

DOVER CORP  
Form 10-Q  
October 23, 2009

**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, 2009**  
**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 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a smaller reporting company)

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

The number of shares outstanding of the Registrant's common stock as of October 19, 2009 was 186,176,669.

**Dover Corporation**  
**Form 10-Q**  
**Table of Contents**

**PART I FINANCIAL INFORMATION**

<b>Page</b>	<b>Item</b>
	<b><u>Item 1. Financial Statements (unaudited)</u></b>
<b><u>1</u></b>	<b><u>Condensed Consolidated Statements of Operations</u></b> <i>(For the three and nine months ended September 30, 2009 and 2008)</i>
<b><u>2</u></b>	<b><u>Condensed Consolidated Balance Sheets</u></b> <i>(At September 30, 2009 and December 31, 2008)</i>
<b><u>2</u></b>	<b><u>Condensed Consolidated Statement of Stockholders' Equity</u></b> <i>(For the nine months ended September 30, 2009)</i>
<b><u>3</u></b>	<b><u>Condensed Consolidated Statements of Cash Flows</u></b> <i>(For the nine months ended September 30, 2009 and 2008)</i>
<b><u>3</u></b>	<b><u>Notes to Condensed Consolidated Financial Statements</u></b>
<b><u>14</u></b>	<b><u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>
<b><u>23</u></b>	<b><u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u></b>
<b><u>23</u></b>	<b><u>Item 4. Controls and Procedures</u></b>

**PART II OTHER INFORMATION**

<b>Page</b>	<b>Item</b>
<b><u>23</u></b>	<b><u>Item 1. Legal Proceedings</u></b>
<b><u>23</u></b>	<b><u>Item 1A. Risk Factors</u></b>
<b><u>23</u></b>	<b><u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u></b>
<b><u>23</u></b>	<b><u>Item 3. Defaults Upon Senior Securities</u></b>
<b><u>23</u></b>	<b><u>Item 4. Submission of Matters to a Vote of Security Holders</u></b>
<b><u>24</u></b>	<b><u>Item 5. Other Information</u></b>
<b><u>24</u></b>	<b><u>Item 6. Exhibits</u></b>
<b><u>25</u></b>	<b><u>Signatures</u></b>
<b><u>26</u></b>	<b><u>Exhibit Index</u></b>

[EX-31.1](#)

[EX-31.2](#)

[EX-32](#)

[EX-101 INSTANCE DOCUMENT](#)

[EX-101 SCHEMA DOCUMENT](#)

[EX-101 CALCULATION LINKBASE DOCUMENT](#)

[EX-101 LABELS LINKBASE DOCUMENT](#)

[EX-101 PRESENTATION LINKBASE DOCUMENT](#)

[EX-101 DEFINITION LINKBASE DOCUMENT](#)

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

Table of Contents

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

**PART I FINANCIAL INFORMATION****Item 1. Financial Statements**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Revenue</b>	\$ 1,499,611	\$ 1,965,776	\$ 4,269,028	\$ 5,842,240
Cost of goods and services	941,345	1,261,433	2,735,308	3,718,732
<b>Gross profit</b>	558,266	704,343	1,533,720	2,123,508
Selling and administrative expenses	378,125	434,992	1,110,476	1,325,299
<b>Operating earnings</b>	180,141	269,351	423,244	798,209
Interest expense, net	26,299	25,924	73,537	76,743
Other expense (income), net	(903)	(12,644)	(1,124)	(8,926)
Total interest/other expense, net	25,396	13,280	72,413	67,817
<b>Earnings before provision for income taxes and discontinued operations</b>	154,745	256,071	350,831	730,392
Provision for income taxes	47,261	65,736	81,378	205,216
<b>Earnings from continuing operations</b>	107,484	190,335	269,453	525,176
Loss from discontinued operations, net	(600)	(2,685)	(12,063)	(55,072)
<b>Net earnings</b>	\$ 106,884	\$ 187,650	\$ 257,390	\$ 470,104
<b>Basic earnings (loss) per common share:</b>				
Earnings from continuing operations	\$ 0.58	\$ 1.02	\$ 1.45	\$ 2.77
Loss from discontinued operations, net		(0.01)	(0.06)	(0.29)
Net earnings	0.57	1.01	1.38	2.48
Weighted average shares outstanding	186,148	186,488	186,077	189,326
<b>Diluted earnings (loss) per common share:</b>				
Earnings from continuing operations	\$ 0.58	\$ 1.01	\$ 1.45	\$ 2.76
Loss from discontinued operations, net		(0.01)	(0.06)	(0.29)
Net earnings	0.57	1.00	1.38	2.47
Weighted average shares outstanding	186,358	187,706	186,321	190,531

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Dividends paid per common share                   \$       0.26       \$       0.25       \$       0.76       \$       0.65

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Weighted average shares outstanding   Basic	186,148	186,488	186,077	189,326
Dilutive effect of stock options, SARS and performance shares	210	1,218	244	1,205
 Weighted average shares outstanding Diluted	 186,358	 187,706	 186,321	 190,531
 Anti-dilutive equity securities excluded from diluted EPS computation	 12,404	 3,735	 9,721	 3,735

See Notes to Condensed Consolidated Financial Statements

**Table of Contents**

**DOVER CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(unaudited) (in thousands)

	At September 30, 2009	At December 31, 2008
<b>Current assets:</b>		
Cash and equivalents	\$ 597,504	\$ 547,409
Short-term investments	332,000	279,460
Receivables, net of allowances of \$47,455 and \$32,647	935,948	1,013,174
Inventories, net	567,322	636,121
Prepaid and other current assets	79,213	80,268
Deferred tax asset	77,581	73,687
<b>Total current assets</b>	<b>2,589,568</b>	<b>2,630,119</b>
<b>Property, plant and equipment, net</b>	<b>843,313</b>	<b>872,134</b>
<b>Goodwill</b>	<b>3,274,053</b>	<b>3,255,566</b>
<b>Intangible assets, net</b>	<b>899,030</b>	<b>952,409</b>
<b>Other assets and deferred charges</b>	<b>114,093</b>	<b>103,904</b>
<b>Assets of discontinued operations</b>	<b>52,254</b>	<b>69,106</b>
<b>Total assets</b>	<b>\$ 7,772,311</b>	<b>\$ 7,883,238</b>
<b>Current liabilities:</b>		
Notes payable and current maturities of long-term debt	\$ 33,875	\$ 224,944
Accounts payable	363,665	373,436
Accrued compensation and employee benefits	204,160	305,572
Accrued insurance	114,353	104,938
Other accrued expenses	209,071	209,619
Federal and other taxes on income	18,329	35,005
<b>Total current liabilities</b>	<b>943,453</b>	<b>1,253,514</b>
<b>Long-term debt</b>	<b>1,826,989</b>	<b>1,860,729</b>
<b>Deferred income taxes</b>	<b>325,738</b>	<b>314,405</b>
<b>Other deferrals</b>	<b>576,469</b>	<b>582,601</b>
<b>Liabilities of discontinued operations</b>	<b>59,248</b>	<b>79,123</b>
<b>Total liabilities</b>	<b>3,731,897</b>	<b>4,090,372</b>
<b>Commitments and contingent liabilities</b>		
<b>Stockholders' Equity:</b>		
Total stockholders' equity	4,040,414	3,792,866
<b>Total liabilities and stockholders' equity</b>	<b>\$ 7,772,311</b>	<b>\$ 7,883,238</b>

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

	<b>Common Stock \$1 Par Value</b>	<b>Additional Paid-In Capital</b>	<b>Accumulated Other Comprehensive Earnings</b>	<b>Retained Earnings</b>	<b>Treasury Stock</b>	<b>Total Stockholders Equity</b>
<b>Balance at 12/31/2008</b>	\$ 246,615	\$ 455,228	\$ 10,816	\$ 5,286,458	\$ (2,206,251)	\$ 3,792,866
Net earnings				257,390		257,390
Dividends paid				(141,431)		(141,431)
Common stock issued for options exercised	174	4,898				5,072
Tax benefit from the exercise of stock options		225				225
Stock-based compensation expense		13,944				13,944
Translation of foreign financial statements			104,028			104,028
Unrealized holding gains, net of tax			1,031			1,031
Pension amortization, net of tax			7,289			7,289
<b>Balance at 9/30/2009</b>	\$ 246,789	\$ 474,295	\$ 123,164	\$ 5,402,417	\$ (2,206,251)	\$ 4,040,414

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

See Notes to Condensed Consolidated Financial Statements

**Table of Contents**

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

	<b>Nine Months Ended September</b>	
	<b>30,</b>	
	<b>2009</b>	<b>2008</b>
<b>Operating Activities of Continuing Operations</b>		
Net earnings	\$ 257,390	\$ 470,104
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Loss from discontinued operations	12,063	55,072
Depreciation and amortization	191,900	197,884
Stock-based compensation	14,926	21,882
Cash effect of changes in current assets and liabilities (excluding effects of acquisitions, dispositions and foreign exchange):		
Accounts receivable	108,526	(81,783)
Inventories	92,799	(10,238)
Prepaid expenses and other assets	3,156	10,914
Accounts payable	(23,327)	48,889
Accrued expenses	(102,124)	(290)
Accrued and deferred taxes, net	10,135	14,690
Other non-current, net	(11,331)	12,939
<b>Net cash provided by operating activities of continuing operations</b>	<b>554,113</b>	<b>740,063</b>
<b>Investing Activities of Continuing Operations</b>		
Purchase of short-term investments	(348,439)	(219,359)
Proceeds from sale of short-term investments	304,103	
Proceeds from the sale of property and equipment	12,995	6,420
Additions to property, plant and equipment	(83,250)	(133,319)
Proceeds from sales of businesses	1,375	12,774
Acquisitions (net of cash and cash equivalents acquired)	(43,264)	(99,852)
<b>Net cash used in investing activities of continuing operations</b>	<b>(156,480)</b>	<b>(433,336)</b>
<b>Financing Activities of Continuing Operations</b>		
Decrease in notes payable, net	(192,557)	(232,057)
Reduction of long-term debt	(34,135)	(183,463)
Proceeds from long-term debt		594,120
Purchase of treasury stock		(466,736)
Proceeds from exercise of stock options, including tax benefits	5,297	78,652
Dividends to stockholders	(141,431)	(122,571)
<b>Net cash used in financing activities of continuing operations</b>	<b>(362,826)</b>	<b>(332,055)</b>



**Cash Flows From Discontinued Operations**

Net cash (used in) provided by operating activities of discontinued operations	(15,863)	6,309
Net cash used in investing activities of discontinued operations	(586)	(1,254)
<b>Net cash (used in) provided by discontinued operations</b>	<b>(16,449)</b>	<b>5,055</b>
Effect of exchange rate changes on cash	31,737	(9,900)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>50,095</b>	<b>(30,173)</b>
Cash and cash equivalents at beginning of period	547,409	606,105
<b>Cash and cash equivalents at end of period</b>	<b>\$ 597,504</b>	<b>\$ 575,932</b>

See Notes to Condensed Consolidated Financial Statements

**Table of Contents****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 (the Company ) Annual Report on Form 10-K for the year ended December 31, 2008, which provides a more complete understanding of the Company 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 statement 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 year amounts have been reclassified to conform with the current period presentation.

**2. Acquisitions**

The 2009 asset acquisitions are wholly-owned and had an aggregate cost of \$43.0 million, net of cash acquired, at the date of acquisition. The following table details the acquisitions made during 2009.

**2009 Acquisitions**

<b>Date</b>	<b>Type</b>	<b>Acquired Companies</b>	<b>Location (Near)</b>	<b>Segment</b>	<b>Platform</b>	<b>Company</b>
8-May	Asset	Tyler Refrigeration	Niles, MI	Engineered Systems	Engineered Products	Hill PHOENIX
24-Aug	Asset	Mechanical Field Services	Gardendale, TX	Fluid Management	Energy	Cook Compression

The Company is in the process of 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 allocations as of the date of these financial statements.

The following unaudited pro forma information illustrates the effect on the Company s revenue and net earnings for the three and nine months ended September 30, 2009 and 2008, assuming that the 2009 and 2008 acquisitions had all taken place on January 1, 2008.

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<i>(in thousands, except per share figures)</i>				
Revenue from continuing operations:				
As reported	\$ 1,499,611	\$ 1,965,776	\$ 4,269,028	\$ 5,842,240
Pro forma	1,501,012	2,023,063	4,351,122	6,028,409
Net earnings from continuing operations:				
As reported	\$ 107,484	\$ 190,335	\$ 269,453	\$ 525,176
Pro forma	107,694	191,201	270,994	529,130
Basic earnings per share from continuing operations:				
As reported	\$ 0.58	\$ 1.02	\$ 1.45	\$ 2.77
Pro forma	0.58	1.03	1.46	2.79
Diluted earnings per share from continuing operations:				
As reported	\$ 0.58	\$ 1.01	\$ 1.45	\$ 2.76
Pro forma	0.58	1.02	1.45	2.78

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 expenses as a result of intangibles and fixed assets acquired. They do not

purport to be indicative of the results of operations that actually would have resulted had the acquisitions occurred on the date indicated or that may result in the future.

In connection with certain acquisitions that occurred prior to January 1, 2009, the Company had reserves related to severance and facility closings of \$21.8 million and \$27.9 million at September 30, 2009 and December 31, 2008, respectively. During the nine months ended September 30, 2009 the reserves were reduced by payments of \$6.9 million of which \$1.2 million was recorded in the third quarter. During the nine months ended September 30, 2008, the Company recorded payments and write-downs of \$3.6 million, of which \$1.3 million was recorded in the third quarter.

**Table of Contents****3. Inventory**

The following table displays the components of inventory:

<i>(in thousands)</i>	<b>At September 30, 2009</b>	<b>At December 31, 2008</b>
Raw materials	\$ 297,528	\$ 319,407
Work in progress	138,438	144,017
Finished goods	183,938	231,507
<b>Subtotal</b>	<b>619,904</b>	<b>694,931</b>
Less LIFO reserve	52,582	58,810
<b>Total</b>	<b>\$ 567,322</b>	<b>\$ 636,121</b>

**4. Property, Plant and Equipment**

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

<i>(in thousands)</i>	<b>At September 30, 2009</b>	<b>At December 31, 2008</b>
Land	\$ 49,544	\$ 49,015
Buildings and improvements	555,524	547,223
Machinery, equipment and other	1,838,758	1,792,615
	2,443,826	2,388,853
Accumulated depreciation	(1,600,513)	(1,516,719)
<b>Total</b>	<b>\$ 843,313</b>	<b>\$ 872,134</b>

**5. 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, 2009:

<i>(in thousands)</i>	<b>At December 31, 2008</b>	<b>Goodwill from 2009 acquisitions</b>	<b>Other adjustments including currency translations</b>	<b>At September 30, 2009</b>
Electronic Technologies	\$ 976,706	\$	\$ 4,973	\$ 981,679
Industrial Products	919,215		516	919,731
Fluid Management	571,221	4,364	2,873	578,458
Engineered Systems	788,424		5,761	794,185
<b>Total</b>	<b>\$3,255,566</b>	<b>\$ 4,364</b>	<b>\$14,123</b>	<b>\$3,274,053</b>



**Table of Contents**

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

	At September 30, 2009		Average Life (Years)	At December 31, 2008	
	Gross Carrying Amount	Accumulated Amortization		Gross Carrying Amount	Accumulated Amortization
<i>(dollar amounts in thousands)</i>					
<b>Amortized Intangible Assets:</b>					
Trademarks	\$ 67,132	\$ 15,401	16	\$ 32,223	\$ 12,453
Patents	126,630	82,148	19	129,233	79,241
Customer Intangibles	695,789	251,586	10	681,636	200,169
Unpatented Technologies	135,798	72,625	9	129,303	61,871
Non-Compete Agreements	3,391	3,302	6	3,475	3,400
Drawings & Manuals	13,761	6,301	5	13,653	5,441
Distributor Relationships	73,247	20,042	18	72,413	17,193
Other	18,190	12,091	12	22,725	10,270
<b>Total</b>	<b>1,133,938</b>	<b>463,496</b>	<b>12</b>	<b>1,084,661</b>	<b>390,038</b>
<b>Unamortized Intangible Assets:</b>					
Trademarks	228,588			257,786	
<b>Total Intangible Assets</b>	<b>\$ 1,362,526</b>	<b>\$ 463,496</b>		<b>\$ 1,342,447</b>	<b>\$ 390,038</b>

**6. Income Taxes**

The Company's provision for income taxes for continuing operations in interim periods is computed by applying its estimated annual effective tax rate against earnings before income tax expense for the period. In addition, non-recurring or discrete items are recorded during the period in which they occur. The effective tax rates for the three and nine months ended September 30, 2009 were 30.5% and 23.2% compared to the prior year rates of 25.7% and 28.1%, respectively. The effective tax rate for the nine months ended September 30, 2009 was improved by \$28.4 million of net benefits recognized for tax positions that were effectively settled primarily in the second quarter of 2009. The effective tax rate of 25.7% for the three months ended September 30, 2008 was impacted by \$8.8 million of benefits recognized for tax positions that were settled in the third quarter of 2008. A higher percentage of domestic earnings and the mix of non-U.S. earnings in low-tax jurisdictions both had a negative impact on the effective tax rates for the three and nine months ended September 30, 2009 compared to the prior year periods, absent the settlement of tax positions.

**7. Discontinued Operations**

2009

During the first quarter of 2009, the Company recorded adjustments to the carrying value of a business held for sale and other adjustments resulting in a net after-tax loss of approximately \$7.4 million. Adjustments made during the second and third quarter of 2009 were nominal. The after-tax loss for the nine months ended September 30, 2009 is approximately \$7.7 million.

2008

During the third quarter of 2008, the Company completed the sale of a previously discontinued business and recorded other adjustments resulting in a net loss of approximately \$0.7 million.

During the second quarter of 2008, the Company discontinued Triton in the Engineered Systems segment and recorded a \$51.1 million write-down to the carrying value of Triton to its estimated fair market value and in the first quarter of 2008, the Company recorded adjustments to the carrying value of a business held for sale and other

adjustments resulting in a net after-tax loss of approximately \$2.0 million.

6

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**Table of Contents**

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

<i>(in thousands)</i>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Revenue	\$ 14,046	\$ 17,277	\$ 40,379	\$ 70,396
Loss on sale, net of taxes (1)	\$ (203)	\$ (741)	\$ (7,656)	\$ (53,713)
Income (Loss) from operations before taxes	1,199	(2,714)	(1,685)	(2,732)
Benefit (provision) for income taxes related to operations	(1,596)	770	(2,722)	1,373
Loss from discontinued operations, net of tax	\$ (600)	\$ (2,685)	\$ (12,063)	\$ (55,072)

(1) Includes impairments and other adjustments to the carrying value of assets held for sale or previously sold discontinued operations.

At September 30, 2009, the assets and liabilities of discontinued operations primarily represent amounts related to one remaining unsold business. Additional detail related to the assets and liabilities of the Company's discontinued operations is as follows:

<i>(in thousands)</i>	<b>At September 30, 2009</b>	<b>At December 31, 2008</b>
<b>Assets of Discontinued Operations</b>		
Current assets	\$ 30,039	\$ 32,498
Non-current assets	22,215	36,608
	\$ 52,254	\$ 69,106
<b>Liabilities of Discontinued Operations</b>		
Current liabilities	\$ 15,371	\$ 13,371
Non-current liabilities	43,877	65,752
	\$ 59,248	\$ 79,123



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. Hedging Activities and Debt**

#### Hedging Activities

The Company periodically enters into financial transactions specifically to hedge its exposures to various items, including, but not limited to, interest rate and foreign exchange rate risk. Through various programs, the Company hedges its cash flow exposures to foreign exchange rate risk by entering into foreign exchange forward contracts and collars. The Company does not enter into derivative financial instruments for speculative purposes and does not have a material portfolio of derivative financial instruments.

In accordance with the provisions of Accounting Standards Codification ( ASC ) 815, the Company recognizes all derivatives as either assets or liabilities on the balance sheet and measures those instruments at fair value. If the derivative is designated as a fair value hedge and is effective, then the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings in the same period. If the derivative is designated as a cash flow hedge, then the effective portions of changes in the fair value of the derivative are recorded in other comprehensive earnings (Note 11) and are recognized in the statement of operations when the hedged item affects income. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings.

There is presently one outstanding swap agreement for a total notional amount of \$50.0 million, or CHF65.1 million, which swaps the U.S. dollar 6-month LIBOR rate and the Swiss Franc 6-month LIBOR rate. This agreement hedges a portion of the Company's net investment in non-U.S. operations and the fair value outstanding at September 30, 2009 includes a loss of \$13.4 million which was based on quoted market prices for similar instruments (using Level 2 inputs under the provisions of ASC 820).

**Table of Contents**

The change in fair value of this hedge, which was not significant during the first nine months of 2009, is recorded in Cumulative Translation Adjustments and in Other Deferrals in the Unaudited Condensed Consolidated Balance Sheet. This hedge is effective.

The Company's other hedging activity is not significant; therefore tabular disclosures are not presented. There are no amounts excluded from the assessment of hedge effectiveness and there are no credit risk related contingent features in the Company's derivative instruments. In addition, the amount of gains or losses from hedging activity recorded in earnings is not significant and the amount of unrealized gains or losses from cash flow hedges which are expected to be reclassified to earnings in the next twelve months is not significant. During the third quarter of 2008, the Company entered into a foreign currency hedge which was subsequently settled within the quarter. As a result of terminating the hedge, the Company recorded a gain of \$2.4 million in the third quarter ended September 30, 2008.

**Debt**

The Company's long-term debt with a book value of \$1,860.7 million includes \$33.7 million which matures in less than one year and had a fair value of approximately \$1,990.6 million at September 30, 2009. The estimated fair value of the long-term debt is based on quoted market prices, and present value techniques used to value similar instruments.

During the second quarter ended June 30, 2008, the Company repaid its \$150 million 6.25% Notes due June 1, 2008. In addition, on March 14, 2008, the Company issued \$350 million of 5.45% Notes due 2018 and \$250 million of 6.60% Notes due 2038. The net proceeds of \$594.1 million from the notes were used to repay borrowings under the Company's commercial paper program, and were reflected in long-term debt in the Consolidated Balance Sheet at December 31, 2008. The notes and debentures are redeemable at the option of the Company in whole or in part at any time at a redemption price that includes a make-whole premium, with accrued interest to the redemption date.

During the first quarter of 2008, the Company entered into several interest rate swaps in anticipation of the debt financing completed on March 14, 2008 which, upon settlement, resulted in a net gain of \$1.2 million which was deferred and will be amortized over the life of the related notes.

**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.

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, at least quarterly, 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 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, 2009 and 2008 are as follows:

**Table of Contents**

<i>(in thousands)</i>	<b>2009</b>	<b>2008</b>
<b>Beginning Balance January 1</b>	\$ 56,137	\$ 55,437
Provision for warranties	23,715	32,288
Increase from acquisitions/dispositions	3,081	91
Settlements made	(25,774)	(28,017)
Other adjustments	383	(921)
<b>Ending Balance September 30</b>	<b>\$ 57,542</b>	<b>\$ 58,878</b>

Prior to January 1, 2009, the Company initiated various restructuring programs at its operating companies and recorded severance and other restructuring costs in connection with purchase accounting for acquisitions (see Note 2 for additional detail). In 2008, the Company announced plans to increase substantially the amount of restructuring efforts in response to the significant decline in global economic activity. For the three months ended September 30, 2009, \$3.2 million and \$5.4 million of restructuring charges were recorded in cost of goods and services and selling and administrative expenses, respectively, in the Unaudited Condensed Consolidated Statement of Operations. For the nine months ended September 30, 2009, \$18.3 million and \$43.9 million of restructuring charges were recorded in cost of goods and services and selling and administrative expenses, respectively, in the Unaudited Condensed Consolidated Statement of Operations.

The following table details the Company's severance and other restructuring reserve activity:

<i>(in thousands)</i>	<b>Severance</b>	<b>Exit</b>	<b>Total</b>
<b>At December 31, 2008 (A)</b>	\$ 7,203	\$ 23,754	\$ 30,957
Provision	47,670	14,561	62,231
Payments	(42,161)	(9,103)	(51,264)
Other	2,177	(2,993)	(816)
<b>At September 30, 2009 (B)</b>	<b>\$ 14,889</b>	<b>\$ 26,219</b>	<b>\$ 41,108</b>

(A) Includes \$27.9 million related to purchase accounting accruals.

(B) Includes \$21.8 million related to purchase accounting accruals.

**10. Employee Benefit Plans**

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

**Retirement Plan Benefits****Post Retirement Benefits**

<i>(in thousands)</i>	<b>Three Months Ended September 30,</b>		<b>Three Months Ended September 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Expected return on plan assets	\$ (8,547)	\$ (8,662)	\$	\$
Benefits earned during period	5,003	5,501	79	64
Interest accrued on benefit obligation	9,268	9,759	240	240
Amortization (A):				
Prior service cost	2,249	2,159	(43)	(43)
Recognized actuarial (gain) loss	1,298	1,188	(107)	(116)
Transition obligation	(10)	(18)		
Net periodic expense	\$ 9,261	\$ 9,927	\$ 169	\$ 145

**Table of Contents**

<i>(in thousands)</i>	<b>Retirement Plan Benefits</b>		<b>Post Retirement Benefits</b>	
	<b>Nine Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Expected return on plan assets	\$ (25,641)	\$ (25,986)	\$	\$
Benefits earned during period	15,009	16,504	237	267
Interest accrued on benefit obligation	27,804	29,277	720	828
Curtailment gain	(337)			
Amortization (A):				
Prior service cost	6,747	6,477	(129)	(129)
Recognized actuarial (gain) loss	3,894	3,564	(321)	(94)
Transition obligation	(30)	(53)		
Net periodic expense (benefit)	\$ 27,446	\$ 29,783	\$ 507	\$ 872

(A) A portion of the current year amortization amounts are recorded as increases (decreases) to Accumulated Other Comprehensive Income totaling approximately \$2.7 million, net of tax, and \$2.0 million, net of tax, for the three month periods ended September 30, 2009 and 2008, respectively, and \$7.3 million, net of tax, and \$6.0 million, net of tax, for the nine month periods ended September 30, 2009 and 2008, respectively.

**11. Comprehensive Earnings**

Comprehensive earnings were as follows:

<i>(in thousands)</i>	<b>Three months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Net Earnings	\$ 106,884	\$ 187,650	\$ 257,390	\$ 470,104
Foreign currency translation adjustment	70,511	(95,326)	104,028	(18,996)
Unrealized holding gains (losses), net of tax	19	(511)	118	(717)
Derivative cash flow hedges, net of tax	(112)	(659)	913	458
Pension amortization, net of tax	2,673	1,966	7,289	5,954
Comprehensive Earnings	\$ 179,975	\$ 93,120	\$ 369,738	\$ 456,803

**12. Segment Information:**

The Company has four reportable segments which are based on management's reporting structure used to evaluate performance. Segment financial information and a reconciliation of segment results to consolidated results follows:

**Table of Contents**

<i>(in thousands)</i>	<b>Three months ended September 30</b>		<b>Nine Months Ended September 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>REVENUE</b>				
Industrial Products	\$ 396,040	\$ 629,611	\$ 1,213,779	\$ 1,895,391
Engineered Systems	520,693	524,646	1,388,894	1,562,597
Fluid Management	309,247	451,682	935,289	1,299,611
Electronic Technologies	275,266	362,446	735,254	1,094,161
Intra segment eliminations	(1,635)	(2,609)	(4,188)	(9,520)
Total consolidated revenue	\$ 1,499,611	\$ 1,965,776	\$ 4,269,028	\$ 5,842,240
<b>EARNINGS FROM CONTINUING OPERATIONS</b>				
Segment Earnings:				
Industrial Products	\$ 38,119	\$ 74,690	\$ 98,084	\$ 241,453
Engineered Systems	78,194	82,032	178,961	225,073
Fluid Management	60,677	102,232	191,692	285,249
Electronic Technologies	38,160	53,826	44,043	141,089
Total segments	215,150	312,780	512,780	892,864
Corporate expense / other	(34,106)	(30,785)	(88,412)	(85,729)
Net interest expense	(26,299)	(25,924)	(73,537)	(76,743)
Earnings from continuing operations before provision for income taxes and discontinued operations	154,745	256,071	350,831	730,392
Provision for income taxes	47,261	65,736	81,378	205,216
Earnings from continuing operations total consolidated	\$ 107,484	\$ 190,335	\$ 269,453	\$ 525,176

**13. Recent Accounting Standards**

In September 2006, the FASB issued authoritative guidance under ASC 820 which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. For financial assets and liabilities, this guidance was effective for fiscal periods beginning after November 15, 2007 and did not require any new fair value measurements. The adoption of this guidance on January 1, 2008 did not have a material effect on the Company's consolidated financial statements. In February 2008, the FASB delayed the effective date for nonfinancial assets and liabilities to fiscal years beginning after November 15, 2008, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The adoption of the provisions of ASC 820 related to non-financial assets did not have a material effect on the Company's consolidated financial statements.

In December 2007, the FASB issued authoritative guidance under ASC 805 which retains the fundamental requirements that the acquisition method of accounting (the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. In general, the statement 1) extends its applicability to all events where one entity obtains control over one or more other businesses, 2) broadens the use of fair value measurements used to recognize the assets acquired and liabilities assumed, 3) changes the accounting for acquisition related fees and restructuring costs incurred in connection with an acquisition, and 4) increases required disclosures.

The Company has applied the provisions of this guidance prospectively to business combinations for which the acquisition date is on or after January 1, 2009. The impact of ASC 805 did not have a material effect on the Company's consolidated financial statements since its adoption.

In March 2008, the FASB issued authoritative guidance under ASC 815 which provides users of financial statements with an enhanced understanding of an entity's derivative activity. The Company adopted this guidance as of January 1, 2009 and has included related disclosures in Note 8.

In April 2008, the FASB issued authoritative guidance under ASC 350 and ASC 275 to improve the consistency between the useful life of a recognized intangible asset and the period of expected cash flows used to measure the fair value of the intangible assets. ASC 350 and ASC 275 amend the factors to be considered when developing renewal or extension assumptions that are used to estimate an intangible asset's useful life. The guidance is to be applied prospectively to intangible assets acquired after December 31, 2008. In addition, ASC 350 and ASC 275 increase the disclosure requirements related to renewal or extension assumptions.



**Table of Contents**

The Company has applied the provisions of this guidance to business combinations for which the acquisition date is on or after January 1, 2009. The impact of ASC 350 and ASC 275 did not have a material effect on the Company's consolidated financial statements since its adoption.

In December 2008, the FASB issued authoritative guidance under ASC 715 which amends the disclosure requirements about plan assets of a defined pension or other postretirement plan. The provisions of this guidance require disclosure of 1) how investment allocation decisions are made, including factors that are pertinent to an understanding of the investment policies and strategies, 2) the fair value of each major category of plan assets, 3) the inputs and valuation techniques used to determine fair value and 4) an understanding of significant concentration of risk in plan assets. The provisions of this guidance become effective for fiscal years ending after December 15, 2009 and are to be applied prospectively. The adoption of the amendments under ASC 715 will not have a material impact on the Company's consolidated financial statements.

In April 2009, the FASB issued authoritative guidance under ASC 825 to require disclosures about fair value of financial instruments not measured on the balance sheet at fair value in interim financial statements as well as in annual financial statements. The provisions of this guidance require all entities to disclose the methods and significant assumptions used to estimate the fair value of financial instruments. ASC 825 is effective for interim periods ended after June 15, 2009 and does not require comparative disclosure for earlier periods presented upon initial adoption. The adoption of ASC 825 did not have a material effect on the Company's consolidated financial statements.

In April 2009, the FASB issued authoritative guidance under ASC 805. The provisions of ASC 805 provide guidance for the initial recognition and measurement, subsequent measurement and accounting, and disclosures for assets and liabilities arising from contingencies in business combinations. ASC 805 eliminates the distinction between contractual and non-contractual contingencies. The Company has applied the provisions of this guidance prospectively to business combinations for which the acquisition date is on or after January 1, 2009. The impact of ASC 805 did not have a material effect on the Company's consolidated financial statements since its adoption.

In May 2009, the FASB issued authoritative guidance under ASC 855 which establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855 became effective for interim or annual financial periods ending after June 15, 2009 and was adopted in the second quarter of 2009. The adoption of ASC 855 did not have a material effect on the Company's consolidated financial statements.

In June 2009, the FASB issued authoritative guidance under ASC 105 which establishes the FASB Accounting Standards Codification ( Codification ) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles. ASC 105 became effective for financial statements issued for interim periods ended after September 15, 2009. All content within the Codification carries the same level of authority. The adoption of ASC 105 did not have a material effect on the Company's consolidated financial statements.

**14. Equity and Cash Incentive Program**

In the first and second quarters of 2009, the Company issued stock appreciation rights ( SARs ) covering 2,795,755 and 29,577 shares, respectively. During the second quarter of 2009, after the shareholders approved certain plan changes detailed in the Company's Proxy Statement, the Company issued 75,892 performance shares. In the first quarter of 2008, the Company issued 2,234,942 SARs.

For the nine months ended September 30, 2009 and 2008, after-tax stock-based compensation expense totaled \$9.7 million and \$14.2 million, respectively.

The fair value of each SAR grant was estimated on the date of the grant using the Black-Scholes option pricing model and the performance share grant was estimated on the date of grant using a Monte Carlo simulation pricing model.

The following assumptions were used in determining fair value:

**Table of Contents**

First Quarter 2009 and 2008 SAR Grants:

	<b>2009 Grant</b>	<b>2008 Grant</b>
	<b>SARs</b>	<b>SARs</b>
Risk-free interest rate	2.06%	3.21%
Dividend yield	3.23%	1.86%
Expected life (years)	6.5	6.5
Volatility	30.47%	26.09%
Option grant price	\$29.45	\$42.30
Fair value of options granted	\$ 6.58	\$10.97
Second Quarter 2009 SAR and 2009 Performance Share Grants		

	<b>SARs</b>	<b>Performance</b>
	<b>SARs</b>	<b>Shares</b>
Risk-free interest rate	3.44%	1.30%
Dividend yield	2.82%	2.93%
Expected life (years)	6.5	2.7
Volatility	32.20%	39.57%
Option grant price	\$35.50	\$ 32.47
Fair value of options granted	\$ 9.82	\$ 35.79

**15. Subsequent Events**

The Company assessed events occurring subsequent to September 30, 2009 through October 23, 2009 for potential recognition and disclosure in the consolidated financial statements. No events have occurred that would require adjustment to or disclosure in the consolidated financial statements which were issued on October 23, 2009.

**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 (the "Company") owns 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. The Company 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:****Liquidity and Capital Resources**

Management assesses the Company'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, repurchase of outstanding shares, 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 \$597.5 million at September 30, 2009 increased from the December 31, 2008 balance of \$547.4 million. Cash and cash equivalents were invested in highly liquid investment grade money market instruments with a maturity of 90 days or less. Short-term investments consist of investment grade time deposits with original maturity dates between three months and one year. Short-term investments of \$332.0 million at September 30, 2009 increased from \$279.5 million at December 31, 2008.

The Company's total cash, cash and cash equivalents and short-term investment balance of \$929.5 million as of September 30, 2009, includes \$879.9 million held outside of the United States.

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

<b>Cash Flows from Continuing Operations</b> (in thousands)	<b>Nine Months Ended September</b>	
	<b>2009</b>	<b>2008</b>
Net Cash Flows Provided By (Used In):		
Operating activities	\$ 554,113	\$ 740,063
Investing activities	(156,480)	(433,336)
Financing activities	(362,826)	(332,055)

Cash flows provided by operating activities for the nine months of 2009 decreased \$186.0 million from the prior year period, primarily reflecting lower earnings on reduced sales from continuing operations and improvements in working capital.

Cash used in investing activities for the nine months of 2009 decreased \$276.9 million largely reflecting lower acquisition spending and capital expenditures, as well as reduced net purchases of short-term investments. Acquisition spending was \$43.3 million during the nine months of 2009 compared to \$99.9 million in the prior year period.

Capital expenditures during the nine months of 2009 decreased 37.6% to \$83.3 million as compared to \$133.3 million in the prior year period. The Company currently anticipates that any additional acquisitions made during 2009 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 nine months of 2009 increased \$30.8 million over the prior year primarily driven by debt repayments, higher dividend payments and reduced proceeds from the exercise of stock options, partially offset by the absence of share repurchase versus the prior period.



**Table of Contents**

Adjusted Working Capital (a non-GAAP measure calculated as accounts receivable, plus inventory, less accounts payable) improved from the prior year end by \$136.3 million, or 10.7%, to \$1,139.6 million which reflected a decrease in receivables of \$77.2 million, a decrease in inventory of \$68.8 million and a decrease in accounts payable of \$9.8 million generally due to active management in a lower revenue environment. Excluding acquisitions, dispositions and the effects of foreign exchange translation of \$41.7 million, Adjusted Working Capital would have improved by \$178.0 million, or 14.0%. 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) increased to 20.3% at September 30, 2009 from 18.3% at December 31, 2008 and inventory turns were 6.2 at September 30, 2009 compared to 7.1 at December 31, 2008.

In addition to measuring its cash flow generation and usage based upon the operating, investing and financing classifications included in the unaudited 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 repay debt, pay dividends, fund acquisitions and repurchase the Company's common stock. The Company's free cash flow for the nine months ended September 30, 2009 decreased \$135.9 million compared to the prior year period. The decrease primarily reflected lower earnings from continuing operations, partially offset by improvements in working capital and lower capital expenditures.

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

	<b>Nine Months Ended September 30,</b>	
	<b>2009</b>	<b>2008</b>
<b>Free Cash Flow</b> <i>(in thousands)</i>		
Cash flow provided by operating activities	\$ 554,113	\$ 740,063
Less: Capital expenditures	83,250	133,319
Free cash flow	\$ 470,863	\$ 606,744
Free cash flow as a percentage of revenue	11.0%	10.4%

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:

	<b>At September 30, 2009</b>	<b>At December 31, 2008</b>
<b>Net Debt to Total Capitalization Ratio</b> <i>(in thousands)</i>		
Current maturities of long-term debt	\$ 33,682	\$ 32,194
Commercial paper and other short-term debt	193	192,750
Long-term debt	1,826,989	1,860,729
Total debt	1,860,864	2,085,673
Less: Cash, cash equivalents and short-term investments	929,504	826,869
Net debt	931,360	1,258,804
Add: Stockholders' equity	4,040,414	3,792,866

Total capitalization	\$	4,971,774	\$	5,051,670
Net debt to total capitalization		18.7%		24.9%

The total debt level of \$1,860.9 million at September 30, 2009 decreased \$224.8 million from December 31, 2008, due to lower commercial paper borrowings. The net debt decrease was funded by cash from operations and reflects lower investment in capital expen