

[c] This table excludes the stock option activity of the A&S Business employees.

The weighted average exercise price of stock options granted, exercised, and canceled/forfeited is not included in the table above for the full year ended December 31, 2016 as activity during this period included the Conversion Awards. The weighted average exercise price of Fortive stock options granted, exercised, and canceled/forfeited during the six months ended December 31, 2016 was $51.84, $26.13, and $40.57, respectively.

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 2018 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 December 31, 2018. The amount of aggregate intrinsic value will change based on the price of Fortive’s common stock.

Options outstanding as of December 31, 2018 are summarized below (in millions; except price per share and numbers of years):

	Outstanding			Vested	
Exercise Price	**Shares**	**Average Exercise Price**	**Average Remaining Life (in years)**	**Shares**	**Average Exercise Price**
$12.83 - $24.59	1.1	$ 20.73	2	1.1	$ 20.73
$24.93 - $35.44	1.5	28.93	4	1.5	28.93
$36.58 - $40.12	0.9	37.68	5	0.7	37.71
$42.18 - $47.51	2.7	42.96	7	1.0	43.08
$57.26 - $71.85	1.8	57.39	8	0.3	57.43
$74.30 - $79.69	1.7	76.67	9	—	74.42
Total shares	9.7			4.6	

The following summarizes aggregate intrinsic value and cash receipts related to stock option exercise activity under the Stock Plan and the Danaher Plans for the years ended December 31 (in millions):

	2018	2017	2016
Aggregate intrinsic value of stock options exercised	$ 68.7	$ 42.3	$ 76.7
Cash receipts from stock options exercised[(a)]	$ 39.3	$ 26.0	$ 59.2

[(a)] Cash receipts prior to the Separation were recorded as an increase to Former Parent's Investment. This amount was $53.3 million in 2016.

Stock Awards

The following summarizes information related to Stock Award activity under the Stock Plan and the Danaher Plans for the years ended December 31, 2018, 2017 and 2016 (in millions; except price per share):

	Number of Stock Awards [(b)]	**Weighted Average Grant-Date Fair Value**
Unvested as of January 1, 2016	1.1	$ 72.24
Granted	0.6	
Vested	(0.3)	
Forfeited	(0.3)	
Aggregate impact of conversion related to the Separation [(a)]	1.0	
Unvested as of December 31, 2016	2.1	39.20
Granted	0.5	57.79
Vested	(0.6)	35.96
Forfeited	(0.1)	43.94
Unvested as of December 31, 2017	1.9	45.92
Granted	0.6	77.78
Vested	(0.6)	41.28
Forfeited	(0.1)	53.23
Unvested as of December 31, 2018	1.8	$ 57.63

[(a)] The “Aggregate impact of conversion related to the Separation” represents the additional Stock Awards issued as a result of the Separation by applying the “concentration method” to convert Stock Awards based on the ratio of the fair value of Danaher and Fortive common stock calculated using the closing prices as of July 1, 2016.

[(b)] The table excludes the stock award activity of the A&S Business employees.

The weighted average grant date fair value of Stock Awards granted, vested, and forfeited is not included in the table above for the full year ended December 31, 2016 as activity during this period included the conversion of Stock Awards under the Danaher Plans into awards under the Stock Plan. The weighted average fair value of Stock Awards granted, vested, and forfeited during the six months ended December 31, 2016 was $46.25, $33.01, and $39.59, respectively.

NOTE 18. CAPITAL STOCK AND EARNINGS PER SHARE

Common Stock

Under our amended and restated certificate of incorporation, as of July 1, 2016, our authorized capital stock consists of 2.0 billion common shares with a par value of $0.01 per share and 15 million preferred shares with a par value of $0.01 per share.

Each share of our common stock entitles the holder to one vote on all matters to be voted upon by common stockholders. Our Board is authorized to issue shares of preferred stock in one or more series and has discretion to determine the rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, of each series of preferred stock. The Board's authority to issue preferred stock with voting rights or conversion rights that, if exercised, could adversely affect the voting power of the holders of common stock, could potentially discourage attempts by third parties to obtain control of the Company through certain types of takeover practices.

We declared and paid cash dividends per common share during the periods presented as follows:

	Dividend Per Common Share	Amount ($ in millions)
2018:		
First quarter	$ 0.07	$ 24.3
Second quarter	0.07	24.4
Third quarter	0.07	24.5
Fourth quarter	0.07	23.4
Total	$ 0.28	$ 96.6
2017:		
First quarter	$ 0.07	$ 24.3
Second quarter	0.07	24.3
Third quarter	0.07	24.3
Fourth quarter	0.07	24.3
Total	$ 0.28	$ 97.2

The sum of the components of total dividends paid may not equal the total amount due to rounding.

Aggregate cash payments for the dividends paid to shareholders are recorded as dividends to shareholders in our Consolidated and Combined Statements of Changes in Equity and Consolidated and Combined Statements of Cash Flows.

On January 29, 2019 we declared a regular quarterly cash dividend of $0.07 per share payable on March 29, 2019 to common stockholders of record on February 22, 2019.

Mandatory Convertible Preferred Stock

On June 29, 2018, we issued 1,380,000 shares of 5.0% Mandatory Convertible Preferred Stock, Series A ("MCPS") with a par value of $0.01 per share and liquidation preference of $1,000 per share, which included the exercise of an over-allotment option in full to purchase 180,000 shares. We received net $1.34 billion in proceeds from the issuance of the MCPS, excluding $43 million of issuance costs. We used the net proceeds from the issuance of MCPS to fund our acquisition activities and for general corporate purposes, including repayment of debt, working capital and capital expenditures.

In connection with the split-off of the A&S Business, on September 26, 2018, we triggered an anti-dilution adjustment pursuant to the terms of the MCPS and after giving affect to this adjustment, each then outstanding share of MCPS will convert automatically on July 1, 2021 ("Mandatory Conversion Date") into between 10.9041 and 13.3575 common shares, subject to further anti-dilution adjustments. The number of shares of our common stock issuable on conversion will be determined based on the average volume weighted average price per share of our common stock over the 20 consecutive trading day period beginning on the 22nd scheduled trading day preceding the Mandatory Conversion Date. At any time prior to July 1, 2021, holders may elect to convert each share of the MCPS into shares of common stock at the rate of 10.9041, subject to further anti-dilution adjustments. In the event of a fundamental change, the MCPS will convert at the fundamental change rates specified in the certificate of designations, as adjusted, and the holders of MCPS would be entitled to a fundamental change make-whole dividend.

We may pay declared dividends in cash or, subject to certain limitations, in shares of our common stock, or in any combination of cash and shares of our common stock in January, April, July and October of each year, commencing on October 1, 2018 and ending on July 1, 2021. Dividends that are declared will be payable on the dividend payment dates to holders of record on the immediately preceding March 15, June 15, September 15 and December 15 (each a "record date"), whether or not such holders convert their shares, or such shares are automatically converted, after the corresponding record date.

Dividends on our MCPS are payable on a cumulative basis when, as and if declared by our Board, at an annual rate of 5.0% of the liquidation preference of $1,000 per share (equivalent to $50.00 annually per share).

We declared and paid cash dividends on our MCPS during the periods presented as follows:

	Dividend Per Preferred Share	Amount ($ in millions)
2018:		
Third quarter	$ 12.78	$ 17.6
Fourth quarter	12.50	17.3
Total	$ 25.28	$ 34.9

On January 29, 2019 we declared a regular quarterly cash dividend of $12.50 per share on our MCPS payable on April 1, 2019 to preferred stockholders of record on March 15, 2019.

Net earnings per share

Basic net earnings per share ("EPS") from continuing operations is calculated by dividing net earnings from continuing operations by the weighted average number of shares of common stock outstanding for the applicable period. Diluted EPS from continuing operations 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 the years ended December 31, 2018, 2017 and 2016, the anti-dilutive options to purchase shares excluded from the diluted EPS calculation were immaterial. The impact of our MCPS calculated under the if-converted method were anti-dilutive, and as such, 18.4 million shares were excluded from the dilutive EPS calculation for the year ended December 31, 2018.

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)

	Year Ended December 31,		
	2018	2017	2016
Numerator			
Net earnings from continuing operations	$ 918.3	$ 884.3	$ 740.2
Mandatory convertible preferred stock cumulative dividends	(34.9)	—	—
Net earnings attributable to common stockholders from continuing operations	$ 883.4	$ 884.3	$ 740.2
Denominator			
Weighted average common shares outstanding used in basic earnings per share	345.5	347.5	345.7
Incremental common shares from:			
Assumed exercise of dilutive options and vesting of dilutive Stock Awards	5.2	5.1	1.6
Weighted average common shares outstanding used in diluted earnings per share	350.7	352.6	347.3
Net earnings from continuing operations per common share - Basic	$ 2.56	$ 2.54	$ 2.14
Net earnings from continuing operations per common share - Diluted	$ 2.52	$ 2.51	$ 2.13

NOTE 19. SEGMENT INFORMATION

We report our results in two separate business segments consisting of Professional Instrumentation and Industrial Technologies. When determining the reportable segments, we aggregated operating segments based on their similar economic and operating characteristics. Operating profit represents total revenues less operating expenses, excluding other income/expense, interest and income taxes. The identifiable assets by segment are those used in each segment's operations. Inter-segment amounts are not significant and are eliminated to in the combined totals. Operating profit amounts in the Other category consist of unallocated corporate costs and other costs not considered part of our evaluation of reportable segment operating performance.

Segment results are shown below ($ in millions):

	For The Year Ended December 31		
	2018	2017	2016
Sales:			
Professional Instrumentation	$ 3,655.1	$ 3,139.1	$ 2,891.6
Industrial Technologies	2,797.6	2,617.0	2,486.6
Total	$ 6,452.7	$ 5,756.1	$ 5,378.2
Operating Profit:			
Professional Instrumentation	$ 749.6	$ 712.9	$ 645.1
Industrial Technologies	525.6	503.6	480.3
Other	(96.8)	(73.5)	(63.7)
Total	$ 1,178.4	$ 1,143.0	$ 1,061.7
Identifiable assets:			
Professional Instrumentation	$ 8,592.6	$ 5,588.1	$ 3,905.2
Industrial Technologies	3,011.2	2,902.7	2,458.1
Other	1,271.8	1,138.8	989.8
Assets of Discontinued Operations	30.0	871.0	836.7
Total	$ 12,905.6	$ 10,500.6	$ 8,189.8
Depreciation and amortization:			
Professional Instrumentation	$ 168.7	$ 82.0	$ 99.4
Industrial Technologies	88.7	70.3	60.2
Other	3.4	6.0	1.3
Total	$ 260.8	$ 158.3	$ 160.9
Capital expenditures, gross:			
Professional Instrumentation	$ 58.4	$ 37.0	$ 36.2
Industrial Technologies	44.8	71.8	64.9
Other	9.1	2.3	9.0
Total	$ 112.3	$ 111.1	$ 110.1

Operations in Geographic Areas:

($ in millions)	For The Year Ended December 31 2018	2017	2016
Sales:			
United States	$ 3,539.6	$ 3,148.7	$ 3,028.8
China	569.0	498.4	458.9
Germany	234.7	217.2	180.5
All other (each country individually less than 5% of total sales)	2,109.4	1,891.8	1,710.0
Total	$ 6,452.7	$ 5,756.1	$ 5,378.2
Long-lived assets:			
United States	$ 8,152.0	$ 5,374.1	$ 3,922.6
United Kingdom	358.7	405.8	353.4
Germany	261.3	274.8	241.6
All other (each country individually less than 5% of total long-lived assets)	962.4	841.9	532.3
Total	$ 9,734.4	$ 6,896.6	$ 5,049.9

NOTE 20. BASIS OF PRESENTATION AND RELATED-PARTY TRANSACTIONS WITH DANAHER

Basis of Presentation

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"). On July 1, 2016, Danaher contributed the net assets of the Fortive Businesses to Fortive Corporation, formerly a wholly-owned subsidiary of Danaher. In addition, in connection with the Separation, we paid a cash dividend to Danaher in the amount of $3.0 billion and the 100 shares of our common stock held by Danaher were recapitalized into 345,237,561 shares of Fortive common stock. On July 2, 2016, all of these shares were distributed to Danaher stockholders. Following the Separation, Danaher no longer owned any of our shares. Common stock outstanding used to compute per share amounts in the Consolidated and Combined Statements of Earnings for the period prior to July 1, 2016 have been retroactively adjusted to give effect to this recapitalization. The total number of shares outstanding immediately after the recapitalization described above was 345.2 million and is utilized for the calculation of both basic and diluted net earnings per share ("EPS") for the period prior to the Separation.

The combined financial statements for the period 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. Through the date of the Separation, all revenues and costs as well as assets and liabilities directly associated with Fortive have been included in the combined financial statements. Prior to the Separation, the combined financial statements also 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 the Company and allocations of related assets, liabilities, and the Former Parent's investment, 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 the Company been an entity that operated independently of Danaher during the applicable periods.

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 Balance Sheets at December 31, 2018 and December 31, 2017 consist of our consolidated balances.
- The Consolidated Statement of Earnings, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the years ended December 31, 2018 and December 31, 2017 consist of our consolidated results.
- The Consolidated and Combined Statement of Earnings, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended December 31, 2016 consist of our consolidated results for the six months ended December 31, 2016 and the combined results of the Fortive Businesses for the six months ended July 1, 2016.

Our 2016 combined financial statements may not be indicative of our results had we been a separate stand-alone entity throughout the periods presented, nor are the results stated herein indicative of what our financial position, results of operations and cash flows may be in the future.

All significant transactions between the Company and Danaher have been included in the accompanying consolidated and combined financial statements for all periods presented. Cash transactions with Danaher prior to the Separation are reflected in the accompanying Consolidated and Combined Statements of Changes in Equity as "Net transfers to Former Parent" and "Cash dividend paid to Former Parent." In addition, the accumulated net effect of intercompany transactions between us and Danaher or Danaher affiliates for the period prior to the Separation are included in "Noncash adjustments to Former Parent's investment, net."

On July 2, 2016, in connection with the Separation, Former Parent's Investment was redesignated within stockholders' equity and allocated between common stock and additional paid-in capital based on the number of our common shares outstanding at the distribution date. The Agreements include a "Wrong-Pockets Provision" that allows the parties to make adjustments to ensure the Separation-related transactions were executed in accordance with the Agreements. In periods subsequent to the Separation, we may have made and may continue to make adjustments to balances transferred at the Separation date in accordance with the Wrong-Pockets Provision. Any such adjustments are recorded through stockholders' equity.

Prior to the Separation, we were dependent upon 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. With the exception of cash, cash equivalents and borrowings clearly associated with Fortive and related to the Separation, including the financial transactions described below, financial transactions relating to our business operations during the period prior to the Separation were accounted for through our Former Parent's investment, net ("Former Parent's Investment") account. Accordingly, none of the Former Parent's cash, cash equivalents or debt at the corporate level was assigned to us in the financial statements for the period prior to the Separation.

Related Party Transactions with Danaher

Our transactions with Danaher are considered related party transactions. In connection with the Separation, on July 1, 2016, we entered into the Agreements with Danaher, which govern the Separation and provide a framework for the relationship between the parties going forward, including an employee matters agreement, tax matters agreement, an intellectual property matters agreement, a DBS license agreement and a TSA.

Employee Matters Agreement

The employee matters agreement sets forth, among other things, the allocation of assets, liabilities and responsibilities relating to employee compensation and benefit plans and programs and other related matters in connection with the Separation, including the treatment of outstanding equity and other incentive awards and certain retirement and welfare benefit obligations. Refer to Note 17 for further discussion regarding the employee matters agreement.

Tax Matters Agreement

The tax matters agreement governs the respective rights, responsibilities and obligations of both Danaher and Fortive after the Separation with respect to tax liabilities and benefits, tax attributes, the preparation and filing of tax returns, the control of audits and other tax proceedings and other matters regarding taxes. Refer to Note 13 and "Item 1A. Risk Factors" for further discussion regarding the tax matters agreement.

Intellectual Property Matters Agreement

The intellectual property matters agreement sets forth the terms and conditions pursuant to which Danaher and Fortive have mutually granted certain personal, generally irrevocable, non-exclusive, worldwide, and royalty-free rights to use certain intellectual property. Both parties are able to sublicense their rights in connection with activities relating to the their businesses, but not for independent use by third parties.

DBS License Agreement

The DBS license agreement sets forth the terms and conditions pursuant to which Danaher has granted a non-exclusive, worldwide, non-transferable, perpetual license to us to use DBS solely in support of our businesses. We are able to sublicense such license solely to direct and indirect wholly-owned subsidiaries. In addition, both parties had licenses to improvements made by each party to DBS through July 2, 2018.

Transition Services Agreement

The TSA sets forth the terms and conditions pursuant to which Fortive and our subsidiaries and Danaher and its subsidiaries will provide to each other various services after the Separation. The services to be provided include information technology, facilities, certain accounting and other financial functions, and administrative services. The charges for the transition services generally are expected to allow the providing company to fully recover all out-of-pocket costs and expenses it actually incurs in connection with providing the service, plus, in some cases, the allocated indirect costs of providing the services, generally without profit.

TSA Payments

In accordance with the TSA, net receipts from Danaher were immaterial during the years ended December 31, 2018 and December 31, 2017. During the six months ended December 31, 2016, we made net payments to Danaher of approximately $13 million.

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 revenue 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.

We recorded sales of approximately $16 million, $16 million and $30 million to Danaher and its subsidiaries during the years ended December 31, 2018, 2017 and 2016, respectively. Purchases from Danaher and its subsidiaries were approximately $14 million, $13 million and $10 million during the years ended December 31, 2018, 2017 and 2016, respectively.

Allocation of Expenses Prior to the Separation

Prior to the Separation, we operated as part of Danaher and not as a stand-alone company. Accordingly, certain shared costs for management and support functions which were provided on a centralized basis within Danaher were allocated to us and are reflected as expenses in these financial statements prior to the Separation date. We consider the allocation methodologies used to be reasonable and appropriate reflections of the related expenses attributable to us for purposes of the carved-out financial statements; however, the expenses reflected in these financial statements for the period prior to the Separation date may not be indicative of the actual expenses that would have been incurred during the periods presented if we had operated as a separate stand-alone entity. In addition, the expenses reflected in the financial statements may not be indicative of expenses that we will incur in the future.

Expenses allocated to us from Danaher and its subsidiaries for the six months ended July 1, 2016 were $117 million. Following the Separation, we independently incur expenses as a stand-alone company and no expenses are allocated by Danaher.

Corporate Expenses

Certain corporate overhead and shared expenses incurred by Danaher and its subsidiaries prior to the Separation were allocated to us and are reflected in the Consolidated and Combined Statements of Earnings. These amounts include, but are not limited to, items such as general management and executive oversight, costs to support Danaher's information technology infrastructure, facilities, compliance, human resources, marketing and legal functions and financial management and transaction processing including public company reporting, consolidated tax filings and tax planning, Danaher benefit plan administration, risk management and consolidated treasury services, certain employee benefits and incentives, and stock based compensation administration. These costs were allocated using methodologies that we believe are reasonable for the item being allocated. Allocation methodologies included our relative share of revenues, headcount, or functional spend as a percentage of the total. Following the Separation, we independently incur corporate overhead costs and no corporate overhead costs are allocated by Danaher.

Insurance Programs Administered by Danaher

In addition to the corporate allocations discussed above, prior to the Separation we were allocated expenses related to certain insurance programs Danaher administered on our behalf, including workers compensation, property, cargo, automobile, crime, fiduciary, product, general and directors' and officers' liability insurance. These amounts were allocated using various methodologies, as described below. Included within the insurance cost allocation are allocations related to programs for which Danaher was self-insured up to a certain amount. For the self-insured component, costs were allocated to us based on our incurred claims. Danaher had premium based policies which covered amounts in excess of the self-insured retentions. We were allocated a portion of the total insurance cost incurred by Danaher based on our pro-rata portion of Danaher's total underlying exposure base.

In connection with the Separation, we established similar independent self-insurance programs to support any outstanding claims going forward.

Medical Insurance Programs Administered by Danaher

In addition to the corporate allocations discussed above, prior to the Separation we were allocated expenses related to the medical insurance programs Danaher administered on our behalf. These amounts were allocated based on actual medical claims incurred by our employees during the period. In connection with the Separation, we established independent medical insurance programs similar those previously provided by Danaher.

Deferred Compensation Program Administered by Danaher

Refer to Note 8 for information regarding our deferred compensation program. In connection with the Separation, we established a similar independent, nonqualified deferred compensation program.

NOTE 21. QUARTERLY DATA - UNAUDITED

($ in millions, except per share data)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2018:				
Sales	$ 1,492.2	$ 1,601.8	$ 1,601.2	$ 1,757.5
Gross profit	766.3	830.8	825.9	898.3
Operating profit	277.9	324.4	281.6	294.5
Earnings from continuing operations, net of income taxes	214.0	250.2	214.0	240.1
Earnings from discontinued operations, net of income taxes	47.2	44.8	31.3	1,872.2
Net earnings	$ 261.2	$ 295.0	$ 245.3	$ 2,112.3
Earnings per common share - basic:				
Continuing operations	$ 0.61	$ 0.72	$ 0.56	$ 0.67
Discontinued operations	0.14	0.13	0.09	5.60
Total earnings per common share - basic	$ 0.75	$ 0.84	$ 0.65	$ 6.26
Earnings per common share - diluted:				
Continuing operations	$ 0.61	$ 0.70	$ 0.55	$ 0.66
Discontinued operations	0.13	0.13	0.09	5.52
Total earnings per common share - diluted	$ 0.74	$ 0.83	$ 0.64	$ 6.17
2017:				
Sales	$ 1,318.1	$ 1,399.5	$ 1,460.6	$ 1,577.9
Gross profit	654.2	708.8	744.8	813.6
Operating profit	243.7	292.9	301.4	305.0
Earnings from continuing operations, net of income taxes	161.5	198.4	226.7	297.7
Earnings from discontinued operations, net of income taxes	38.2	41.7	41.1	39.2
Net earnings	$ 199.7	$ 240.1	$ 267.8	$ 336.9
Earnings per common share - basic:				
Continuing operations	$ 0.46	$ 0.57	$ 0.65	$ 0.86
Discontinued operations	0.11	0.12	0.12	0.11
Total earnings per common share - basic	$ 0.58	$ 0.69	$ 0.77	$ 0.97
Earnings per common share - diluted:				
Continuing operations	$ 0.47	$ 0.56	$ 0.64	$ 0.84
Discontinued operations	0.10	0.12	0.12	0.11
Total earnings per common share - diluted	$ 0.57	$ 0.68	$ 0.76	$ 0.95

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. 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.

Management's annual report on its internal control over financial reporting (as such term is defined in Rules 13a-15(f) under the Exchange Act) and the independent registered public accounting firm's audit report on the effectiveness of the Company's internal control over financial reporting are included in the Company's financial statements for the year ended December 31, 2018 included in Item 8 of this Annual Report on Form 10-K, under the headings "Report of Management on Fortive Corporation's Internal Control Over Financial Reporting" and "Report of Independent Registered Public Accounting Firm," respectively, and are incorporated herein by reference.

The Company completed the acquisitions of TGG Ultimate Holdings, Inc. and its subsidiaries, including The Gordian Group, Inc. ("Gordian") on July 27, 2018 and Athena SuperHoldCo, Inc., including Accruent, LLC ("Accruent") on September 6, 2018. The Company has not yet fully incorporated the internal controls and procedures of Gordian and Accruent into the Company's internal control over financial reporting, and as such, management excluded Gordian and Accruent from its assessment of the effectiveness of the Company's internal control over financial reporting as of and for the year ended December 31, 2018. Collectively, Gordian and Accruent constituted less than 30% of the Company's total assets as of December 31, 2018 and less than 5% of the Company's total revenues for the year ended December 31, 2018.

There have been no changes in our internal control over financial reporting 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.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Other than the information below, the information required by this Item is incorporated by reference from the sections entitled ***Election of Directors of Fortive***, ***Corporate Governance*** and ***Section 16(a) Beneficial Ownership Reporting Compliance*** in the Proxy Statement for our 2019 annual meeting and to the information under the caption "Executive Officers of the Registrant" in Part I hereof. No nominee for director was selected pursuant to any arrangement or understanding between the nominee and any person other than the Company pursuant to which such person is or was to be selected as a director or nominee.

Code of Ethics

We have adopted a code of business conduct and ethics for directors, officers (including Fortive's principal executive officer, principal financial officer and principal accounting officer) and employees, known as the Standards of Conduct. The Standards of Conduct are available in the "Investors - Corporate Governance" section of our website at www.fortive.com.

We intend to disclose any amendment to the Standards of Conduct that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K, and any waiver from a provision of the Standards of Conduct granted to any director, principal executive officer, principal financial officer, principal accounting officer, or any of our other executive officers, in the "Investors - Corporate Governance" section of our website, at www.fortive.com, within four business days following the date of such amendment or waiver.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference from the sections entitled ***Compensation Discussion and Analysis, Compensation Committee Report, Executive Compensation, Tables, Pay Ratio*** and ***Director Compensation*** in the Proxy Statement for our 2019 annual meeting (other than the Compensation Committee Report, which shall not be deemed to be "filed").

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated by reference from the sections entitled ***Beneficial Ownership of Fortive Common Stock by Directors, Officers and Principal Shareholders*** and ***Approval of Amendments to the Fortive Corporation 2016 Stock Incentive Plan— Equity Compensation Plan Information*** in the Proxy Statement for our 2019 annual meeting.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference from the sections entitled ***Corporate Governance*** and ***Certain Relationships and Related Transactions*** in the Proxy Statement for our 2019 annual meeting.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated by reference from the section entitled ***Ratification of Independent Registered Public Accounting Firm*** in the Proxy Statement for our 2019 annual meeting.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

a) The following documents are filed as part of this report.

(1) Financial Statements. The financial statements are set forth under “Item 8. Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.

(2) Schedules. An index of Exhibits and Schedules is on page 103 of this report. Schedules other than those listed below have been omitted from this Annual Report on Form 10-K because they are not required, are not applicable or the required information is included in the financial statements or the notes thereto.

(3) Exhibits. The exhibits listed in the accompanying Exhibit Index are filed or incorporated by reference as part of this Annual Report on Form 10-K.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

FORTIVE CORPORATION
INDEX TO FINANCIAL STATEMENTS, SUPPLEMENTARY DATA AND FINANCIAL STATEMENT SCHEDULE

	Page Number in Form 10-K
Schedule:	
Valuation and Qualifying Accounts	110

EXHIBIT INDEX

Exhibit Number	Description	
2.1	Separation and Distribution Agreement, dated as of July 1, 2016, by and between Fortive Corporation and Danaher Corporation	Incorporated by reference from Exhibit 2.1 to Amendment No. 1 to Fortive Corporation’s Registration Statement on Form 10, filed on March 3, 2016 (Commission File Number: 1-37654)
2.2	Separation and Distribution Agreement, dates as of March 7, 2018, among Fortive Corporation, Stevens Holding Company, Inc. and Altra Industrial Motion Corp.	Incorporated by reference from Exhibit 10.1 to Altra Industrial Motion Corp.’s Current Report on Form 8-K filed on March 9, 2018 (Commission File No. 1-33209)
2.3	Agreement and Plan of Merger and Reorganization, dated as of March 7, 2018, among Fortive Corporation, Stevens Holding Company, Inc., Altra Industrial Motion Corp. and McHale Acquisition Corp.	Incorporated by reference from Exhibit 2.1 to Altra Industrial Motion Corp.’s Current Report on Form 8-K filed on March 9, 2018 (Commission File No. 1-33209)
2.4	Transaction Agreement, dated as of July 30, 2018, by and among Athena SuperHoldCo, Inc., TLFN Holding II Company, Gilbarco Catlow LLC, Gryphon Merger Sub Inc., Genstar Capital VII, L.P., solely in its capacity as the Seller Representative, and Fortive Corporation, solely in its capacity as the Parent Guarantor	Incorporated by reference from Exhibit 2.1 to Fortive Corporation’s Current Report on Form 8-K filed on July 31, 2018 (Commission File Number: 1-37654)

2.5	Stock and Asset Purchase Agreement, dated as of June 6, 2018 and executed on September 20, 2018, between Ethicon and the Company	Incorporated by reference from Exhibit 2.1 to Fortive Corporation's Current Report on Form 8-K filed on September 21, 2018 (Commission File Number: 1-37654)
3.1	Amended and Restated Certificate of Incorporation of Fortive Corporation	Incorporated by reference from Exhibit 3.1 to Fortive Corporation's Current Report on Form 8-K filed on June 9, 2017 (Commission File Number: 1-37654)
3.2	Certificate of Designations of the 5.00% Mandatory Convertible Preferred Stock, Series A	Incorporated by reference from Exhibit 3.1 to Fortive Corporation's Current Report on Form 8-K filed on June 29, 2018 (Commission File Number: 1-37654)
3.3	Amended and Restated Bylaws of Fortive Corporation	Incorporated by reference from Exhibit 3.2 to Fortive Corporation's Current Report on Form 8-K filed on June 9, 2017 (Commission File Number: 1-37654)
4.1	Indenture, dated as of June 20, 2016, between Fortive Corporation, as issuer, and The Bank of New York Mellon Trust Company, N.A., as trustee	Incorporated by reference from Exhibit 4.1 to Fortive Corporation's Current Report on Form 8-K filed on June 21, 2016 (Commission File Number: 1-37654)
4.2	Specimen Certificate of the 5.00% Mandatory Convertible Preferred Stock, Series A	Incorporated by reference from Exhibit 4.1 to Fortive Corporation's Current Report on Form 8-K filed on June 29, 2018 (Commission File Number: 1-37654)
10.1	Employee Matters Agreement, dated as of July 1, 2016, by and between Fortive Corporation and Danaher Corporation	Incorporated by reference from Exhibit 10.2 to Amendment No. 1 to Fortive Corporation's Registration Statement on Form 10, filed on March 3, 2016 (Commission File Number: 1-37654)
10.2	Tax Matters Agreement, dated as of July 1, 2016, by and between Fortive Corporation and Danaher Corporation	Incorporated by reference from Exhibit 10.3 to Amendment No. 1 to Fortive Corporation's Registration Statement on Form 10, filed on March 3, 2016 (Commission File Number: 1-37654)
10.3	Intellectual Property Matters Agreement, dated as of July 1, 2016, by and between Fortive Corporation and Danaher Corporation	Incorporated by reference from Exhibit 10.4 to Amendment No. 1 to Fortive Corporation's Registration Statement on Form 10, filed on March 3, 2016 (Commission File Number: 1-37654)
10.4	DBS License Agreement, dated as of July 1, 2016, by and between Fortive Corporation and Danaher Corporation	Incorporated by reference from Exhibit 10.5 to Amendment No. 1 to Fortive Corporation's Registration Statement on Form 10, filed on March 3, 2016 (Commission File Number: 1-37654)
10.5	Tax Matters Agreement, dated as of October 1, 2018, by and among Fortive Corporation, Stevens Holding Company, Inc. and Altra Industrial Motion Corp.	Incorporated by reference from Exhibit 10.2 to Altra Industrial Motion Corp.'s Current Report on Form 8-K filed on October 1, 2018 (Commission file No. 1-33209)
10.6	Transition Services Agreement, dated as of October 1, 2018, by and among Fortive Corporation, Stevens Holding Company, Inc. and Altra Industrial Motion Corp.	Incorporated by reference from Exhibit 10.3 to Altra Industrial Motion Corp.'s Current Report on Form 8-K filed on October 1, 2018 (Commission File No. 1-33209)
10.7	Intellectual Property Cross-License Agreement, dated as of October 1, 2018, by and between Fortive Corporation and Altra Industrial Motion Corp.	Incorporated by reference from Exhibit 10.4 to Altra Industrial Motion Corp.'s Current Report on Form 8-K filed on October 1, 2018 (Commission File No. 1-33209)

10.8	Employee Matters Agreement, dated as of March 7, 2018, by and among Fortive Corporation, Stevens Holding Company, Inc. and Altra Industrial Motion Corp.	Incorporated by reference from Exhibit 10.4 to Altra Industrial Motion Corp.'s Current Report on Form 8-K filed on October 1, 2018 (Commission File No. 1-33209)
10.9	Amended and Restated Credit Agreement, dated as of November 30, 2018, among Fortive Corporation and certain of its subsidiaries party thereto, Band of America, N.A., as Administrative Agent and Swing Line Lender, and the lenders referred to therein	Incorporated by reference from Exhibit 10.1 to Fortive Corporation's Current Report on Form 8-K filed on December 3, 2018 (Commission File Number 1-37654)
10.10	Credit Agreement, dated as of August 22, 2018, among Fortive Corporation, Bank of America, N.A., as Administrative Agent, and the lenders referred to therein	Incorporated by reference from Exhibit 10.1 to Fortive Corporation's Current Report on Form 8-K filed on August 22, 2018 (Commission File Number: 1-37654)
10.11	Fortive Corporation 2016 Stock Incentive Plan, as amended and restated*	Incorporated by reference from Appendix B to Fortive Corporation's Proxy Statement on Schedule 14A filed on April 16, 2018 (Commission File Number 1-37654)
10.12	Form of Fortive Corporation Performance Stock Unit Agreement*	Incorporated by reference from Exhibit 10.8 to Fortive Corporation's Annual Report on Form 10-K for the year ended December 31, 2017 (Commission File Number: 1-37654)
10.13	Form of Fortive Corporation Non-Employee Directors Restricted Stock Unit Agreement *	Incorporated by reference from Exhibit 10.9 to Fortive Corporation's Annual Report on Form 10-K for the year ended December 31, 2017 (Commission File Number: 1-37654)
10.14	Form of Fortive Corporation Restricted Stock Grant Agreement*	Incorporated by reference from Exhibit 10.13 to Amendment No. 2 to Fortive Corporation's Registration Statement on Form 10, filed on April 7, 2016 (Commission File Number: 1-37654)
10.15	Form of Fortive Corporation Restricted Stock Unit Agreement*	Incorporated by reference from Exhibit 10.11 to Fortive Corporation's Annual Report on Form 10-K for the year ended December 31, 2017 (Commission File Number: 1-37654)
10.16	Form of Fortive Corporation Non-Employee Directors Stock Option Agreement*	Incorporated by reference from Exhibit 10.12 to Fortive Corporation's Annual Report on Form 10-K for the year ended December 31, 2017 (Commission File Number: 1-37654)
10.17	Form of Fortive Corporation Stock Option Agreement*	Incorporated by reference from Exhibit 10.13 to Fortive Corporation's Annual Report on Form 10-K for the year ended December 31, 2017 (Commission File Number: 1-37654)
10.18	Fortive Corporation Amended and Restated 2016 Executive Incentive Compensation Plan*	
10.19	Fortive Corporation Severance and Change in Control Plan for Officers*	Incorporated by reference from Exhibit 10.1 to Fortive Corporation's Current Report on Form 8-K, filed on March 31, 2017 (Commission File Number: 1-37654)

10.20	Fortive Executive Deferred Incentive Program*	Incorporated by reference from Exhibit 10.10 to Fortive Corporation's Current Report on Form 8-K filed on June 1, 2016 (Commission File Number: 1-37654)
10.21	Form of D&O Indemnification Agreement*	Incorporated by reference from Exhibit 10.10 to Amendment No. 2 to Fortive Corporation's Registration Statement on Form 10, filed on April 7, 2016 (Commission File Number: 1-37654)
10.22	Aircraft Time Sharing Agreement, dated July 18, 2016, between Fortive Corporation and James Lico*	Incorporated by reference from Exhibit 10.18 to Fortive Corporation's Annual Report on Form 10-K for the year ended December 31, 2017 (Commission File Number: 1-37654)
10.23	Aircraft Time Sharing Agreement, dated July 18, 2016, between Fortive Corporation and Charles McLaughlin*	Incorporated by reference from Exhibit 10.19 to Fortive Corporation's Annual Report on Form 10-K for the year ended December 31, 2017 (Commission File Number: 1-37654)
10.24	Description of compensation arrangements for non-management directors*	Incorporated by reference from Exhibit 10.1 to Fortive Corporation's Quarterly Report on Form 10-Q for the quarter ended September 29, 2017 (Commission File Number: 1-37654)
10.25	Fortive Corporation Non-Employee Directors' Deferred Compensation Plan	Incorporated by reference from Exhibit 10.2 to Fortive Corporation's Quarterly Report on Form 10-Q for the quarter ended September 29, 2017 (Commission File Number: 1-37654)
10.26	Fortive Corporation Non-Employee Directors' Deferred Compensation Plan Election Form	Incorporated by reference from Exhibit 10.3 to Fortive Corporation's Quarterly Report on Form 10-Q for the quarter ended September 29, 2017 (Commission File Number: 1-37654)
10.27	Offer of Employment Letter, dated November 16, 2015, between TGA Employment Services LLC and Chuck McLaughlin*	Incorporated by reference from Exhibit 10.6 to Amendment No. 1 to Fortive Corporation's Registration Statement on Form 10, filed on March 3, 2016 (Commission File Number: 1-37654)
10.28	Offer of Employment Letter, dated February 1, 2016, between TGA Employment Services LLC and Barbara Hulit*	Incorporated by reference from Exhibit 10.22 to Fortive Corporation's Annual Report on Form 10-K for the year ended December 31, 2016 (Commission File Number: 1-37654)
10.29	Offer of Employment Letter, dated November 11, 2015 between TGA Employment Services LLC and William W. Pringle*	Incorporated by reference from Exhibit 10.25 to Fortive Corporation's Annual Report on Form 10-K for the year ended December 31, 2017 (Commission File Number: 1-37654
10.30	Offer of Employment Letter, dated February 10, 2016, between TGA Employment Services LLC and Martin Gafinowitz*	Incorporated by reference from Exhibit 10.9 to Amendment No. 1 to Fortive Corporation's Registration Statement on Form 10, filed on March 3, 2016 (Commission File Number: 1-37654)
10.31	Form of Fortive Corporation and its Affiliated Entities Agreement Regarding Competition and Protection of Proprietary Interests*	

21.1	Subsidiaries of Registrant
23.1	Consent of Independent Registered Public Accounting Firm
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 its XBRL tags are embedded within the Inline XBRL document (1)
101.SCH	XBRL Taxonomy Extension Schema Document (1)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (1)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (1)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document (1)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (1)

* Indicates management contract or compensatory plan, contract or arrangement.

(1) Exhibit 101 to this report includes the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2018 and 2017, (ii) Consolidated and Combined Statements of Earnings for the years ended December 31, 2018, 2017 and 2016, (iii) Consolidated and Combined Statements of Comprehensive Income for the years ended December 31, 2018, 2017 and 2016, (iv) Consolidated and Combined Statements of Changes in Equity for the years ended December 31, 2018, 2017 and 2016, (v) Consolidated and Combined Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016 and (vi) Notes to Consolidated and Combined Financial Statements.

The registrant agrees to furnish to the Commission supplementally upon request a copy of (i) any instrument with respect to long-term debt not filed herewith as to which the total amount of securities authorized thereunder does not exceed 10% of the total assets of the registrant and its subsidiaries on a consolidated basis and (ii) schedules or exhibits omitted pursuant to Item 601(b)(2) of Regulation S-K of any material plan of acquisition, disposition or reorganization set forth above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: February 27, 2019	By:	/s/ JAMES A. LICO
		James A. Lico
		President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this annual report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated:

Name, Title and Signature	Date
/s/ ALAN G. SPOON Alan G. Spoon Chairman of the Board	February 27, 2019
/s/ FEROZ DEWAN Feroz Dewan Director	February 27, 2019
/s/ JAMES A. LICO James A. Lico President, Chief Executive Officer and Director	February 27, 2019
/s/ KATE D. MITCHELL Kate D. Mitchell Director	February 27, 2019
/s/ MITCHELL P. RALES Mitchell P. Rales Director	February 27, 2019
/s/ STEVEN M. RALES Steven M. Rales Director	February 27, 2019
/s/ ISRAEL RUIZ Israel Ruiz Director	February 27, 2019

Name, Title and Signature	Date
/s/ JEANNINE P. SARGENT Jeannine P. Sargent Director	February 27, 2019
/s/ CHARLES E. MCLAUGHLIN Charles E. McLaughlin Senior Vice President and Chief Financial Officer	February 27, 2019
/s/ EMILY A. WEAVER Emily A. Weaver Chief Accounting Officer	February 27, 2019

FORTIVE CORPORATION AND SUBSIDIARIES
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
($ in millions)

Classification	Balance at Beginning of Period[a]	Charged to Costs & Expenses	Impact of Currency	Charged to Other Accounts[b]	Write Offs, Write Downs & Deductions	Balance at End of Period[a]
Year Ended December 31, 2018:						
Allowances deducted from asset accounts						
Allowance for doubtful accounts	$ 66.5	$ 48.5	$ (0.8)	$ 2.5	$ (38.2)	$ 78.5
Year Ended December 31, 2017:						
Allowances deducted from asset accounts						
Allowance for doubtful accounts	$ 80.7	$ 37.5	$ 1.0	$ 2.1	$ (54.8)	$ 66.5
Year Ended December 31, 2016:						
Allowances deducted from asset accounts						
Allowance for doubtful accounts	$ 75.6	$ 30.6	$ (0.7)	$ 0.1	$ (24.9)	$ 80.7

[a] Amounts include allowance for doubtful accounts classified as current and noncurrent.

[b] Amounts are related to businesses acquired.

Exhibit 10.18

FORTIVE CORPORATION

2016 EXECUTIVE INCENTIVE COMPENSATION PLAN

Amended and Restated Effective as of January 1, 2019

PURPOSE

Fortive Corporation, a Delaware corporation (the “**Company**”), wishes to motivate, reward, and retain executive officers of the Company and its subsidiaries. To further these objectives, the Company hereby sets forth this Fortive Corporation 2016 Executive Incentive Compensation Plan (the “**Plan**”), as amended and restated effective as of January 1, 2019, to provide participants with performance-based bonus awards (“**Awards**”).

PARTICIPANTS

Except as otherwise determined by the Committee, the **Participants** in the Plan shall be the Executive Officers of the Company.

Executive Officer has the meaning set forth in Rule 3b-7 issued under the Securities Exchange Act of 1934, as amended from time to time, and anyone else the Committee determines to treat as an Executive Officer for purposes of this Plan.

ADMINISTRATOR

The Plan’s **Administrator** will be the Compensation Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of the Company.

The Committee is responsible for the general operation and administration of the Plan and for carrying out its provisions and has full discretion in interpreting and administering the provisions of the Plan. Subject to the express provisions of the Plan, the Committee may exercise such powers and authority of the Board as the Committee may find necessary or appropriate to carry out its functions.

GENERAL RESPONSIBILITIES OF THE COMMITTEE

Subject to the terms of the Plan, for each Performance Period the Committee will:

- establish the potential amount of each Participant’s Award,
- define Performance Goals and other Award terms and conditions for each Participant,
- determine the amount of the Award that has been earned, based on actual performance as compared to the Performance Goals,
- determine and make Discretionary Adjustments to Awards, and
- decide whether, under what circumstances, and subject to what terms, Awards will be paid on a deferred basis (including automatic deferrals at the Committee’s election or elective deferrals at the election of Participants).

All designations, determinations, interpretations, and other decisions made under or with respect to the Plan and all Awards made under the Plan are within the sole and absolute discretion of the Committee and will be final, conclusive and binding on all persons, including the Company, Participants, and beneficiaries or other persons having or claiming any rights under the Plan.

AWARDS

For any single Performance Period, the amount payable to a Participant for such Performance Period shall equal the amount earned pursuant to the Performance Goals and other Award terms and conditions established by the Committee with respect to such Performance Period; in each case, subject to any further Discretionary Adjustments as the Committee may determine in its sole and absolute discretion. A Participant’s potential Award may be expressed in dollars or may be based on a formula that is consistent with the provisions of the Plan.

PERFORMANCE PERIOD

A **Performance Period** is a period for which Performance Goals are set and during which performance is to be measured to determine whether a Participant is entitled to payment of an Award under the Plan. A Performance Period may coincide with one or more complete or partial calendar or fiscal years of the Company. Performance Periods may be of varying and overlapping durations. Unless otherwise designated by the Committee, the Performance Period will be based on the calendar year.

PERFORMANCE GOALS

The Committee will have the authority to establish and administer Performance Goals with respect to Awards as it considers appropriate, which Performance Goals must be satisfied, as the Committee specifies, before a Participant receives an Award.

Performance Goals will be based on any one of, or a combination of, performance-based measures determined by the Committee based on the Company and its subsidiaries on a group-wide basis or on the basis of subsidiary, platform, division, operating unit and/or other business unit results (subject to any Discretionary Adjustments), and may include, without limitation, any of the following:

- earnings per share (on a fully diluted or other basis);
- stock price targets or stock price maintenance;
- total shareholder return;
- return on capital, return on invested capital or return on equity;
- pretax or after-tax net income;
- working capital;
- earnings before interest and taxes;
- earnings before interest, taxes, depreciation, and amortization (EBITDA);
- operating income;
- free cash flow;
- cash flow;
- revenue or core revenue;
- gross profit margin;
- operating profit margin, gross or operating margin improvement or core operating margin improvement; or
- strategic business criteria, consisting of one or more objectives based on meeting specified revenue, market penetration, market share or geographic business expansion goals, cost targets, or objective goals relating to acquisitions or divestitures.

The Committee will determine whether such Performance Goals are attained as soon as practicable after the end of the applicable Performance Period, and such determination will be final, conclusive and binding.

PAYMENT OF AWARDS

Unless otherwise determined by the Committee or deferred pursuant to the Plan, Awards determined under the Plan for a Performance Period will be paid to Participants either (i) in cash or (ii) in shares or equity-based awards under the Company's 2016 Stock Incentive Plan or any successor thereto, in each case no earlier than January 1st and no later than March 15th of the calendar year following the end of the Performance Period to which the Awards apply.

DETERMINATION

No Award will be paid unless and until the Committee has determined the extent to which the Performance Goals for the Performance Period have been attained and has made and exercised its decisions regarding the extent of any Discretionary Adjustment of Awards for Participants for the Performance Period.

DEFERRAL

All or any portion of the Award for any given Performance Period may be deferred under the Fortive Corporation Executive Deferred Incentive Program or any successor thereto.

CONTINUED EMPLOYMENT

The Committee may require that Participants for a Performance Period must still be employed as of the end of the Performance Period and/or as of the later date that the Awards for the Performance Period are communicated or paid to be eligible for an Award for the Performance Period. Any such requirement with respect to a Performance Period will be established by the Committee and communicated to the Participant.

FORFEITURE OR PRORATION

The Committee may adopt such forfeiture, proration, or other rules as it deems appropriate, in its sole and absolute discretion, regarding the impact on Awards of a Participant's death, Disability or other events or situations determined by the Committee in its sole and absolute discretion.

A Participant shall be considered to have a **Disability** if the Participant (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than 12 months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Participant's employer.

DISCRETIONARY ADJUSTMENTS

The Committee's powers include the power to make **Discretionary Adjustments**, which are adjustments that increase, decrease or eliminate an Award otherwise payable to a Participant for a Performance Period.

OTHER PLANS

Awards will not be treated as compensation for purposes of any other compensation or benefit plan, program, or arrangement of the Company or any subsidiary unless and except to the extent that the Board or the Committee determines in writing.

The adoption of this Plan will not be construed as limiting the power of the Board or the Committee to adopt such other cash or equity incentive arrangements as either may otherwise deem appropriate.

LEGAL COMPLIANCE

The Company will not make payments of Awards until all applicable requirements imposed by Federal, state and foreign laws, rules, and regulations, and by any applicable regulatory agencies, have been fully met. No provision in the Plan or action taken under it authorizes any action that applicable laws otherwise prohibit.

Notwithstanding anything in the Plan to the contrary, the Committee will administer the Plan, and Awards may be granted and paid, only in a manner that conforms to such laws, rules, and regulations. To the extent permitted by applicable law, the Plan will be treated as amended to the extent necessary to conform to such laws, rules, and regulations.

TAX WITHHOLDING

The Company may make all appropriate provisions for the withholding of Federal, state, foreign and local taxes imposed with respect to Awards, which provisions may vary with the time and manner of payment.

NONTRANSFER OF RIGHTS

Except as and to the extent the law requires, or as the Plan expressly provides, a Participant's rights under the Plan may not be assigned, pledged, or otherwise transferred in any way, whether by operation of law or otherwise or through any legal or equitable proceedings (including bankruptcy), by the Participant to any person.

AMENDMENT OR TERMINATION OF PLAN

The Board may amend, suspend, or terminate the Plan at any time, without the consent of the Participants or their beneficiaries.

LIMITATIONS ON LIABILITY

No member of the Committee and no other individual acting as a director, officer, other employee or agent of the Company will be liable to any Participant, former Participant, spouse, beneficiary, or any other person or entity for any claim, loss, liability, or expense incurred in connection with the Plan. No member of the Committee will be liable for any action or determination (including, but limited to, any decision not to act) made in good faith with respect to the Plan or any Award under the Plan.

NO EMPLOYMENT CONTRACT	Nothing contained in this Plan constitutes an employment contract between the Company and the Participants. The Plan does not give any Participant any right to be retained in the Company's employ, nor does it enlarge or diminish the Company's right to end the Participant's employment or other relationship with the Company.
APPLICABLE LAW	The laws of the State of Delaware (other than its choice of law provisions) govern this Plan and its interpretation.
DURATION OF THE PLAN	The Plan will remain effective until terminated by the Board.
CODE SECTION 409A REQUIREMENTS	The Plan as well as payments under the Plan are intended to be exempt from or, to the extent subject thereto, to comply with, Section 409A of the of the Internal Revenue Code of 1986 (together with all successor provisions, related regulations, and amendments, "**Section 409A**"), and, accordingly, to the maximum extent permitted, the Plan shall be interpreted in accordance therewith. Notwithstanding anything contained in the Plan to the contrary, to the extent required to avoid accelerated taxation and/or tax penalties under Section 409A, a Participant shall not be considered to have terminated employment or service with the Company for purposes of the Plan until the Participant would be considered to have incurred a "separation from service" from the Company and its affiliates within the meaning of Section 409A. Any payments described in the Plan that are due within the "short term deferral period" as defined in Section 409A shall not be treated as deferred compensation unless applicable law requires otherwise. Notwithstanding anything to the contrary in the Plan, to the extent that any Awards (or any other amounts payable under any plan, program or arrangement of the Company or any of its Affiliates) are payable upon a separation from service and such payment would result in the imposition of any individual tax and penalty interest charges imposed under Section 409A, the settlement and payment of such awards (or other amounts) shall instead be made on the first business day after the date that is six months following such separation from service (or death, if earlier). Each amount to be paid or benefit to be provided under the Plan shall be construed as a separate identified payment for purposes of Section 409A. The Company makes no representation that any or all of the payments or benefits described in the Plan will be exempt from or comply with Section 409A and makes no undertaking to preclude Section 409A from applying to any such payment. Each Participant shall be solely responsible for the payment of any taxes and penalties incurred under Section 409A.
RECOUPMENT	Any Award under the Plan is subject to the terms of the Fortive Corporation Recoupment Policy (or any successor thereto) in the form approved by the Committee (a copy of the Recoupment Policy or any successor thereto as it exists from time to time is available on the Company's internal website) and to the terms required by applicable law.

FORTIVE CORPORATION AND ITS AFFILIATED ENTITIES
AGREEMENT REGARDING COMPETITION AND PROTECTION OF PROPRIETARY INTERESTS

Fortive Corporation believes that recruiting and retaining the best people to work in its highly competitive businesses means treating them fairly, rewarding their contributions, and thereby establishing a strong partnership for our collective well-being and continued success. Working at Fortive and/or any of its affiliates provides associates with specialized and unique knowledge and confidential information and access to key business relationships, which, if used in competition with Fortive and/or its affiliates, would cause harm to Fortive and/or its affiliates. As such, it is reasonable to expect a commitment from our associates that protects the legitimate business interests of Fortive and its affiliates, and therefore, their own interests. Please read and sign this Agreement in the spirit intended: our collective long-term growth and success.

I understand that I am or will be employed by or enter into a relationship with Fortive Corporation including its subsidiaries and/or affiliates (collectively the "**Company**"), and will learn and have access to the Company's confidential, trade secret, and proprietary information and key business relationships. I understand that the products and services that the Company develops, provides, and markets are unique. Further, I know that my promises in this Agreement are an important way for the Company to protect its proprietary interests.

I agree that the Company is engaged in a business which is highly specialized, the identity and particular needs of Company's customers and vendors are not generally known, and the documents and information regarding, among other things, the Company's employees and talent, the Fortive Business System, customers, vendors, services, products, technology, formulations, methods of operation, sales, marketing, pricing, and costs are highly confidential and proprietary.

I acknowledge and agree that I have been given an adequate period of time to consider this Agreement and to have this Agreement reviewed at my expense and by an attorney of my choice regarding the terms and legal effect of this Agreement. I have read this Agreement and understand all of its terms and conditions and am entering into this Agreement of my own free will without coercion from any source. I have not and am not relying on legal advice provided by the Company or any personnel of the Company.

I agree the above recitals are material terms of this Agreement.

In addition to other good and valuable consideration, I am expressly being given employment, continued employment, a relationship with the Company, renewal of a relationship with the Company, a promotion, eligibility to receive grants and/or receipt of stock options or other equity awards, compensation, benefits, training and/or trade secrets and confidential information of the Company and its or their customers, suppliers, vendors or affiliates to which I would not have access but for my relationship with the Company in exchange for my agreeing to the terms of this Agreement, including the non-competition restriction in Section 5. In consideration of the foregoing, which I acknowledge and agree is fair and reasonable consideration for the promises I make in this Agreement, I agree as follows:

1. **Definitions**. For the purposes of this Agreement, the following terms shall have the following meanings, except as otherwise set forth in Section 29 of this Agreement.

(a) **"Competing Products"** means (i) products or services similar to or competitive with the products or services sold by the Company for which I had any responsibility during the Pre-Termination Period and (ii) products or services similar to or competitive with any prospective product or service the Company took steps to develop and for which I had any responsibility during the Pre-Termination Period.

(b) "Confidential Information" means any information (in whatever form and whether or not recorded in any media and whether or not it constitutes a trade secret) which is not generally known to the public, and which (a) is generated or collected by or utilized in the operations of the Company and relates to the actual or anticipated business or research or development of the Company or the Company's actual or prospective vendors or customers; or (b) is suggested by or results from any task assigned to me by the Company or work performed by me for or on behalf of the Company or any customer of the Company. Confidential Information shall not be considered generally known to the public if revealed improperly to the public by me or others without the Company's express written consent and/or in violation of an obligation of confidentiality to the Company. Examples of Confidential Information include, but are not limited to, customer and supplier identification and contacts, information about customers, Voice of the Customer data, reports or analyses, business relationships, contract terms, pricing, price lists, pricing formulas, margins, business plans, projections, prospects, opportunities or strategies, acquisitions, divestitures or mergers, marketing plans, advertising or promotions, financial data (including but not limited to the revenues, costs, or profits, associated with any products or services), business and customer strategy, techniques, formulations, technical information, technical know-how, formulae, production information, inventions, invention disclosures, discoveries, drawings, invention methods, systems, information regarding all or any portion of the Fortive Business System, lease structure, processes, designs, plans, architecture, prototypes, models, software, source code, object code, solutions, Talent Reviews and Organizational Plans, research and development, copyrights, patent applications, and plans or proposals related to the foregoing.

(c) "Development" means any idea, formula, invention, discovery, design, drawing, process, method, technique, device, improvement, computer program and related documentation, whether patentable or non-patentable, technical and non-technical data, work of authorship, trade secret, copyright, trademark, service mark, trademark registration, application for trademark registration, and patent or patent application.

(d) "Pre-Termination Period" means the 24 months preceding the termination of my employment or relationship with the Company.

(e) "Restricted Customer" means a customer or potential customer of the Company (i) with whom I dealt on behalf of the Company during the Pre-Termination Period; (ii) whose dealings with the Company I coordinated or supervised during the Pre-Termination Period; (iii) about whom I obtained Confidential Information during the Pre-Termination Period; or (iv) who received products or services that resulted in compensation, commissions, or earnings for me during the Pre-Termination Period.

(f) "Restricted Period" means, as used in Section 5 below, the period of time during my employment or relationship with the Company and for a period of 12 months thereafter and, as used in Sections 6, 7, and 8 below, the period of time during my employment or relationship with the Company and for a period of 24 months thereafter. For purposes of Section 5 of this Agreement, the Restricted Period shall be extended to two (2) years following termination of my employment or relationship with the Company if I breach my fiduciary duties to the Company and/or commit an unlawful taking, physically or electronically, of property belonging to the Company.

(g) "Restricted Person" means an employee or independent contractor of the Company, or any person who was an employee or independent contractor of the Company during the six months preceding the termination of my employment or relationship with the Company, who possesses or had access to Confidential Information of the Company.

(h) "Restricted Territory" means any state, territory, or province within the United States of America or any other country (or political subdivision thereof) (i) in which I performed services for the Company during the Pre-Termination Period; (ii) over which I had sales or management responsibilities for the Company during the Pre-Termination Period; (iii) in which the Company employed or engaged personnel I directly or indirectly supervised or managed during the Pre-Termination Period; or (iv) about which I had access to Confidential Information during the Pre-Termination Period.

2. Best Efforts. I agree that during my employment or relationship with the Company, I will devote my best efforts to the performance of my duties and the advancement of the Company and shall not engage in any other employment, profitable activities, or other pursuits which would cause me to disclose or utilize the Company's Confidential Information, or reflect adversely on the Company. This obligation shall include, but is not limited to, obtaining the Company's consent prior to performing tasks for customers of the Company outside of my customary duties for the Company and prior to giving speeches or writing articles, blogs, or posts about the business of the Company, refraining from improperly using the name of the Company, and refraining from identifying my association or position with the Company in a manner that reflects unfavorably upon the Company. I further agree that I will not use, incorporate, or otherwise create any business entity or organization or domain name using any name confusingly similar to the name Fortive Corporation or the name of any affiliate of Fortive or any other name under which any such entities does business. Further, I understand and agree that during my employment or work relationship and the restricted time periods thereafter designated in this Agreement, while I may gather information to investigate other employment opportunities, I understand and agree that I shall not make plans or prepare to compete, solicit or take on activities which are in violation of this Agreement.

3. Protection of Confidential Information. At all times during and after the termination of my employment or relationship with the Company, I will not, without the Company's prior written permission, directly or indirectly for any purpose other than performance of my duties for the Company or as set forth in Section 10 below, utilize or disclose to anyone outside of the Company any Confidential Information, or any information received by the Company in confidence from or about third parties, as long as such matters remain trade secrets or confidential.

4. Return of Property and Copying. I agree that all tangible materials (whether originals or duplicates), including but not limited to, notebooks, computers, files, reports, proposals, price lists, lists of actual or potential customers or suppliers, talent lists, formulae, prototypes, tools, equipment, models, specifications, technical data, methodologies, research results, test results, financial data, contracts, agreements, correspondence, documents, computer disks, software, computer printouts, information stored electronically, memoranda, and notes, in my possession or control which in any way relate to the Company's business and which are furnished to me by or on behalf of the Company or which are prepared, compiled or acquired by me while working with or employed by the Company shall be the sole property of the Company. I will at any time upon the request of the Company and in any event promptly upon termination of my employment or relationship with the Company, but in any event no later than two (2) business days after such termination, deliver all such materials to the Company and will not retain any originals or copies of such materials, whether in hard copy form or as computerized and/or electronic records. Except to the extent approved by the Company or required by my bona fide job duties for the Company, I also agree that I will not copy or remove from the Company's place of business or the place of business of a customer of the Company, property or information belonging to the Company or the customer or entrusted to the Company or the customer. In addition, I agree that I will not provide any such materials to any competitor of or entity seeking to compete with the Company unless specifically approved in writing by the Company.

5. Noncompetition. Without limiting my obligations under Section 2 of this Agreement, I agree that, during the Restricted Period, I will not directly or indirectly, on behalf of myself or in conjunction with any other person, company or entity: (a) own or control any company or entity (other than less than 3% ownership in a publicly traded company) that sells Competing Products in the Restricted Territory; or (b) work in the Restricted Territory for any person, company, or entity that sells Competing Products in any role that involves: (i) selling, or assisting others in selling, Competing Products; (ii) developing or implementing strategies to compete with the Company with respect to Competing Products; (iii) directly or indirectly supervising or managing employees or other personnel who compete with the Company with respect to Competing Products; (iv) participating in the planning, research, or development of Competing Products; (v) utilizing or disclosing Confidential Information; or (vi) engaging in duties or responsibilities that are related to Competing Products and that are similar to those I performed for the Company during the Pre-Termination Period.

6. Non-Solicitation of Customers. Without limiting my obligations under Sections 2 and 5 of this Agreement, I agree that, during the Restricted Period, I will not directly or indirectly, on behalf of myself or in conjunction with any other person, company or entity: (a) solicit or participate in soliciting any Restricted Customer for Competing Products; (b) offer, provide or sell or participate in offering, providing or selling Competing Products to a Restricted Customer; or (c) utilize or reveal confidential contract or relationship terms with any Restricted Customer.

7. **Non-Solicitation of Employees and Contractors**. Without limiting my obligations under Sections 2 and 5 of this Agreement, I agree that, during the Restricted Period, I will not directly or indirectly, on behalf of myself or in conjunction with any other person, company or entity: (a) solicit or recruit any Restricted Person to obtain employment with a person, company, or entity that sells Competing Products in the Restricted Territory, (b) hire or attempt to hire a Restricted Employee for a person, company or entity that sells Competing Products, (c) interfere with the performance by any such persons of their duties for the Company; or (d) communicate with any Restricted Person for the purposes described in Section 7(a), (b), and (c).

8. **Non-Interference with Vendors**. Without limiting my obligations under Sections 2 and 5 of this Agreement, I agree that, during the Restricted Period, I will not directly or indirectly, on behalf of myself or in conjunction with any other person, company or entity: (a) interfere with or assist any third party in interfering with, the relationship of the Company with any vendor utilized by the Company at any time during the Pre-Termination Period; or (b) utilize or reveal confidential contract or relationship terms with any vendor used by the Company at any time during the Pre-Termination Period.

9. **Non-Disparagement**. Except as set forth in Section 10 below, I agree that during and after my employment or relationship with the Company ends for any reason, I will not make any false, disparaging or derogatory statement(s) to any media outlet, industry group, financial institution, current or former employee, consultant, client or customer of the Company, or any other entity or person, which are adverse to the interests, products, services or personnel of the Company or its and their customers or vendors. I further agree that I will not take any action that may reasonably cause the Company, its customers or its vendors embarrassment or humiliation, and I will not otherwise directly or indirectly cause the Company, its customers or its vendors to be held in disrepute.

10. **Limitations on Confidentiality and Non-Disparagement**. The confidentiality and non-disparagement provisions in this Agreement do not prohibit me from reporting violations of federal or state law or regulation to any governmental agency, from providing truthful information in good faith to any federal or state governmental agency, entity or official investigating an alleged violation of federal or state law or regulation. or from making other disclosures that are protected under applicable law, including, without limitation, the National Labor Relations Act, the Defend Trade Secrets Act, and any rule or regulation promulgated by the Securities and Exchange Commission (SEC), the National Labor Relations Board (NLRB), the Equal Employment Opportunity Commission (EEOC), or any other federal, state, or local government agency. I acknowledge that this Agreement does not require me to notify the Company regarding any such reporting, disclosure or cooperation with the government. I also acknowledge and agree that the Company has provided me with written notice below that the Defend Trade Secrets Act, 18 U.S.C. § 1833(b), provides an immunity for the disclosure of a trade secret to report suspected violations of law and/or in an anti-retaliation lawsuit, as follows:

> (1) An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.
>
> (2) An individual who files a lawsuit against an employer for retaliation for reporting a suspected violation of law may disclose the trade secret to his or her attorney and use the trade secret information in the court proceeding, if the individual: (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order.

11. **Certification**. I agree not to disclose to the Company, or use in my work for the Company, any confidential information and/or trade secrets belonging to others, including without limitation, my prior employers, or any prior inventions made by me and which the Company is not otherwise legally entitled to learn of or use.

Furthermore, by executing this Agreement, I certify that I am not subject to any restrictive covenants and/or obligations that would prevent me from fully performing my duties for the Company. I also agree that after my employment or relationship with the Company terminates, the Company may contact any employer or prospective employer of mine to inform them of my obligations under this Agreement and that, for a period of three (3) years after my employment or relationship with the Company terminates, I shall affirmatively provide this Agreement to all subsequent employers.

12. **Assignment of Developments**. I hereby assign to the Company my entire right, title and interest in any Developments which I may solely or jointly conceive, write or acquire in whole or in part during the period I am employed by or working for the Company, and for a period of six months thereafter, and which relate in any way to the actual or anticipated business or research or development of the Company, or which are suggested by or result from any task assigned to me or work performed by me for or on behalf of the Company, whether or not such Developments are made, conceived, written or acquired during normal hours of work or using the Company's facilities, and whether or not such Developments are patentable, copyrightable or susceptible to other forms of protection. This assignment does not apply to any Development for which no equipment, supplies, facilities or trade secret or Confidential Information of the Company was used, and which was developed entirely on my own time unless (a) the Development relates directly: (i) to the actual or anticipated business of the Company; or (ii) to the Company's actual or demonstrably anticipated research or development or (b) the Development results from any work performed by me for the Company. I acknowledge and agree that any intellectual property right in any Developments and related documentation, and work of authorship, which are created within the scope of my relationship with the Company, are owned solely by the Company.

13. **Disclosure of Developments**. I will promptly disclose any Developments referred to in Section 12 to the management of the Company, including by following the Company's policies and procedures in place from time to time for that purpose, and I will, on the Company's request, promptly execute a specific assignment of title to the Company and such other documents as may reasonably be requested by the Company for the purpose of vesting, confirming or securing the Company's title to the Developments, and I will do anything else reasonably necessary, at the Company's sole expense, to enable the Company to secure a patent, trademark registration, copyright or other form of protection thereof in the United States and in other countries even after the termination of my employment or work relationship with the Company. If the Company is unable, after reasonable effort, to secure my signature or other action, whether because of my physical or mental incapacity or for any other reason, I hereby irrevocably designate and appoint the Company as my duly authorized agent and attorney-in-fact, to act for and on my behalf and stead to execute any such document and take any other such action to secure the Company's rights and title to the Developments.

14. **Prior Developments**. I have identified below all Developments in which I have any right, title or interest, and which were made, conceived or written wholly or in part by me prior to my employment or relationship with the Company and which relate to the actual or anticipated business or research or development of the Company. I represent and warrant that I am not a party to any agreements which would limit my ability to work for the Company or to assign Developments as provided for in Section 12.

—

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(*attach extra pages if needed*)

15. **Identification of Third Party Obligations**. I acknowledge that the Company from time to time may have agreements with other persons or with the United States government or agencies thereof, or other governments or governmental agencies, which impose obligations or restrictions on the Company regarding inventions made during the course of work under such agreements or regarding the confidential nature of such work. I agree to be bound by all such obligations and restrictions that are made known to me and to take all action necessary to discharge the obligations of the Company under such agreements.

16. **Injunctive Relief and Attorney's Fees**. In the event of a breach or a threatened breach of this Agreement by me, I acknowledge and agree that the Company will face irreparable injury which would be difficult to calculate in monetary terms and for which damages would be an inadequate remedy. Accordingly, I agree that the Company shall be entitled, in addition to remedies otherwise available at law or in equity, to obtain and enforce immediately temporary restraining orders, preliminary injunctions, and final injunctions without the posting of a bond enjoining such breach or threatened breach. Should the Company successfully enforce any portion of this Agreement before a trier of fact, the Company shall be entitled to receive and recover from me all of its reasonable attorney's fees, litigation expenses and costs incurred as a result of enforcing this Agreement against me. Additionally, any time periods for restrictions set forth in Sections 5, 6, 7 and 8 above will be extended by an amount of time equal to the duration of any time period during which I am in violation of this Agreement.

17. **Amendment, Waiver, Severability and Merger**. If I executed other written agreements relating to this subject matter with the Company, and/or if I later enter into other written agreements that contain provisions similar to the provisions contained in this Agreement, all such provisions shall be interpreted to provide the Company with cumulative rights and remedies and the benefits and protections provided to the Company under each such agreement shall be given full force and effect. This Agreement can be revoked or modified only by a written agreement signed by me and the Company. No waiver of any breach of any provision of this Agreement by the Company shall be effective unless it is in writing and no waiver shall be construed to be a waiver of any succeeding breach or as a modification of any provision of this Agreement. The provisions of this Agreement shall be severable and if any provision of this Agreement is found by any court to be unenforceable, in whole or in part, the remainder of this Agreement as well as the provisions of my prior agreement with the Company, if any, regarding the same subject matter as that which was found unenforceable herein shall nevertheless be enforceable and binding on the parties. I also agree that the trier of fact may modify any invalid, overbroad or unenforceable term of this Agreement so that such term, as modified, is valid and enforceable under applicable law. Further, I acknowledge and agree that I have not, will not and cannot rely on any representations not expressly made herein. The terms of this Agreement shall not be amended by me or the Company except by the express written consent of the Company and me. The section headings in this Agreement are for convenience of reference and in no way define, limit or affect the meaning of this Agreement.

18. **At-Will Employment Status**. I acknowledge and agree that that nothing in this Agreement shall be construed or is intended to create a guarantee of employment, express or implied, for any specific period of time. I acknowledge and agree that this Agreement does not require me to continue my employment or relationship with the Company for any particular length of time (unless otherwise agreed to in writing as an independent contractor or consultant) and shall not be construed to require the Company to continue my employment, relationship or compensation for any particular length of time. I acknowledge and agree that if I am employed by the Company it is on an at-will basis to the full extent permitted by applicable law, which means that the Company and I each have the right to terminate the employment relationship with or without cause or reason, with or without notice or compliance with any procedures. I acknowledge and agree that my knowledge, skills and abilities are sufficient to enable me, if my employment or relationship with the Company terminates, to earn a satisfactory livelihood without violating this Agreement.

19. **Acknowledgment of Obligations**. I acknowledge that my obligations under this Agreement are in addition to, and do not limit, any and all obligations concerning the same subject matter arising under any applicable law including, without limitation, common law duties of loyalty and common law and statutory law relating to trade secrets.

20. **Obligations Survive Termination**. I acknowledge and agree that the restrictions and covenants set forth in this Agreement shall be binding upon me and survive termination of my employment or relationship with the Company regardless of the reason(s) for such termination. I acknowledge and agree that the Company has an important and legitimate business interest that it is seeking to protect with this Agreement and that enforcement of this Agreement would not interfere with the interests of the public.

21. **Cooperation**. I agree to cooperate in the truthful and honest prosecution and/or defense of any third party claim in which the Company may have an interest subject to reasonable limitations concerning time and place,

which may include without limitation making myself available to participate in any proceeding involving the Company, allowing myself to be interviewed by representatives of the Company, appearing for depositions and testimony without requiring a subpoena, and producing and/or providing any documents or names of other persons with relevant information; provided that, if such services are required after the termination of my employment or relationship with the Company, it shall provide me reasonable compensation for the time actually expended in such endeavors and shall pay my reasonable expenses incurred at the prior and specific request of the Company.

22. Assignment and Transfer of Employment or Relationship. The rights and/or obligations herein may only be assigned by the Company, may be done without my consent, and shall bind and inure to the benefit of the Company, its successors and assigns. If the Company makes any assignment of the rights and/or obligations herein or transfers my employment or relationship within the Company, I agree that this Agreement shall remain binding upon me. Notwithstanding the language in this Section 22, in connection with and as a condition of any assignment or transfer of my employment or relationship the Company, a successor, or assignee of the Company shall have the right to terminate this Agreement and require me to sign a new Agreement Regarding Competition and the Protection of Proprietary Interests.

23. Change of Position. I acknowledge and agree that any change in my position or title with the Company shall not cause this Agreement to terminate and shall not effect any change in my obligations under this Agreement.

24. Acceptance. I agree that this Agreement is accepted by me through my original or facsimile signature. I further agree that the Company is deemed to have accepted this Agreement as evidenced by my employment or relationship with the Company, the payment of wages or monies to me, the provision of benefits to me, or by executing this Agreement.

25. Binding Effect. This Agreement shall be effective as of February 25, 2019, and the obligations hereunder, shall be binding upon me and my successors, heirs, executors, and representatives and shall inure to the benefit of the Company, its successors and its assigns.

26. Third Party Beneficiaries. This Agreement is intended to benefit each and every subsidiary, affiliate or business unit of the Company for which I perform services, for which I have customer contact, or about which I receive Confidential Information and may be enforced by any such entity. I agree and intend to create a direct, consequential benefit to the Company regardless of the Company entity with which I am affiliated on the last day of my employment or relationship with the Company.

27. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington, without applying its conflict of laws principles. The exclusive venue for any litigation based upon any fact, matter, or claim arising out of or relating to this Agreement, including any contractual, statutory, tort, or common law claims, shall be the state or federal courts located in Washington, and I hereby consent to any such court's exercise of personal jurisdiction over me for such purpose.

28. Exclusions for Attorneys. If I am an attorney licensed to practice law in any jurisdiction in which the Company conducts business, I understand and agree that nothing in this Agreement shall be construed as a restriction on my ability to practice law or to otherwise impose any obligation on me that would violate the applicable rules of professional conduct of any jurisdiction in which I am so licensed, including: (a) as an employee of a competing organization or (b) as an employee, partner, or shareholder of a law firm that represents clients that compete with the Company. I acknowledge that, as a licensed attorney, I have obligations in addition to those set forth in this Agreement to, among other things, maintain strict confidentiality with respect to information encompassed by the attorney/client privilege or the work product doctrine and that such obligations continue indefinitely after my employment with the Company ends. This Agreement shall be interpreted and construed in accordance with my obligations as a licensed attorney and applicable rules of professional conduct relating to the practice of law, and nothing in this Agreement shall be deemed to expand or contract my ethical and professional duties under those rules.

29. <u>Exceptions and Acknowledgments for Certain States</u>. If I reside in any of the states listed below, the following exceptions and acknowledgments shall apply:

(a) California. If I reside in California, Section 5 shall not apply to me; Section 6 shall only apply if I use or disclose trade secrets per Cal. Bus. & Prof. Code § 16600; clause (b) in Section 7 shall not apply to me; and Section 27 shall not apply to me.

(b) Louisiana. If I reside in Louisiana, Sections 5, 6, and 7 shall apply only in the parishes listed in the Louisiana Employee Addendum attached as **Attachment A.**

(c) Idaho. If I reside in Idaho, I acknowledge and agree that the Company considers me to be a "key employee," as that term is defined in Idaho. Stat. § 44-2702 and that if I become employed by or affiliated with a competitor of the Company in violation of this Agreement, it is inevitable that I would disclose the Company's Confidential Information.

(d) Massachusetts. If I reside in Massachusetts, I acknowledge that the Company provided me with at least ten (10) business days to review and sign this Agreement, during which time I had the right to consult with counsel of my choice at my own expense. I further understand and agree that voluntarily signing this agreement before the expiration of ten (10) business days shall serve as a waiver of the ten (10) day review period.

(e) Nebraska. If I reside in Nebraska, Section 5 shall not apply to me and the types of customers identified in Sections 1(g) and 6 shall only be a "Restricted Customer" if I did business and had personal contact with the customer during the Pre-Termination Period.

(f) New Hampshire. If I am a new employee of the Company and reside in New Hampshire, I acknowledge that the Company provided me with a copy of this Agreement prior to or concurrent with making an offer of employment to me.

(g) North Dakota. If I reside in North Dakota, Section 5 shall not apply to me and Section 6 shall only apply if I use or disclose of Trade Secret per N.D. Cent. Code § 9-08-06.

(h) Oklahoma. If I reside in Oklahoma, Section 5 shall not apply to me and the types of customers identified in Sections 1(g) and 6 shall only be a "Restricted Customer" if the customer if an established customer of the Company per Okla. Stat. Ann. tit. 15, § 219A.

(i) Oregon. If I am a new employee and reside in Oregon, I acknowledge that the Company notified me at least two weeks before my first day of employment that a noncompetition agreement is required as a condition of employment. I further understand and agree that voluntarily signing this agreement before the expiration of two weeks shall serve as a waiver of the two-week review period.

(j) Utah. If I reside in Utah, the assignment of Developments in Section 12 shall not apply shall apply to any Development that I created entirely on my own time and that was not conceived, developed, reduced to practice or created by me (i) within the scope of my employment for the Company; (ii) on the Company's time; or (iii) with the aid, assistance, or use of any of the Company's property, equipment, facilities, supplies, or resources.

(k) Wisconsin. If I reside in Wisconsin, Section 3 shall remain in effect during my employment with the Company and for 3 years following the termination of my employment with respect to Confidential Information that is not a trade secret and, with respect to trade secrets, for as long as the information is a Trade Secret. In addition, Section 7 shall be replaced with the following provision:

[remainder of page intentionally left blank]

30. **Under Seal**. This Agreement is executed under seal.

Agreed to by:

Employee	**Fortive Corporation**
	By: ______________________________
______________________________ Employee Signature	
______________________________ Employee's Printed Name	______________________________ Print Name and Title
Date: __________________________	Date: __________________________

ATTACHMENT A
Louisiana Addendum

If Employee resides in the State of Louisiana, Sections 5, 6, and 7 shall apply only in the parishes listed below:

Acadia Parish
Allen Parish
Ascension Parish
Assumption Parish
Avoyelles Parish
Beauregard Parish
Bienville Parish
Bossier Parish
Caddo Parish
Calcasieu Parish
Caldwell Parish
Cameron Parish
Catahoula Parish
Claiborne Parish
Concordia Parish
DeSoto Parish
East Baton Rouge Parish
East Carroll Parish
East Feliciana Parish
Evangeline Parish
Franklin Parish
Grant Parish
Iberia Parish
Iberville Parish
Jackson Parish
Jefferson Parish
Jefferson Davis Parish
Lafayette Parish
Lafourche Parish
LaSalle Parish
Lincoln Parish
Livingston Parish
Madison Parish
Morehouse Parish
Natchitoches Parish
Orleans Parish
Ouachita Parish
Plaquemines Parish
Pointe Coupee Parish
Rapides Parish
Red River Parish
Richland Parish
Sabine Parish
St. Bernard Parish
St. Charles Parish
St. Helena Parish
St. James Parish
St. John Parish
St. Landry Parish
St. Martin Parish
St. Mary Parish
St. Tammany Parish
Tangipahoa Parish
Tensas Parish
Terrebonne Parish
Union Parish
Vermilion Parish
Vernon Parish
Washington Parish
Webster Parish
West Baton Rouge Parish
West Carroll Parish
West Feliciana Parish
Winn Parish

Exhibit 21.1

The Registrant's principal subsidiaries as of December 31, 2018 are listed below. All other subisidiaries of the Registrants, if considered in the aggregate as a single affiliate, would not constitute a significant subsidiary of the Registrant.

Fortive Corporation

Subsidiaries of the Registrant

Company Name	Jurisdiction of Formation
Accruent BC Holding B.V.	Netherlands
Anderson Instrument Co., Inc.	New York
Accruent, LLC	Delaware
ANGI Energy Systems, LLC	Indiana
Anhui Shifu Instruments Co., Ltd.	China
ASP International GmbH	Switzerland
Athena Parent, Inc.	Delaware
Beaverton LLC	Delaware
BlueCielo ECM Solutions B.V.	Netherlands
BlueCielo ECM Solutions Holding B.V.	Netherlands
BlueCielo ECM Solutions, Inc.	Georgia
BlueCielo ECM Solutions Oy	Finland
BlueCielo ECM Solutions Pte. Ltd.	Singapore
BlueCielo ECM Solutions RUS	Russian Federation
DATAPAQ Limited	United Kingdom
Delpak Systems Ltd.	Israel
Diagnostic Monitoring Systems Limited	United Kingdom
Dynapar Corporation	Illinois
eMaint Enterprises, LLC	New Jersey
Fafnir Gmbh	Germany
FHHC Holdings Corporation	Delaware
Fluke Corporation	Washington
Fluke Deutschland GmbH	Germany
Fluke Electronics Corporation	Delaware
Fluke Europe B.V.	Netherlands
Fluke Manufacturing Corporation	Delaware
Fluke Precision Measurement Limited	United Kingdom
Fluke Process Instruments GmbH	Germany
Fluke Testing Instruments (Shanghai) Co., Ltd.	China
Fortive Insurance Company	Vermont
Fortive Setra-ICG (Tianjin) Co. Ltd.	China
FTV Japan Finance Corporation	Japan
Gems Sensors Inc.	Delaware
GHoldCo2 GmbH	Germany
Gilbarco Australia Pty Ltd	Australia
Gilbarco China Co. Ltd	China
Gilbarco GmbH	Germany
Gilbarco Inc.	Delaware
Gilbarco Veeder Root India Private Limited	India
Gilbarco Veeder-Root Soluções Indústria e Comércio Ltda.	Brazil
Global Physics Solutions, Inc.	Delaware
Global Traffic Technologies Canada, Inc.	Canada
Global Traffic Technologies, Inc.	Delaware

Global Traffic Technologies, LLC	Delaware
GVR Finland Oy	Finland
Hengstler GmbH	Germany
Hennessy Industries, LLC	Delaware
Industrial Scientific Canada ULC	Canada
Industrial Scientific Corporation	Pennsylvania
Infrared Integrated Systems Limited	United Kingdom
Iris Power LP	Canada
Keithley Instruments, LLC	Ohio
Landauer, Inc.	Delaware
Launchchange South Africa Holdings (Pty) Ltd	South Africa
Matco Tools Corporation	Delaware
Maxtek Components Corporation	Delaware
Navman Wireless Australia Pty Ltd	Australia
Neoptix Canada LP	Canada
Pacific Scientific Energetic Materials Company (California) LLC	California
Predictive Solutions Corporation	Pennsylvania
Qualitrol Company LLC	Delaware
Serveron Corporation	Delaware
Service Station Products Company	Delaware
Setra Systems, Inc.	Massachusetts
Sonix, Inc.	Virginia
Specialty Product Technologies Comércio e Indústria de Equipamentos Ltda.	Brazil
Tektronix (China) Co., Limited	China
Tektronix Asia Investment Ltd.	Cayman Islands
Tektronix China Trading	Cayman Islands
Tektronix GmbH	Germany
Tektronix Hong Kong Limited	Hong Kong
Tektronix International Sales GmbH	Switzerland
Tektronix, Inc.	Oregon
Teletrac Navman (UK) Ltd.	United Kingdom
Teletrac Navman US Ltd.	Delaware
Teletrac, Inc.	Delaware
TGA Asiapac Holdings LLC	Delaware
TGA Cayman Finance Ltd.	Cayman Islands
TGA CI US-Finance Limited	Cayman Islands
TGA Finance (Canada) Limited	Canada
TGA Finance (Cayman Islands) Ltd.	Cayman Islands
TGA Holding Ltd.	Cayman Islands
TGA Holding Singapore PTE. Ltd.	Singapore
TGA Industries Limited	United Kingdom
TGA North America Holdings II LLC	Delaware
TGA UK Finance Limited	United Kingdom
TGA UK Holdings Limited	United Kingdom
TGA UK Omega Limited	United Kingdom
The Gordian Group Corp.	Canada
The Gordian Group, Inc.	Georgia
Unfors RaySafe AB	Sweden
Unfors RaySafe, Inc.	Illinois
Veeder-Root Company	Delaware
Veeder-Root Petroleum Equipment (Shanghai) Co., Ltd.	China
Venture Measurement Company LLC	Delaware
VFA, Inc.	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

Registration Statements on Form S-3

Registration Number	Date Filed
333-218676	June 12, 2017

Registration Statements on Form S-8

Pertaining to	Registration Number	Date Filed
Fortive Corporation 2016 Stock Incentive Plan, as Amended and Restated	333-227050	August 27, 2018
Fortive Corporation 2016 Stock Incentive Plan	333-212349	June 30, 2016
Fortive Corporation Retirement Savings Plan; Fortive Corporation Union Retirement Savings Plan	333-212348	June 30, 2016
Fortive Corporation Executive Deferred Incentive Plan	333-212350	June 30, 2016

of our reports dated February 27, 2019, with respect to the consolidated and combined financial statements and schedule of Fortive Corporation and subsidiaries and the effectiveness of internal control over financial reporting of Fortive Corporation and subsidiaries included in this Annual Report (Form 10-K) of Fortive Corporation for the year ended December 31, 2018.

/s/ Ernst & Young LLP

Seattle, Washington
February 27, 2019

Exhibit 31.1

Certification

I, James A. Lico, certify that:

1. I have reviewed this Annual Report on Form 10-K 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:	February 27, 2019	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 Annual Report on Form 10-K 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:	February 27, 2019	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 Annual Report on Form 10-K for the fiscal year ended December 31, 2018 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 Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of Fortive Corporation.

Date:	February 27, 2019	By:	/s/ James A. Lico
			James A. Lico
			President and Chief Executive Officer

This certification accompanies the Annual Report on Form 10-K 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 Annual Report on Form 10-K for the fiscal year ended December 31, 2018 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 Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of Fortive Corporation.

Date:	February 27, 2019	By:	/s/ Charles E. McLaughlin
			Charles E. McLaughlin
			Senior Vice President and Chief Financial Officer

This certification accompanies the Annual Report on Form 10-K 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.