

DOVER CORP
Form 10-Q
October 24, 2007

Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
QUARTERLY REPORT
PURSUANT TO SECTION 13 or 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2007
Commission File Number: 1-4018
Dover Corporation
(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

53-0257888
(I.R.S. Employer Identification No.)

280 Park Avenue, New York, NY
(Address of principal executive offices)

10017
(Zip Code)

(212) 922-1640

(Registrant's telephone number)

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, and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definitions of "accelerated filer" and "large accelerated filer" in Rule 12-b-2 of the Securities and Exchange Act.
Large accelerated filer Accelerated filer Non-accelerated filer

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

The number of shares outstanding of the Registrant's common stock as of October 19, 2007 was 244,359,629.

Dover Corporation
Form 10-Q
Table of Contents

PART I FINANCIAL INFORMATION

| Page | Item |
|------------------|--|
| | <u>Item 1. Financial Statements (unaudited)</u> |
| <u>1</u> | <u>Condensed Consolidated Statements of Operations</u> (For the three and nine months ended September 30, 2007 and 2006) |
| <u>2</u> | <u>Condensed Consolidated Balance Sheets</u> (At September 30, 2007 and December 31, 2006) |
| <u>2</u> | <u>Condensed Consolidated Statement of Stockholders' Equity</u> (For the nine months ended September 30, 2007) |
| <u>3</u> | <u>Condensed Consolidated Statements of Cash Flows</u> (For the nine months ended September 30, 2007 and 2006) |
| <u>4</u> | <u>Notes to Condensed Consolidated Financial Statements</u> |
| <u>12</u> | <u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u> |
| <u>21</u> | <u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u> |
| <u>21</u> | <u>Item 4. Controls and Procedures</u> |

PART II OTHER INFORMATION

| Page | Item |
|------------------|---|
| <u>21</u> | <u>Item 1. Legal Proceedings</u> |
| <u>21</u> | <u>Item 1A. Risk Factors</u> |
| <u>22</u> | <u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u> |
| <u>22</u> | <u>Item 3. Defaults Upon Senior Securities</u> |
| <u>22</u> | <u>Item 4. Submission of Matters to a Vote of Security Holders</u> |
| <u>22</u> | <u>Item 5. Other Information</u> |
| <u>22</u> | <u>Item 6. Exhibits</u> |
| <u>23</u> | <u>Signatures</u> |
| <u>24</u> | <u>Exhibit Index</u> |

EX-31.1: CERTIFICATION

EX-31.2: CERTIFICATION

EX-32: CERTIFICATIONS

(All other schedules are not required and have been omitted)

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements**

DOVER CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited) (in thousands, except per share figures)

| | Three Months Ended | | Nine Months Ended | |
|---|---------------------------|--------------|--------------------------|--------------|
| | September 30, | | September 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| Revenue | \$ 1,843,829 | \$ 1,605,247 | \$ 5,366,067 | \$ 4,650,106 |
| Cost of goods and services | 1,172,639 | 1,032,203 | 3,416,458 | 2,938,072 |
| Gross profit | 671,190 | 573,044 | 1,949,609 | 1,712,034 |
| Selling and administrative expenses | 404,537 | 347,431 | 1,215,675 | 1,035,496 |
| Operating earnings | 266,653 | 225,613 | 733,934 | 676,538 |
| Interest expense, net | 22,326 | 17,184 | 66,613 | 57,916 |
| Other expense, net | 2,416 | 2,702 | 2,281 | 9,650 |
| Total interest/other expense, net | 24,742 | 19,886 | 68,894 | 67,566 |
| Earnings before provision for income taxes and discontinued operations | 241,911 | 205,727 | 665,040 | 608,972 |
| Provision for income taxes | 63,972 | 50,439 | 180,643 | 171,080 |
| Earnings from continuing operations | 177,939 | 155,288 | 484,397 | 437,892 |
| Earnings (loss) from discontinued operations, net | (3,348) | 12,237 | (8,681) | 5,370 |
| Net earnings | \$ 174,591 | \$ 167,525 | \$ 475,716 | \$ 443,262 |
| Basic earnings (loss) per common share: | | | | |
| Earnings from continuing operations | \$ 0.89 | \$ 0.76 | \$ 2.38 | \$ 2.15 |
| Earnings (loss) from discontinued operations | (0.02) | 0.06 | (0.04) | 0.03 |
| Net earnings | 0.87 | 0.82 | 2.34 | 2.18 |
| Weighted average shares outstanding | 200,850 | 203,682 | 203,235 | 203,629 |
| Diluted earnings (loss) per common share: | | | | |
| Earnings from continuing operations | \$ 0.88 | \$ 0.76 | \$ 2.36 | \$ 2.13 |
| Earnings (loss) from discontinued operations | (0.02) | 0.06 | (0.04) | 0.03 |

Edgar Filing: DOVER CORP - Form 10-Q

| | | | | |
|-------------------------------------|----------|----------|----------|----------|
| Net earnings | 0.86 | 0.82 | 2.32 | 2.16 |
| Weighted average shares outstanding | 202,469 | 205,313 | 204,915 | 205,294 |
| Dividends paid per common share | \$ 0.200 | \$ 0.185 | \$ 0.570 | \$ 0.525 |

The following table is a reconciliation of the share amounts used in computing earnings per share:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|---|-------------|--|-------------|
| | 2007 | 2006 | 2007 | 2006 |
| Weighted average shares outstanding | | | | |
| Basic | 200,850 | 203,682 | 203,235 | 203,629 |
| Dilutive effect of assumed exercise of employee stock options | 1,619 | 1,631 | 1,680 | 1,665 |
| Weighted average shares outstanding Diluted | 202,469 | 205,313 | 204,915 | 205,294 |
| Anti-dilutive shares excluded from diluted EPS computation | 1,699 | 1,837 | 3,358 | 2,252 |

See Notes to Condensed Consolidated Financial Statements

1 of 24

Table of Contents

DOVER CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

| | (unaudited) At September 30, 2007 | At December 31, 2006 |
|---|--|----------------------------|
| Current assets: | | |
| Cash and equivalents | \$ 446,023 | \$ 374,845 |
| Receivables, net of allowances of \$30,017 and \$28,070 | 1,172,081 | 1,040,286 |
| Inventories, net | 719,729 | 694,631 |
| Prepaid and other current assets | 84,262 | 64,580 |
| Deferred tax asset | 73,179 | 65,769 |
| Total current assets | 2,495,274 | 2,240,111 |
| Property, plant and equipment, net | 859,386 | 815,188 |
| Goodwill | 3,265,621 | 3,143,034 |
| Intangible assets, net | 1,041,337 | 1,065,382 |
| Other assets and deferred charges | 130,143 | 122,842 |
| Assets of discontinued operations | 157,302 | 240,101 |
| Total assets | \$ 7,949,063 | \$ 7,626,658 |
| Current liabilities: | | |
| Notes payable and current maturities of long-term debt | \$ 511,650 | \$ 290,549 |
| Accounts payable | 432,260 | 401,137 |
| Accrued compensation and employee benefits | 277,959 | 273,493 |
| Accrued insurance | 118,979 | 121,375 |
| Other accrued expenses | 201,342 | 181,879 |
| Federal and other taxes on income | 72,318 | 155,484 |
| Total current liabilities | 1,614,508 | 1,423,917 |
| Long-term debt | 1,454,455 | 1,480,491 |
| Deferred income taxes | 341,170 | 358,358 |
| Other deferrals | 516,006 | 404,721 |
| Liabilities of discontinued operations | 114,774 | 148,149 |
| Commitments and contingent liabilities | | |
| Stockholders' Equity: | | |
| Total stockholders' equity | 3,908,150 | 3,811,022 |
| Total liabilities and stockholders' equity | \$ 7,949,063 | \$ 7,626,658 |

DOVER CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (unaudited) (in thousands)

| | Common Stock \$1 Par Value | Additional Paid-In Capital | Accumulated Other Comprehensive Earnings | Retained Earnings | Treasury Stock | Total Stockholders Equity |
|--|---|---|---|------------------------------|---------------------------|--|
| Balance at December 31, 2006 | \$ 242,293 | \$ 241,455 | \$ 48,852 | \$ 4,421,927 | \$ (1,143,505) | \$ 3,811,022 |
| FIN 48 Adjustment (See Note 2) | | | | (58,157) | | (58,157) |
| Net earnings | | | | 475,716 | | 475,716 |
| Dividends paid | | | | (115,490) | | (115,490) |
| Common stock issued for options exercised | 2,066 | 68,085 | | | | 70,151 |
| Stock-based compensation expense | | 21,623 | | | | 21,623 |
| Tax benefit from exercises of stock options | | 10,200 | | | | 10,200 |
| Common stock acquired | | | | | (392,383) | (392,383) |
| Translation of foreign financial statements SFAS No. 158 | | | 77,236 | | | 77,236 |
| amortization, net of tax | | | 9,587 | | | 9,587 |
| Other, net of tax | | | (1,355) | | | (1,355) |
| Balance at September 30, 2007 | \$ 244,359 | \$ 341,363 | \$ 134,320 | \$ 4,723,996 | \$ (1,535,888) | \$ 3,908,150 |

Preferred Stock, \$100 par value per share. 100,000 shares authorized; none issued.

See Notes to Condensed Consolidated Financial Statements

2 of 24

Table of Contents

DOVER CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited) (in thousands)

| | Nine Months Ended September | |
|---|------------------------------------|------------------|
| | 30, | |
| | 2007 | 2006 |
| Operating Activities of Continuing Operations | | |
| Net earnings | \$ 475,716 | \$ 443,262 |
| Adjustments to reconcile net earnings to net cash from operating activities: | | |
| Loss (earnings) from discontinued operations | 8,681 | (5,370) |
| Depreciation and amortization | 180,695 | 140,449 |
| Stock-based compensation | 21,049 | 19,970 |
| Changes in current assets and liabilities (excluding effects of acquisitions, dispositions and foreign exchange): | | |
| Increase in accounts receivable | (88,625) | (104,022) |
| Decrease (increase) in inventories | 8,901 | (42,465) |
| Increase in prepaid expenses and other assets | (16,262) | (3,589) |
| Increase in accounts payable | 8,611 | 25,293 |
| Increase in accrued expenses | 3,527 | 28,453 |
| Increase (decrease) in accrued and deferred taxes | (46,044) | 26,212 |
| Other non-current, net | (18,657) | 48,703 |
| Net cash provided by operating activities of continuing operations | 537,592 | 576,896 |
| | | |
| Proceeds from the sale of property and equipment | 18,437 | 8,944 |
| Additions to property, plant and equipment | (130,687) | (133,515) |
| Proceeds from sales of discontinued businesses | 31,211 | 274,198 |
| Acquisitions (net of cash and cash equivalents acquired) | (174,345) | (511,429) |
| Net cash used in investing activities of continuing operations | (255,384) | (361,802) |
| | | |
| Financing Activities of Continuing Operations | | |
| Increase (decrease) in debt, net | 192,452 | (1,109) |
| Purchase of treasury stock | (392,383) | (47,766) |
| Proceeds from exercise of stock options, including tax benefits | 80,351 | 71,188 |
| Dividends to stockholders | (115,490) | (106,953) |
| Net cash used in financing activities of continuing operations | (235,070) | (84,640) |
| | | |
| Cash Flows From Discontinued Operations | | |
| Net cash provided by operating activities of discontinued operations | 8,036 | 23,648 |
| Net cash used in investing activities of discontinued operations | (2,793) | (10,764) |

| | | |
|---|------------|------------|
| Net cash provided by discontinued operations | 5,243 | 12,884 |
| Effect of exchange rate changes on cash | 18,797 | 12,380 |
| Net increase in cash and cash equivalents | 71,178 | 155,718 |
| Cash and cash equivalents at beginning of period | 374,845 | 186,943 |
| Cash and cash equivalents at end of period | \$ 446,023 | \$ 342,661 |

See Notes to Condensed Consolidated Financial Statements

3 of 24

Table of Contents

DOVER CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements, in accordance with Securities and Exchange Commission (SEC) rules for interim periods, do not include all of the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements and should be read in conjunction with the Dover Corporation (Dover or the Company) Annual Report on Form 10-K for the year ended December 31, 2006, which provides a more complete understanding of Dover s accounting policies, financial position, operating results, business properties and other matters. The year-end condensed consolidated balance sheet was derived from audited financial statements. It is the opinion of management that these financial statements reflect all adjustments necessary for a fair presentation of the interim results. The results of operations of any interim period are not necessarily indicative of the results of operations for the full year.

Certain prior period amounts have been reclassified to conform to the current period presentation.

2. New Accounting Pronouncement

Effective January 1, 2007, the Company adopted Financial Accounting Standards Board Interpretation No. 48

Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 specifies the way companies are to account for uncertainty in income tax reporting, and prescribes a methodology for recognizing, reversing, and measuring the tax benefits of a tax position taken, or expected to be taken, in a tax return. As a result of adopting the new standard, the Company recorded a \$58.2 million increase to reserves as a cumulative effect decrease to opening retained earnings as of January 1, 2007, of which \$53.4 million is included in continuing operations. Including this cumulative effect adjustment, the Company had unrecognized tax benefits of \$190.5 million at January 1, 2007, of which \$35.4 million related to accrued interest and penalties. The portion of the unrecognized tax benefits included in continuing operations totaled \$147.6 million, of which \$28.0 million related to accrued interest and penalties. At January 1, 2007, the majority of these unrecognized tax benefits in continuing operations were classified as Other Deferrals in the condensed consolidated balance sheet and, if recognized, the entire amount of \$147.6 million would impact the Company s effective tax rate. The Company accrues interest and penalties related to its uncertain tax positions for continuing operations as a component of provision for income taxes.

At December 31, 2006, the continuing unrecognized tax benefit of \$94.2 million was included in Federal and Other Taxes on Income in the condensed consolidated balance sheet.

During the third quarter of 2007, the Company reduced its unrecognized tax benefits through Net Earnings by \$4.4 million, (\$3.6 million in continuing operations), as a result of management s review of certain tax positions. Dover files Federal income tax returns, as well as multiple state, local and foreign jurisdiction tax returns. The Company is no longer subject to examinations of its federal income tax returns by the Internal Revenue Service (IRS) for years through 2002. The IRS is currently examining years 2003 and 2004. All significant state and local, and foreign matters have been concluded for years through 1994 and 1999, respectively. With the exception of matters in litigation, for which an estimate cannot be made due to uncertainties, the Company does not believe it is reasonably possible that its unrecognized tax benefits will significantly change within the next twelve months.

Table of Contents

DOVER CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(unaudited)

3. Acquisitions

The 2007 acquisitions are wholly-owned and had an aggregate cost of \$174.3 million, net of cash acquired, at the date of acquisition. The following table details acquisitions made during 2007:

| Date | Type | Acquired Companies | Location (Near) | Segment | Platform | Operating Company |
|---|-------------|---------------------------|------------------------|-------------------------|------------------|--------------------------|
| 31-Jan | Stock | Biode | Westbrook, ME | Electronic Technologies | N/A | Vectron |
| <i>Designer and manufacturer of fluid viscosity sensors and viscometer readers.</i> | | | | | | |
| 28-Feb | Asset | Pole/Zero Corporation | West Chester, OH | Electronic Technologies | N/A | MPG |
| <i>Designer and manufacturer of radio frequency filters that resolve interference issues.</i> | | | | | | |
| 31-Mar | Asset | Theta Oilfield Services | Brea, CA | Fluid Management | Energy | EPG |
| <i>Provider of oilwell optimization software.</i> | | | | | | |
| 31-Jul | Asset | Hanmecson International | Haimen, China | Industrial Products | Mobile Equipment | Rotary Lift |
| <i>Manufacturer of vehicle lifts including lifts for residential and enthusiast markets.</i> | | | | | | |
| 18-Sep | Stock | Griswold Pump | Thomasville, GA | Fluid Management | Fluid Solutions | Wilden |
| <i>Manufacturer of centrifugal pumps and peripheral products.</i> | | | | | | |

For certain acquisitions, the Company is in the process of obtaining or finalizing appraisals of tangible and intangible assets and continuing to evaluate the initial purchase price allocations as of the acquisition date, which will be adjusted as additional information relative to the fair values of the assets and liabilities of the businesses becomes known. Accordingly, management has used its best estimate in the initial purchase price allocation as of the date of these financial statements.

The following table summarizes the estimated fair values of the assets and liabilities that were assumed as of the dates of the 2007 acquisitions and the amounts assigned to goodwill and intangible asset classifications:

| | At September 30, 2007 |
|--------------------------------------|----------------------------------|
| <i>(in thousands)</i> | |
| Current assets, net of cash acquired | \$ 25,291 |
| PP&E | 6,733 |
| Goodwill | 92,993 |
| Intangibles | 60,990 |
| Total assets acquired | 186,007 |
| Total liabilities assumed | (11,662) |

Net assets acquired \$ 174,345

The following unaudited pro forma information illustrates the effect on Dover's revenue and net earnings for the three and nine month periods ended September 30, 2007 and 2006, assuming that the 2007 and 2006 acquisitions had all taken place on January 1, 2006:

| <i>(in thousands, except per share figures)</i> | Three Months Ended | | Nine Months Ended | |
|---|---------------------------|--------------|--------------------------|--------------|
| | September 30, | | September 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| Revenue from continuing operations: | | | | |
| As reported | \$ 1,843,829 | \$ 1,605,247 | \$ 5,366,067 | \$ 4,650,106 |
| Pro forma | 1,846,996 | 1,761,338 | 5,395,694 | 5,187,920 |
| Net earnings from continuing operations: | | | | |
| As reported | \$ 177,939 | \$ 155,288 | \$ 484,397 | \$ 437,892 |
| Pro forma | 178,013 | 161,548 | 485,737 | 455,258 |
| Basic earnings per share from continuing operations: | | | | |
| As reported | \$ 0.89 | \$ 0.76 | \$ 2.38 | \$ 2.15 |
| Pro forma | 0.89 | 0.79 | 2.39 | 2.24 |
| Diluted earnings per share from continuing operations: | | | | |
| As reported | \$ 0.88 | \$ 0.76 | \$ 2.36 | \$ 2.13 |
| Pro forma | 0.88 | 0.79 | 2.37 | 2.22 |

5 of 24

Table of Contents

DOVER CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(unaudited)

These pro forma results of operations have been prepared for comparative purposes only and include certain adjustments to actual financial results for the relevant periods, such as imputed financing costs, and estimated additional amortization and depreciation expense as a result of intangibles and fixed assets acquired. They do not purport to be indicative of the results of operations which actually would have resulted had the acquisitions occurred on the date indicated, or which may result in the future.

In connection with certain 2006 acquisitions, the Company recorded \$14.7 million of severance and facility closing costs at the date of acquisition in accordance with Emerging Issues Task Force Issue No. 95-3, Recognition of Liabilities in Connection with a Purchase Business Combination. Through the end of the third quarter of 2007, the reserve was reduced by payments of \$2.5 million and write-offs of \$1.4 million.

4. Inventory

The following table displays the components of inventory:

| <i>(in thousands)</i> | At September 30, 2007 | At December 31, 2006 |
|-----------------------|--------------------------------------|-------------------------------------|
| Raw materials | \$ 330,156 | \$ 322,630 |
| Work in progress | 173,536 | 165,993 |
| Finished goods | 266,893 | 254,256 |
| Subtotal | 770,585 | 742,879 |
| Less LIFO reserve | 50,856 | 48,248 |
| Total | \$ 719,729 | \$ 694,631 |

5. Property, Plant and Equipment

The following table displays the components of property, plant and equipment:

| <i>(in thousands)</i> | At September 30, 2007 | At December 31, 2006 |
|--------------------------------|--------------------------------------|-------------------------------------|
| Land | \$ 51,169 | \$ 50,881 |
| Buildings and improvements | 500,239 | 472,775 |
| Machinery, equipment and other | 1,676,961 | 1,555,967 |
| | 2,228,369 | 2,079,623 |
| Accumulated depreciation | (1,368,983) | (1,264,435) |
| Total | \$ 859,386 | \$ 815,188 |

6. Goodwill and Other Intangible Assets

The following table provides the changes in carrying value of goodwill by segment through the nine months ended September 30, 2007 (see Note 3 for discussion of purchase price allocations):

| Goodwill from | Other adjustments including |
|----------------------|--|
|----------------------|--|

Edgar Filing: DOVER CORP - Form 10-Q

| <i>(in thousands)</i> | At December 31, 2006 | 2007 acquisitions | currency translations | At September 30, 2007 |
|-------------------------|-----------------------------|------------------------------|----------------------------------|------------------------------|
| Electronic Technologies | \$ 963,018 | \$ 51,269 | \$ 6,518 | \$ 1,020,805 |
| Industrial Products | 833,893 | 11,520 | 767 | 846,180 |
| Fluid Management | 501,864 | 30,204 | 4,695 | 536,763 |
| Engineered Systems | 844,259 | | 17,614 | 861,873 |
| Total | \$ 3,143,034 | \$ 92,993 | \$ 29,594 | \$ 3,265,621 |

6 of 24

Table of Contents

DOVER CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(unaudited)

The following table provides the gross carrying value and accumulated amortization for each major class of intangible asset:

| <i>(in thousands)</i> | At September 30, 2007 | | | At December 31, 2006 | |
|---------------------------------------|--------------------------------------|-------------------------------------|-------------------------|--------------------------------------|-------------------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Average Life | Gross Carrying Amount | Accumulated Amortization |
| Amortized Intangible Assets: | | | | | |
| Trademarks | \$ 37,269 | \$ 13,424 | 29 | \$ 29,865 | \$ 11,848 |
| Patents | 130,339 | 71,636 | 13 | 116,128 | 64,833 |
| Customer Intangibles | 659,444 | 127,064 | 9 | 648,283 | 80,794 |
| Unpatented Technologies | 149,840 | 51,814 | 9 | 135,449 | 40,196 |
| Non-Compete Agreements | 6,451 | 4,996 | 5 | 6,146 | 4,421 |
| Drawings & Manuals | 15,872 | 5,389 | 5 | 15,765 | 4,479 |
| Distributor Relationships | 72,418 | 12,277 | 20 | 72,374 | 9,235 |
| Other | 21,749 | 10,243 | 14 | 29,217 | 8,038 |
| Total | 1,093,382 | 296,843 | 11 | 1,053,227 | 223,844 |
| Unamortized Intangible Assets: | | | | | |
| Trademarks | 244,798 | | | 235,999 | |
| Total Intangible Assets | \$ 1,338,180 | \$ 296,843 | | \$ 1,289,226 | \$ 223,844 |

7. Discontinued Operations*2007*

During the third quarter of 2007, the Company discontinued two businesses, Crenlo and Graphics Microsystems. On October 1, 2007, the Company completed the sale of Graphics Microsystems. In addition, during the third quarter of 2007, the Company finalized the sale of two previously discontinued businesses and recorded other adjustments resulting in a net after tax loss of \$1.6 million.

During the second quarter of 2007, the Company completed the sale of a previously discontinued business and recorded other adjustments for businesses still held for sale, resulting in a net loss of approximately \$5.0 million (\$8.3 million after-tax).

During the first quarter of 2007, the Company completed the sales of Kurz Kasch, discontinued in 2006, and SWF, discontinued in 2005, and recorded other adjustments for businesses still held for sale and to reserves related to completed sales, resulting in a net loss of approximately \$9.6 million (\$7.5 million after-tax).

2006

During the third quarter of 2006, the Company finalized the sales of four previously discontinued businesses. As a result of the gains on the sales (\$27.2 million net of tax) and adjustments to the carrying value of other previously discontinued businesses (\$21.6 million net of tax), the Company recorded a \$5.6 million gain, net of tax.

During the second quarter of 2006, the Company discontinued seven businesses. As a result, the Company recorded a write-down of the carrying value of these businesses to their estimated fair market value and other adjustments totaling a net loss of \$101.2 million (\$84.9 million after-tax).

During the first quarter of 2006, Dover completed the sale of Tranter PHE which was discontinued in the fourth quarter of 2005, resulting in a pre-tax gain of approximately \$109.0 million (\$85.5 million after-tax). In addition,

during the first quarter of 2006, the Company discontinued and sold a business for a loss of \$2.5 million (\$2.2 million after-tax). Also, during the first quarter of 2006, the Company discontinued an operating company, comprised of two businesses, resulting in an impairment of approximately \$15.4 million (\$14.4 million after-tax).

7 of 24

Table of Contents

DOVER CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(unaudited)

Summarized results of the Company's discontinued operations are as follows:

| <i>(in thousands)</i> | Three Months Ended | | Nine Months Ended | |
|--|---------------------------|-------------|--------------------------|-------------|
| | September 30, | | September 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| Revenue | \$ 55,289 | \$ 220,357 | \$ 211,004 | \$ 751,279 |
| Gain (loss) on sale, net of taxes (1) | \$ (1,568) | \$ 5,623 | \$ (17,401) | \$ (10,340) |
| Earnings (loss) from operations before taxes | (756) | (71) | 5,887 | 14,915 |
| Benefit (provision) for income taxes related to operations | (1,024) | 6,685 | 2,833 | 795 |
| Earnings (loss) from discontinued operations, net of tax | \$ (3,348) | \$ 12,237 | \$ (8,681) | \$ 5,370 |

(1) Includes impairments.

At September 30, 2007, the assets and liabilities of discontinued operations primarily represent amounts related to three previously discontinued businesses that were not sold as of September 30, 2007. Additional detail related to the assets and liabilities of the Company's discontinued operations is as follows:

| <i>(in thousands)</i> | At September 30, 2007 | At December 31, 2006 |
|---|------------------------------|-----------------------------|
| Assets of Discontinued Operations | | |
| Current assets | \$ 49,259 | \$ 101,165 |
| Non-current assets | 108,043 | 138,936 |
| | \$ 157,302 | \$ 240,101 |
| Liabilities of Discontinued Operations | | |
| Current liabilities | \$ 87,995 | \$ 117,303 |
| Long-term liabilities | 26,779 | 30,846 |
| | \$ 114,774 | \$ 148,149 |

In addition to the assets and liabilities of the entities currently held for sale in discontinued operations, the assets and liabilities of discontinued operations include residual amounts related to businesses previously sold. These residual amounts include property, plant and equipment, deferred tax assets, short and long-term reserves, and contingencies.

8. Debt

Dover's long-term debt with a book value of \$1,486.9 million, of which \$32.5 million matures in less than one year, had a fair value of approximately \$1,445.9 million at September 30, 2007. The estimated fair value of the long-term debt is based on quoted market prices for similar issues.

There are presently two interest rate swap agreements outstanding for a total notional amount of \$100.0 million, designated as fair value hedges on part of the Company's \$150.0 million 6.25% Notes due on June 1, 2008. One \$50.0 million interest rate swap exchanges fixed-rate interest for variable-rate interest. The other \$50.0 million swap is designated in foreign currency and exchanges fixed-rate interest for variable-rate interest, and also hedges a portion of the Company's net investment in foreign operations. The swap agreements have reduced the effective interest rate on the notes to 6.09%. There is no hedge ineffectiveness. The fair value of the interest rate swaps outstanding as of September 30, 2007 was determined through market quotation.

9. Commitments and Contingent Liabilities

A few of the Company's subsidiaries are involved in legal proceedings relating to the cleanup of waste disposal sites identified under federal and state statutes which provide for the allocation of such costs among potentially responsible parties. In each instance, the extent of the Company's liability appears to be very small in relation to the total projected expenditures and the number of other potentially responsible parties involved and is anticipated to be immaterial to the Company. In addition, a few of the Company's subsidiaries are involved in ongoing remedial activities at certain current and former plant sites, in cooperation with regulatory agencies, and appropriate reserves have been established.

Table of Contents

DOVER CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(unaudited)

The Company and certain of its subsidiaries are also parties to a number of other legal proceedings incidental to their businesses. These proceedings primarily involve claims by private parties alleging injury arising out of use of the Company's products, exposure to hazardous substances, patent infringement, employment matters and commercial disputes. Management and legal counsel periodically review the probable outcome of such proceedings, the costs and expenses reasonably expected to be incurred, the availability and extent of insurance coverage, and established reserves. While it is not possible at this time to predict the outcome of these legal actions or any need for additional reserves, in the opinion of management, based on these reviews, it is very unlikely that the disposition of the lawsuits and the other matters mentioned above will have a material adverse effect on the financial position, results of operations, cash flows or competitive position of the Company.

Estimated warranty program claims are provided for at the time of sale. Amounts provided for are based on historical costs and adjusted new claims. The changes in the carrying amount of product warranties through September 30, 2007 and 2006 are as follows:

| <i>(in thousands)</i> | 2007 | 2006 |
|------------------------------------|------------------|------------------|
| Beginning Balance January 1 | \$ 48,689 | \$ 37,283 |
| Provision for warranties | 28,606 | 26,042 |
| Increase from acquisitions | 333 | 2,483 |
| Settlements made | (24,585) | (19,875) |
| Other adjustments | 526 | 910 |
| Ending Balance September 30 | \$ 53,569 | \$ 46,843 |

10. Employee Benefit Plans

The following table sets forth the components of net periodic expense:

| <i>(in thousands)</i> | Retirement Plan Benefits | | Post Retirement Benefits | |
|--|---------------------------------|-------------|---------------------------------|-------------|
| | Three Months Ended | | Three Months Ended | |
| | September 30, | | September 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| Expected return on plan assets | \$ (7,807) | \$ (7,900) | \$ | \$ |
| Benefits earned during period | 5,810 | 5,599 | 90 | 11 |
| Interest accrued on benefit obligation | 8,673 | 8,318 | 274 | 189 |
| Amortization (A): | | | | |
| Prior service cost | 2,128 | 1,972 | (43) | (43) |
| Recognized actuarial (gain) loss | 2,717 | 2,604 | (19) | (47) |
| Transition obligation | (39) | (274) | | |
| Net periodic expense (benefit) | \$ 11,482 | \$ 10,319 | \$ 302 | \$ 110 |

| <i>(in thousands)</i> | Retirement Plan Benefits | | Post Retirement Benefits | |
|--------------------------------|---------------------------------|-------------|---------------------------------|-------------|
| | Nine Months Ended | | Nine Months Ended | |
| | September 30, | | September 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| Expected return on plan assets | \$ (23,422) | \$ (23,700) | \$ | \$ |
| Benefits earned during period | 17,430 | 16,797 | 270 | (155) |

Edgar Filing: DOVER CORP - Form 10-Q

| | | | | |
|--|-----------|-----------|--------|----------|
| Interest accrued on benefit obligation | 26,019 | 24,954 | 822 | (691) |
| Amortization (A): | | | | |
| Prior service cost | 6,383 | 5,916 | (129) | 156 |
| Recognized actuarial (gain) loss | 8,150 | 7,812 | (57) | 9 |
| Transition obligation | (116) | (822) | | |
| Settlement gain (Tranter PHE sale) (B) | | | | 4,699 |
| Net periodic expense (benefit) | \$ 34,444 | \$ 30,957 | \$ 906 | \$ 4,018 |

(A) Current year amortization amounts are recorded as increases (decreases) to Accumulated Other Comprehensive Income totaling \$9.6 million, net of tax, for the nine months ended September 30, 2007.

(B) Included in earnings (loss) from discontinued operations.

Table of Contents

DOVER CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(unaudited)

11. Comprehensive Earnings

Comprehensive earnings were as follows:

| <i>(in thousands)</i> | Three months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|-------------|--|-------------|
| | 2007 | 2006 | 2007 | 2006 |
| Net Earnings | \$ 174,591 | \$ 167,525 | \$ 475,716 | \$ 443,262 |
| Foreign currency translation adjustment | 51,757 | 22,568 | 77,236 | 85,058 |
| Unrealized holding losses, net of tax | (7) | 37 | (1,214) | (221) |
| Derivative cash flow hedges | (48) | (133) | (141) | (33) |
| SFAS 158 amortization, net of tax | 3,200 | | 9,587 | |
| Comprehensive Earnings | \$ 229,493 | \$ 189,997 | \$ 561,184 | \$ 528,066 |

12. Segment Information

During the third quarter of 2007, Dover realigned its segments and, as a result, has four reportable segments which are based on the management reporting structure used to evaluate performance. See Dover's Current Report of Form 8-K filed on September 17, 2007 for additional information. Segment financial information and a reconciliation of segment results to consolidated results follows:

| <i>(in thousands)</i> | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|----------------------------|---|--------------|--|--------------|
| | 2007 | 2006 | 2007 | 2006 |
| REVENUE | | | | |
| Industrial Products | \$ 548,823 | \$ 482,459 | \$ 1,666,559 | \$ 1,396,867 |
| Engineered Systems | 560,871 | 430,274 | 1,588,135 | 1,224,415 |
| Fluid Management | 374,503 | 337,512 | 1,096,744 | 979,713 |
| Electronic Technologies | 363,002 | 358,137 | 1,024,892 | 1,058,392 |
| Intramarket eliminations | (3,370) | (3,135) | (10,263) | (9,281) |
| Total consolidated revenue | \$ 1,843,829 | \$ 1,605,247 | \$ 5,366,067 | \$ 4,650,106 |

EARNINGS FROM CONTINUING OPERATIONS

Segment Earnings:

| | | | | |
|---------------------------|-----------|-----------|------------|------------|
| Industrial Products | \$ 75,893 | \$ 61,858 | \$ 231,118 | \$ 190,020 |
| Engineered Systems | 79,451 | 62,905 | 207,713 | 186,689 |
| Fluid Management | 79,184 | 67,297 | 226,309 | 201,101 |
| Electronic Technologies | 50,801 | 52,658 | 133,104 | 161,272 |
| Total segments | 285,329 | 244,718 | 798,244 | 739,082 |
| Corporate expense / other | (21,092) | (21,807) | (66,591) | (72,194) |

| | | | | |
|--|------------|------------|------------|------------|
| Net interest expense | (22,326) | (17,184) | (66,613) | (57,916) |
| Earnings before provision for income taxes and discontinued operations | 241,911 | 205,727 | 665,040 | 608,972 |
| Provision for income taxes | 63,972 | 50,439 | 180,643 | 171,080 |
| Earnings from continuing operations total consolidated | \$ 177,939 | \$ 155,288 | \$ 484,397 | \$ 437,892 |

13. Recent Accounting Standards

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, Fair Value Measurements (SFAS No. 157), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This statement is effective for fiscal periods beginning after November 15, 2007 and does not require any new fair value measurements. The Company is currently evaluating the impact of SFAS No. 157 on its overall results of operations and financial position.

Table of Contents

DOVER CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(unaudited)

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. This Statement allows entities to choose to measure financial instruments and certain other items at fair value. This statement is effective for fiscal periods beginning after November 15, 2007. The Company is currently evaluating the impact of SFAS No. 159 on its overall results of operations and financial position.

14. Equity and Performance Incentive Program

In the first quarter of 2007 and 2006, the Company issued stock-settled stock appreciation rights (SSARs) totaling 1,736,383 and 1,886,989, respectively. For the quarters ended September 30, 2007 and 2006, after-tax stock-based compensation expense totaled \$4.3 million and \$4.1 million, respectively. For the nine months ended September 30, 2007 and 2006, after-tax stock-based compensation expense totaled \$13.7 million and \$13.0 million, respectively.

15. Share Repurchases

During the third quarter of 2007, the Board of Directors approved a \$500 million share repurchase program authorizing repurchases of 10,000,000 common shares and the Company entered into an accelerated share repurchase agreement (ASR) under which it purchased 6,000,000 shares of its common stock at an initial purchase price of \$51.64 per share. Final settlement of this ASR is expected to occur during the fourth quarter of 2007. The final economic purchase price per share will be an average of the volume weighted average price of the Company's common stock during the outstanding period less a negotiated discount amount. In addition, during the third quarter, the Company made other open market purchases of its common stock totaling 96,032 shares at a price of \$49.03 per share. During the nine months ended September 30, 2007, the Company has repurchased 7,596,032 shares of its common stock, inclusive of the ASR, in the open market at an average price of \$51.18 per share.

11 of 24

Table of Contents**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

Refer to the section below entitled "Special Notes Regarding Forward-Looking Statements" for a discussion of factors that could cause actual results to differ from the forward-looking statements contained below and throughout this quarterly report.

OVERVIEW

Dover Corporation (Dover or the Company) is a global portfolio of manufacturing companies providing innovative components and equipment, specialty systems and support services for a variety of applications in the industrial products, engineered systems, fluid management and electronic technologies markets. During the third quarter of 2007, Dover realigned its segments and, as a result, has four reportable segments which are based on the management reporting structure used to evaluate performance. See Dover's Current Report of Form 8-K filed on September 17, 2007 for additional information. Dover discusses its operations at the platform level within the Industrial Products, Engineered Systems, and Fluid Management segments, which contain two platforms each. Electronic Technologies results are discussed at the segment level.

(1) FINANCIAL CONDITION:

Management assesses Dover's liquidity in terms of its ability to generate cash and access capital markets to fund its operating, investing and financing activities. Significant factors affecting liquidity are: cash flows generated from operating activities, capital expenditures, acquisitions, dispositions, dividends, adequacy of commercial paper and available bank lines of credit, and the ability to attract long-term capital with satisfactory terms. The Company generates substantial cash from operations and remains in a strong financial position, maintaining enough liquidity for reinvestment in existing businesses and strategic acquisitions while managing its capital structure on a short and long-term basis.

Cash and cash equivalents of \$446.0 million at September 30, 2007 increased from the December 31, 2006 balance of \$374.8 million. Cash and cash equivalents were invested in highly liquid investment grade money market instruments with a maturity of 90 days or less.

The following table is derived from the Condensed Consolidated Statements of Cash Flows:

| | Nine Months Ended September | |
|--|------------------------------------|---------------------|
| | 2007 | 30, 2006 |
| Cash Flows from Continuing Operations (<i>in thousands</i>) | | |
| Net Cash Flows Provided By (Used In): | | |
| Operating activities | \$ 537,592 | \$ 576,896 |
| Investing activities | (255,384) | (361,802) |
| Financing activities | (235,070) | (84,640) |

Cash flows provided by operating activities for the first nine months of 2007 decreased \$39.3 million from the prior year period, primarily reflecting higher incentive compensation, interest and tax payments, partially offset by higher earnings.

The cash used in investing activities in the first nine months of 2007 decreased \$106.4 million largely reflecting higher acquisition spending and proceeds received from sales of discontinued businesses in the 2006 period. Capital expenditures in the nine months of 2007 were essentially flat at \$130.7 million as compared to \$133.5 million in the prior year period. Acquisition spending was \$174.3 million during the first nine months of 2007 compared to \$511.4 million in the prior year period. Proceeds from the sales of discontinued businesses in the first nine months of 2007 were \$31.2 million compared to \$274.2 million in the 2006 period. The Company currently anticipates that any additional acquisitions made during 2007 will be funded from available cash and internally generated funds and, if necessary, through the issuance of commercial paper, use of established lines of credit or public debt markets. Cash used in financing activities for the first nine months of 2007 totaled \$235.1 million as compared to \$84.6

Table of Contents

million during the comparable period last year. The change in financing activity during the first nine months of 2007 primarily reflected cash used for the Company's accelerated stock repurchase program (ASR), partially offset by increased cash from borrowings. During 2007, the Company has purchased 7,596,032 shares of common stock in the open market at an average price of \$51.18, of which 6,096,032 shares were purchased in the third quarter of 2007 at an average price of \$51.60 per share. Shares purchased in the third quarter of 2007 included 6,000,000 shares that were purchased under the Company's ASR at an initial price of \$51.64 per share. Final settlement of this ASR is expected to occur during the fourth quarter of 2007. The final economic purchase price per share will be an average of the volume weighted average price of the Company's common stock during the outstanding period less a negotiated discount amount.

Adjusted Working Capital (a non-GAAP measure calculated as accounts receivable, plus inventory, less accounts payable) increased from the prior year end by \$125.8 million or 9% to \$1,459.6 million, which reflected increases in receivables of \$131.8 million and increases in inventory of \$25.1 million, partially offset by an increase in payables of \$31.1 million. Excluding the impact of acquisitions and foreign currency, working capital would have increased by \$71.1 million or 5%. Average Annual Adjusted Working Capital as a percentage of revenue (a non-GAAP measure calculated as the five-quarter average balance of accounts receivable, plus inventory, less accounts payable divided by the trailing twelve months of revenue) was 19.6% at September 30, 2007 compared to 19.0% at December 31, 2006 and inventory turns were 6.3 at September 30, 2007 compared to 6.4 at December 31, 2006.

In addition to measuring its cash flow generation and usage based upon the operating, investing and financing classifications included in the Condensed Consolidated Statements of Cash Flows, the Company also measures free cash flow (a non-GAAP measure). Management believes that free cash flow is an important measure of operating performance because it provides both management and investors a measurement of cash generated from operations that is available to fund acquisitions, pay dividends, repay debt and repurchase Dover's common stock. Dover's free cash flow for the nine months ended September 30, 2007 decreased \$36.5 million compared to the prior year period. The decrease reflected higher tax, incentive compensation and interest payments.

The following table is a reconciliation of free cash flow with cash flows from operating activities:

| | Nine Months Ended September 30, | |
|---|--|-------------|
| Free Cash Flow <i>(in thousands)</i> | 2007 | 2006 |
| Cash flow provided by operating activities | \$ 537,592 | \$ 576,896 |
| Less: Capital expenditures | (130,687) | (133,515) |
| Free cash flow | \$ 406,905 | \$ 443,381 |
| Free cash flow as a percentage of revenue | 7.6% | 9.5% |

The Company utilizes total debt and net debt-to-total-capitalization calculations to assess its overall financial leverage and capacity and believes the calculations are useful to investors for the same reason. The following table provides a reconciliation of total debt and net debt to total capitalization to the most directly comparable GAAP measures:

| | At September 30, 2007 | At December 31, 2006 |
|---|--------------------------------------|-------------------------------------|
| Net Debt to Total Capitalization Ratio <i>(in thousands)</i> | | |
| Current maturities of long-term debt | \$ 32,490 | \$ 32,267 |
| Commercial paper and other short-term debt | 479,160 | 258,282 |
| Long-term debt | 1,454,455 | 1,480,491 |
| Total debt | 1,966,105 | 1,771,040 |

Edgar Filing: DOVER CORP - Form 10-Q

| | | |
|----------------------------------|--------------|--------------|
| Less: Cash and cash equivalents | 446,023 | 374,845 |
| Net debt | 1,520,082 | 1,396,195 |
| Add: Stockholders' equity | 3,908,150 | 3,811,022 |
| Total capitalization | \$ 5,428,232 | \$ 5,207,217 |
| Net debt to total capitalization | 28.0% | 26.8% |

The total debt level of \$1,966.1 million at September 30, 2007 increased \$195.1 million from December 31, 2006, due to increased commercial paper borrowings used to fund the Company's ASR. The net debt increase was due

13 of 24

Table of Contents

to the higher total debt level, partially offset by an increase in cash generated from operations, in the third quarter of 2007 when compared to December 31, 2006.

Dover's long-term debt with a book value of \$1,486.9 million, of which \$32.5 million matures in less than one year, had a fair value of approximately \$1,445.9 million at September 30, 2007. The estimated fair value of the long-term debt is based on quoted market prices for similar issues.

There are presently two interest rate swap agreements outstanding for a total notional amount of \$100.0 million, designated as fair value hedges on part of the Company's \$150.0 million 6.25% Notes due on June 1, 2008. One \$50 million interest rate swap exchanges fixed-rate interest for variable-rate interest. The other \$50 million swap is designated in foreign currency and exchanges fixed-rate interest for variable-rate interest, and also hedges a portion of the Company's net investment in foreign operations. The swap agreements have reduced the effective interest rate on the notes to 6.09%. There is no hedge ineffectiveness, and the fair value of the interest rate swaps outstanding as of September 30, 2007 was determined through market quotation.

(2) RESULTS OF OPERATIONS:**CONSOLIDATED RESULTS OF OPERATIONS**

Revenue for the third quarter of 2007 increased 15% to \$1,843.8 million from the comparable 2006 period, with increases at all four segments. Overall, Dover's organic revenue growth was 3%, acquisition growth was 10%, with the remainder due to the impact of foreign exchange. Gross profit increased 17% to \$671.2 million from the prior year quarter while the gross profit margin increased 70 basis points to 36.4%.

Selling and administrative expenses of \$404.5 million for the third quarter of 2007 increased by \$57.1 million over the comparable 2006 period, primarily due to increased revenue activity. Selling and administrative expenses as a percentage of revenue increased to 21.9% from 21.6% in the comparable 2006 period.

Interest expense, net, for the third quarter of 2007 increased by \$5.1 million compared to the same quarter last year primarily due to increased commercial paper borrowings used to fund the Company's ASR and an increase in commercial paper rates. Other expense, net, of \$2.4 million and \$2.7 million for the three months ended September 30, 2007 and 2006, respectively, primarily related to the effects of foreign exchange fluctuations on assets and liabilities denominated in currencies other than the Company's functional currency.

The effective tax rate for continuing operations for the three months ended September 30, 2007 was 26.4%, compared to the prior year rate of 24.5%. The current quarter rate was impacted by a reduction in the statutory tax rate in Germany, adjustments to other reserves as required under FIN 48 offset by an earnings shift to countries with higher effective tax rates. The 2006 rate was impacted by a \$7.8 million net benefit related to the resolution of a state income tax issue. The rates for the nine months ended September 30, 2007 and 2006 were 27.2% and 28.1%, respectively. The rate for the nine months ended September 30, 2007 decreased from the comparable 2006 rate as a result of the rate change in Germany, which was partially offset by adjustments to reserves as required under FIN 48.

Effective January 1, 2007, the Company adopted Financial Accounting Standards Board Interpretation No. 48

Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 specifies the way companies are to account for uncertainty in income tax reporting, and prescribes a methodology for recognizing, reversing, and measuring the tax benefits of a tax position taken, or expected to be taken, in a tax return. As a result of adopting the new standard, the Company recorded a \$58.2 million increase to reserves as a cumulative effect decrease to opening retained earnings as of January 1, 2007, of which \$53.4 million is included in continuing operations. Including this cumulative effect adjustment, the Company had unrecognized tax benefits of \$190.5 million at January 1, 2007, of which \$35.4 million related to accrued interest and penalties. The portion of the unrecognized tax benefits included in continuing operations totaled \$147.6 million, of which \$28.0 million related to accrued interest and penalties. At January 1, 2007, the majority of these unrecognized tax benefits in continuing operations were classified as Other deferrals in the condensed consolidated balance sheet and, if recognized, the entire amount of \$147.6 million would impact the Company's effective tax rate. During the third quarter of 2007, the

Table of Contents

Company reduced its unrecognized tax benefits through Net Earnings by \$4.4 million, \$3.6 million in continuing operations, as a result of management's review of certain tax positions.

Earnings from continuing operations for the quarter increased 15% to \$177.9 million or \$0.88 EPS compared to \$155.3 million or \$0.76 EPS in the prior year third quarter. The increase was primarily a result of improvements at Industrial Products, Engineered Systems and Fluid Management.

Loss from discontinued operations for the third quarter 2007 was \$3.3 million or \$0.02 EPS compared to income of \$12.2 million or \$0.06 EPS in the comparable 2006 quarter. The 2007 loss included a \$1.6 million loss, net of tax, related to the sale of a previously discontinued business, other adjustments and a loss from operations of \$1.7 million. The 2006 income included gains on sales of businesses, net of impairments and tax, of \$5.6 million and income from operations of \$6.6 million.

Loss from discontinued operations for the nine months ended September 30, 2007 was \$8.7 million or \$0.04 EPS compared to income of \$5.4 million or \$0.03 EPS in the comparable 2006 period. The 2007 loss includes \$17.4 million in losses from the sales of previously discontinued businesses and adjustments, partially offset by income from operations of \$8.7 million. The 2006 year to date income included a net loss on the sales and impairments of businesses of \$10.3 million, offset by income from operations of \$15.7 million.

Table of Contents**SEGMENT RESULTS OF OPERATIONS****Industrial Products**

| <i>(in thousands)</i> | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|--|----------------------------------|------------|-------------|---------------------------------|--------------|-------------|
| | 2007 | 2006 | % Change | 2007 | 2006 | % Change |
| Revenue | | | | | | |
| Material Handling | \$ 233,106 | \$ 175,408 | 33% | \$ 728,129 | \$ 488,090 | 49% |
| Mobile Equipment | 315,920 | 307,310 | 3% | 939,072 | 909,486 | 3% |
| Eliminations | (203) | (259) | | (642) | (709) | |
| | \$ 548,823 | \$ 482,459 | 14% | \$ 1,666,559 | \$ 1,396,867 | 19% |
| Segment earnings | \$ 75,893 | \$ 61,858 | 23% | \$ 231,118 | \$ 190,020 | 22% |
| Operating margin | 13.8% | 12.8% | | 13.9% | 13.6% | |
| Acquisition related depreciation and amortization expense* | \$ 6,933 | \$ 6,888 | 1% | \$ 19,810 | \$ 14,148 | 40% |
| Bookings | | | | | | |
| Material Handling | \$ 228,085 | \$ 170,758 | 34% | \$ 733,540 | \$ 504,407 | 45% |
| Mobile Equipment | 298,016 | 325,345 | -8% | 1,025,983 | 939,679 | 9% |
| Eliminations | (324) | (1,589) | | (1,207) | (2,419) | |
| | \$ 525,777 | \$ 494,514 | 6% | \$ 1,758,316 | \$ 1,441,667 | 22% |
| Backlog | | | | | | |
| Material Handling | | | | \$ 153,245 | \$ 156,112 | -2% |
| Mobile Equipment | | | | 529,423 | 417,467 | 27% |
| Eliminations | | | | (275) | (147) | |
| | | | | \$ 682,393 | \$ 573,432 | 19% |

Industrial Products increases in revenue and earnings were primarily due to the August 2006 acquisition of Paladin and the July 2007 acquisition of Hanmecson International, a Chinese manufacturer of vehicle lifts. The segment achieved organic revenue growth in the quarter of 1%, with the remainder of revenue growth primarily due to the recent acquisitions.

Material Handling revenue and earnings increased 33% and 27%, respectively, when compared to the prior year third quarter. Substantially all of the revenue and earnings increase was due to the August 2006 acquisition of Paladin. The strong military market was partially offset by the continued slowdown in the construction, automotive and Canadian oil drilling markets. In addition, plant rationalization, global sourcing, and new product introduction continue to improve margins.

Mobile Equipment revenue increased 3% over the prior year third quarter due to the acquisition of Hanmecson International and strength in the petroleum, crude oil and military markets. Partially offsetting these gains, the platform experienced continued weakness in the North American automotive service industry, refuse business

shipments impacted by chassis availability and softness in aerospace service results. Earnings increased 12% driven by volume leverage in the trailer and automotive lift businesses.

For the nine months ended September 30, 2007, the increases in Industrial Products revenue and earnings were driven by Material Handling, which had increases of 49% and 36%, respectively. Mobile Equipment revenue and earnings increased 3% and 11%, respectively.

Table of Contents**Engineered Systems**

| <i>(in thousands)</i> | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|--|---|-------------|---------------------|--|--------------|---------------------|
| | 2007 | 2006 | % Change | 2007 | 2006 | % Change |
| Revenue | | | | | | |
| Engineered Products | \$ 333,254 | \$ 286,792 | 16% | \$ 929,540 | \$ 829,162 | 12% |
| Product Identification | 227,617 | 143,482 | 59% | 658,595 | 395,253 | 67% |
| | \$ 560,871 | \$ 430,274 | 30% | \$ 1,588,135 | \$ 1,224,415 | 30% |
| Segment earnings | \$ 79,451 | \$ 62,905 | 26% | \$ 207,713 | \$ 186,689 | 11% |
| Operating margin | 14.2% | 14.6% | | 13.1% | 15.2% | |
| Acquisition related depreciation and amortization expense* | \$ 6,257 | \$ 4,000 | 56% | \$ 24,305 | \$ 9,232 | 163% |
| Bookings | | | | | | |
| Engineered Products | \$ 294,235 | \$ 290,647 | 1% | \$ 961,734 | \$ 892,112 | 8% |
| Product Identification | 231,166 | 145,929 | 58% | 665,873 | 398,143 | 67% |
| | \$ 525,401 | \$ 436,576 | 20% | \$ 1,627,607 | \$ 1,290,255 | 26% |
| Backlog | | | | | | |
| Engineered Products | | | | \$ 287,901 | \$ 256,306 | 12% |
| Product Identification | | | | 68,682 | 48,042 | 43% |
| | | | | \$ 356,583 | \$ 304,348 | 17% |

Engineered Systems increases in revenue and earnings over the prior year third quarter were primarily a result of the December 2006 Markem acquisition in the Product Identification platform. The segment achieved organic revenue growth of 9% in the quarter, while foreign exchange accounted for 2% of the revenue increase.

The Engineered Products platform had positive growth with revenue and earnings increases of 16% and 17%, respectively, over the prior year third quarter reflecting broad gains across all businesses, with the exception of weakness in the ATM business. Sequentially, revenues were up 7%, but earnings declined by 5%. The increase in sequential revenue was the result of strong shipments for retail food equipment as retailers continued to build new stores and remodel at a strong pace, partially offset by the weak ATM business.

Product Identification platform revenue increased 59% while earnings increased 44% over the prior year third quarter. The majority of the increases were the result of the acquisition of Markem. Strong growth in the core direct marketing business also positively impacted revenue and earnings however this growth was partially affected by softness in the table top and portable printer product markets.

For the nine months ended September 30, 2007, the increase in Engineered Systems revenue was primarily driven by the Product Identification platform which had revenue and earnings increases of 67% and 38%, respectively.

Engineered Products revenue and earnings increased 12% and 4%, respectively.

Table of Contents**Fluid Management**

| <i>(in thousands)</i> | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|--|----------------------------------|------------|----------|---------------------------------|--------------|----------|
| | 2007 | 2006 | % Change | 2007 | 2006 | % Change |
| Revenue | | | | | | |
| Energy | \$ 197,759 | \$ 178,054 | 11% | \$ 575,816 | \$ 501,317 | 15% |
| Fluid Solutions | 176,756 | 159,478 | 11% | 521,004 | 478,367 | 9% |
| Eliminations | (12) | (20) | | (76) | 29 | |
| | \$ 374,503 | \$ 337,512 | 11% | \$ 1,096,744 | \$ 979,713 | 12% |
| Segment earnings | \$ 79,184 | \$ 67,297 | 18% | \$ 226,309 | \$ 201,101 | 13% |
| Operating margin | 21.1% | 19.9% | | 20.6% | 20.5% | |
| Acquisition related depreciation and amortization expense* | \$ 3,796 | \$ 3,761 | 1% | \$ 11,408 | \$ 12,184 | -6% |
| Bookings | | | | | | |
| Energy | \$ 194,733 | \$ 186,444 | 4% | \$ 582,245 | \$ 523,263 | 11% |
| Fluid Solutions | 177,021 | 158,783 | 11% | 529,929 | 486,802 | 9% |
| Eliminations | (12) | (20) | | (43) | (51) | |
| | \$ 371,742 | \$ 345,207 | 8% | \$ 1,112,131 | \$ 1,010,014 | 10% |
| Backlog | | | | | | |
| Energy | | | | \$ 87,105 | \$ 88,161 | -1% |
| Fluid Solutions | | | | 73,007 | 61,794 | 18% |
| Eliminations | | | | | (3) | |
| | | | | \$ 160,112 | \$ 149,952 | 7% |

Fluid Management revenue and earnings increases over the prior year third quarter were driven by continuing strength in the oil, gas and power generation sectors served by the Energy platform as well as the diverse markets served by the Fluid Solutions platform. Overall, the segment had organic revenue growth of 8%, with the remainder from foreign exchange.

The segment's Energy platform achieved a 15% earnings improvement on an 11% increase in revenue, primarily due to the oil and gas market and increasing global power generation demand. Earnings growth across the platform was due to higher volume and productivity gains.

The Fluid Solutions platform revenue increased 11% and earnings improved 20% mainly as a result of higher demand in Europe and new product introductions. In addition, business mix and cost containment efforts contributed to the improved margin.

For the nine months ended September 30, 2007, the increase in Fluid Management revenue and earnings was led by the Energy platform, which had increases of 15% and 14%, respectively. Fluid Solutions revenue and earnings increased 9% and 7%, respectively.

Table of Contents**Electronic Technologies**

| <i>(in thousands)</i> | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|--|---|-------------|-----------------|--|--------------|-----------------|
| | 2007 | 2006 | % Change | 2007 | 2006 | % Change |
| Revenue | \$ 363,002 | \$ 358,137 | 1% | \$ 1,024,892 | \$ 1,058,392 | -3% |
| Segment earnings | \$ 50,801 | \$ 52,658 | -4% | \$ 133,104 | \$ 161,272 | -17% |
| Operating margin | 14.0% | 14.7% | | 13.0% | 15.2% | |
| Acquisition related depreciation and amortization expense* | \$ 9,957 | \$ 7,976 | 25% | \$ 29,032 | \$ 24,820 | 17% |
| Bookings | 381,804 | 340,645 | 12% | 1,048,501 | 1,087,558 | -4% |
| Backlog | | | | 266,474 | 227,528 | 17% |

Electronic Technologies revenue increase over the prior year third quarter was primarily as a result of the acquisition of Pole/Zero. The semi-conductor end markets were unfavorable in comparison to a year ago although they continue to improve sequentially. Medical and Military/Space end markets remain strong while overall Telecom markets remained relatively flat. Overall, the increases in revenue due to acquisitions and foreign exchange of 4% and 3%, respectively, were substantially offset by a decrease in organic revenue of 6%.

Overall margins decreased slightly on a quarter over quarter basis, while improving sequentially, reflecting mix, increased R&D costs on new products, the lower overall contribution on the initial roll out of new products and lower revenue levels in the printed circuit board and semiconductor markets.

For the nine months ended September 30, 2007, Electronic Technologies revenue and earnings decreased 3% and 17%, respectively, reflecting weakness in the semi-conductor market.

* Represents the pre-tax impact on earnings from the depreciation and amortization of acquisition accounting write-ups to reflect the fair value of inventory, property, plant and equipment, and Intangible assets.

Critical Accounting Policies

The Company's consolidated financial statements and related public financial information are based on the application of generally accepted accounting principles in the United States of America (GAAP). GAAP requires the use of estimates, assumptions, judgments and subjective interpretations of accounting principles that have an impact on the assets, liabilities, revenue and expense amounts reported. These estimates can also affect supplemental information contained in the public disclosures of the Company, including information regarding contingencies, risk and its financial condition. The Company believes its use of estimates and underlying accounting assumptions conform to GAAP and are consistently applied. Valuations based on estimates are reviewed for reasonableness on a consistent basis throughout the Company.

Recent Accounting Standards

See Note 13 Recent Accounting Standards

Special Notes Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, particularly Management's Discussion and Analysis, contains forward-looking statements within the meaning of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Such statements relate to, among other things, income, earnings, cash flows, changes in operations, operating improvements, industries in which Dover companies operate and the U.S. and global economies. Statements in this 10-Q that are not historical are hereby identified as

forward-looking statements and may be indicated by words or phrases such as anticipates, supports, plans, projects, expects, believes, should, would, could, hope, forecast, management is of the opinion, use of the future, similar words or phrases. Forward-looking statements are subject to inherent uncertainties and risks, including among others: increasing price and product/service

Table of Contents

competition by foreign and domestic competitors including new entrants; the impact of technological developments and changes on Dover companies, particularly companies in the Electronic Technologies segment; the ability to continue to introduce competitive new products and services on a timely, cost-effective basis; changes in the cost or availability of energy or raw materials; changes in customer demand; the extent to which Dover companies are successful in expanding into new geographic markets, particularly outside of North America; the relative mix of products and services which impacts margins and operating efficiencies; short-term capacity restraints; the achievement of lower costs and expenses; domestic and foreign governmental and public policy changes including environmental regulations and tax policies (including domestic and foreign export subsidy programs, R&E credits and other similar programs); unforeseen developments in contingencies such as litigation; protection and validity of patent and other intellectual property rights; the success of the Company's acquisition program; the cyclical nature of some of Dover's companies; the impact of natural disasters, such as hurricanes, and their effect on global energy markets; domestic housing industry weakness and related credit market challenges; and continued events in the Middle East and possible future terrorist threats and their effect on the worldwide economy. In addition, such statements could be affected by general industry and market conditions and growth rates, and general domestic and international economic conditions including interest rate and currency exchange rate fluctuations. In light of these risks and uncertainties, actual events and results may vary significantly from those included in or contemplated or implied by such statements. Readers are cautioned not to place undue reliance on such forward-looking statements. These forward-looking statements speak only as of the date made. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

The Company may, from time to time, post financial or other information on its Internet website, www.dovercorporation.com. The Internet address is for informational purposes only and is not intended for use as a hyperlink. The Company is not incorporating any material on its website into this report.

Non-GAAP Information

In an effort to provide investors with additional information regarding the Company's results as determined by generally accepted accounting principles (GAAP), the Company also discloses non-GAAP information which management believes provides useful information to investors. Free cash flow, net debt, total debt, total capitalization, adjusted working capital, average annual adjusted working capital, revenues excluding the impact of changes in foreign currency exchange rates and organic revenue growth are not financial measures under GAAP and should not be considered as a substitute for cash flows from operating activities, debt or equity, revenue and working capital as determined in accordance with GAAP, and they may not be comparable to similarly titled measures reported by other companies. Management believes the (1) net debt to total capitalization ratio and (2) free cash flow are important measures of operating performance and liquidity. Net debt to total capitalization is helpful in evaluating the Company's capital structure and the amount of leverage it employs. Free cash flow provides both management and investors a measurement of cash generated from operations that is available to fund acquisitions, pay dividends, repay debt and repurchase the Company's common stock. Reconciliations of free cash flow, total debt and net debt can be found in Part (1) of Item 2-Management's Discussion and Analysis. Management believes that reporting adjusted working capital (also sometimes called working capital), which is calculated as accounts receivable, plus inventory, less accounts payable, provides a meaningful measure of the Company's operational results by showing the changes caused solely by revenue. Management believes that reporting adjusted working capital and revenues at constant currency, which excludes the positive or negative impact of fluctuations in foreign currency exchange rates, provides a meaningful measure of the Company's operational changes, given the global nature of Dover's businesses. Management believes that reporting organic revenue growth, which excludes the impact of foreign currency exchange rates and the impact of acquisitions, provides a useful comparison of the Company's revenue performance and trends between periods.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no significant change in the Company's exposure to market risk during the first nine months of 2007. For a discussion of the Company's exposure to market risk, refer to Item 7A, Quantitative and Qualitative Disclosures about Market Risk, contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

Item 4. Controls and Procedures

At the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(e). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2007.

During the third quarter of 2007, there were no changes in the Company's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. In making its assessment of changes in internal control over financial reporting as of September 30, 2007, management has excluded those companies acquired in purchase business combinations during the twelve months ended September 30, 2007. The Company is currently assessing the control environments of these acquisitions. These companies are wholly-owned by the Company and their total revenue for the three and nine month periods ended September 30, 2007 represent approximately 5.8% and 5.4%, respectively, of the Company's consolidated revenue for the same periods. Their assets represent approximately 11.9% of the Company's consolidated assets at September 30, 2007.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

See Part I, Notes to Condensed Consolidated Financial Statements, Note 9.

Item 1A. Risk Factors

There have been no material changes with respect to risk factors as previously disclosed in Dover's Annual Report on Form 10-K for its fiscal year ended December 31, 2006.

Table of Contents**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

(a) Not applicable.

(b) Not applicable.

(c) The table below presents shares of the Company's stock which were acquired by the Company during the quarter:

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased under the Plans or Programs (4) |
|-----------------------------------|---|---|---|---|
| July 1 to July 31 | 96,032(1) | \$ 49.03 | | |
| August 1 to August 31 | 6,020,917(2) | 51.64 | 6,000,000(3) | 4,000,000 |
| September 1 to September 30 | | | | 4,000,000 |
| For the Third Quarter 2007 | 6,116,949 | 51.60 | 6,000,000 | 4,000,000 |

(1) These shares were purchased in open market transactions.

(2) 20,917 of these shares were acquired by the Company from the holders of its employee stock options when they tendered shares as full or partial payment of the exercise price of such options. These shares are applied against the exercise price at the

market price on the date of exercise. The remainder of the shares were purchased as part of the Company's ASR.

(3) Represents shares purchased as part of the Company's ASR program. See Note 15 to the Condensed Consolidated Financial Statements.

(4) The program authorizes total repurchases of 10,000,000 common shares.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

(a) None.

(b) None.

Item 6. Exhibits

- 31.1 Certificate pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, signed and dated by Robert G. Kuhbach.
- 31.2 Certificate pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, signed and dated by Ronald L. Hoffman.
- 32 Certificate pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed and dated by Ronald L. Hoffman and Robert G. Kuhbach.

Table of Contents

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report on Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

DOVER CORPORATION

Date: October 24, 2007

/s/ Robert G. Kuhbach
Robert G. Kuhbach, Vice President,
Finance &
Chief Financial Officer
(Principal Financial Officer)

Date: October 24, 2007

/s/ Raymond T. McKay, Jr.
Raymond T. McKay, Jr., Vice President,
Controller
(Principal Accounting Officer)

23 of 24

Table of Contents

EXHIBIT INDEX

- 31.1 Certificate pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, signed and dated by Robert G. Kuhbach.
- 31.2 Certificate pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 as amended, signed and dated by Ronald L. Hoffman.
- 32 Certificate pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed and dated by Ronald L. Hoffman and Robert G. Kuhbach.

24 of 24