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

# FORM 10-Q

(Mark One)
☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2018**

**or**

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

**For the transition period from to**

**Commission File Number: 1-4018**

DOVER CORPORATION

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware** | **53-0257888** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **3005 Highland Parkway** | |
| **Downers Grove, Illinois** | **60515** |
| (Address of principal executive offices) | (Zip Code) |

**(630) 541-1540**
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☑ 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, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12-b-2 of the Exchange Act.

| | | |
|---|---|---|
| Large accelerated filer ☑ | | Accelerated filer ☐ |
| Non-accelerated filer ☐ | (Do not check if smaller reporting company) | Smaller reporting company ☐ |
| | | Emerging growth company ☐ |

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

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 July 12, 2018 was 147,703,621.

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

**Item 1. Financial Statements**

**DOVER CORPORATION**
**CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS**
**(In thousands, except per share data)**
**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| **Revenue** | $ 1,798,094 | $ 1,737,371 | $ 3,435,765 | $ 3,320,581 |
| Cost of goods and services | 1,132,858 | 1,083,263 | 2,167,700 | 2,090,620 |
| **Gross profit** | 665,236 | 654,108 | 1,268,065 | 1,229,961 |
| Selling, general and administrative expenses | 428,775 | 421,270 | 863,801 | 846,987 |
| **Operating earnings** | 236,461 | 232,838 | 404,264 | 382,974 |
| Interest expense | 32,125 | 36,854 | 67,765 | 73,213 |
| Interest income | (2,563) | (2,335) | (4,620) | (4,910) |
| Gain on sale of businesses | — | — | — | (90,093) |
| Other (income) expense, net | (4,538) | 259 | (4,568) | (171) |
| **Earnings before provision for income taxes** | 211,437 | 198,060 | 345,687 | 404,935 |
| Provision for income taxes | 44,981 | 55,585 | 69,822 | 107,372 |
| **Earnings from continuing operations** | 166,456 | 142,475 | 275,865 | 297,563 |
| (Loss) earnings from discontinued operations, net | (26,497) | 21,583 | (4,472) | 38,742 |
| **Net earnings** | $ 139,959 | $ 164,058 | $ 271,393 | $ 336,305 |
| | | | | |
| **Earnings per share from continuing operations:** | | | | |
| Basic | $ 1.10 | $ 0.92 | $ 1.80 | $ 1.91 |
| Diluted | $ 1.08 | $ 0.90 | $ 1.77 | $ 1.89 |
| **(Loss) earnings per share from discontinued operations:** | | | | |
| Basic | $ (0.17) | $ 0.14 | $ (0.03) | $ 0.25 |
| Diluted | $ (0.17) | $ 0.14 | $ (0.03) | $ 0.25 |
| **Net earnings per share:** | | | | |
| Basic | $ 0.92 | $ 1.05 | $ 1.77 | $ 2.16 |
| Diluted | $ 0.91 | $ 1.04 | $ 1.74 | $ 2.14 |
| **Weighted average shares outstanding:** | | | | |
| Basic | 151,744 | 155,703 | 153,124 | 155,622 |
| Diluted | 153,938 | 157,513 | 155,573 | 157,457 |
| **Dividends paid per common share** | $ 0.47 | $ 0.44 | $ 0.94 | $ 0.88 |

See Notes to Condensed Consolidated Financial Statements

**DOVER CORPORATION**
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS**
**(In thousands)**
**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| **Net earnings** | $ 139,959 | $ 164,058 | $ 271,393 | $ 336,305 |
| **Other comprehensive (loss) earnings, net of tax** | | | | |
| Foreign currency translation adjustments: | | | | |
| Foreign currency translation gains (losses) | (65,159) | 26,174 | (12,851) | 66,071 |
| Reclassification of foreign currency translation losses to earnings | — | — | — | 3,875 |
| Total foreign currency translation adjustments | (65,159) | 26,174 | (12,851) | 69,946 |
| Pension and other post-retirement benefit plans: | | | | |
| Amortization of actuarial losses included in net periodic pension cost | 1,068 | 1,353 | 3,007 | 2,691 |
| Amortization of prior service costs included in net periodic pension cost | 1,252 | 702 | 1,995 | 1,404 |
| Total pension and other post-retirement benefit plans | 2,320 | 2,055 | 5,002 | 4,095 |
| Changes in fair value of cash flow hedges: | | | | |
| Unrealized net gains (losses) arising during period | 2,105 | (1,876) | 3,467 | (1,798) |
| Net (gains) losses reclassified into earnings | (457) | 159 | (710) | (58) |
| Total cash flow hedges | 1,648 | (1,717) | 2,757 | (1,856) |
| Other | — | (578) | — | (241) |
| Other comprehensive (loss) earnings | (61,191) | 25,934 | (5,092) | 71,944 |
| **Comprehensive earnings** | $ 78,768 | $ 189,992 | $ 266,301 | $ 408,249 |

See Notes to Condensed Consolidated Financial Statements

**DOVER CORPORATION**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(In thousands)**
**(Unaudited)**

| | June 30, 2018 | December 31, 2017 |
|---|---|---|
| **Assets** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 242,814 | $ 753,964 |
| Receivables, net of allowances of $32,435 and $34,479 | 1,281,260 | 1,183,514 |
| Inventories | 764,053 | 677,043 |
| Prepaid and other current assets | 159,601 | 175,626 |
| Total current assets | 2,447,728 | 2,790,147 |
| **Property, plant and equipment, net** | 805,009 | 787,940 |
| **Goodwill** | 3,715,365 | 3,686,372 |
| **Intangible assets, net** | 1,228,605 | 1,282,624 |
| **Other assets and deferred charges** | 276,463 | 245,723 |
| **Assets of discontinued operations** | — | 1,865,553 |
| **Total assets** | $ 8,473,170 | $ 10,658,359 |
| **Liabilities and Stockholders' Equity** | | |
| **Current liabilities:** | | |
| Notes payable and current maturities of long-term debt | $ 284,630 | $ 581,102 |
| Accounts payable | 938,425 | 882,007 |
| Accrued compensation and employee benefits | 183,396 | 228,118 |
| Accrued insurance | 100,721 | 101,619 |
| Other accrued expenses | 295,038 | 334,435 |
| Federal and other income taxes | 11,717 | 14,697 |
| Total current liabilities | 1,813,927 | 2,141,978 |
| **Long-term debt** | 2,974,940 | 2,986,702 |
| **Deferred income taxes** | 336,147 | 348,201 |
| **Noncurrent income tax payable** | 98,954 | 108,497 |
| **Other liabilities** | 408,611 | 425,548 |
| **Liabilities of discontinued operations** | — | 264,253 |
| **Stockholders' equity:** | | |
| Total stockholders' equity | 2,840,591 | 4,383,180 |
| **Total liabilities and stockholders' equity** | $ 8,473,170 | $ 10,658,359 |

See Notes to Condensed Consolidated Financial Statements

**DOVER CORPORATION**
**CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**
**(In thousands, except share data)**
**(Unaudited)**

| | Common stock $1 par value | Additional paid-in capital | Treasury stock | Retained earnings | Accumulated other comprehensive (loss) earnings | Total stockholders' equity |
|---|---|---|---|---|---|---|
| **Balance at December 31, 2017** | $ 256,992 | $ 942,485 | $ (5,077,039) | $ 8,455,501 | $ (194,759) | $ 4,383,180 |
| Adoption of ASU 2018-02 (1) | — | — | — | 12,856 | (12,856) | — |
| Cumulative catch-up adjustment related to Adoption of Topic 606 (1) | — | — | — | 175 | — | 175 |
| Net earnings | — | — | — | 271,393 | — | 271,393 |
| Dividends paid | — | — | — | (142,322) | — | (142,322) |
| Separation of Apergy | — | — | — | (939,743) | 32,928 | (906,815) |
| Common stock issued for the exercise of share-based awards | 402 | (21,604) | — | — | — | (21,202) |
| Stock-based compensation expense | — | 11,147 | — | — | — | 11,147 |
| Common stock acquired, including accelerated share repurchase program | — | (140,000) | (604,977) | — | — | (744,977) |
| Other comprehensive (loss), net of tax | — | — | — | — | (5,092) | (5,092) |
| Other, net | — | (4,896) | — | — | — | (4,896) |
| **Balance at June 30, 2018** | $ 257,394 | $ 787,132 | $ (5,682,016) | $ 7,657,860 | $ (179,779) | $ 2,840,591 |

(1) See Note 20 — Recent Accounting Pronouncements and Note 3 — Revenue for additional information.

See Notes to Condensed Consolidated Financial Statements

# DOVER CORPORATION
## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
**(In thousands)**
**(Unaudited)**

| | Six Months Ended June 30, | |
|---|---|---|
| | **2018** | **2017** |
| **Operating Activities:** | | |
| Net earnings | $ 271,393 | $ 336,305 |
| Adjustments to reconcile net earnings to cash from operating activities: | | |
| Loss (earnings) from discontinued operations, net | 4,472 | (38,742) |
| Depreciation and amortization | 137,928 | 139,628 |
| Stock-based compensation expense | 10,403 | 16,861 |
| Gain on sale of businesses | — | (90,093) |
| Cash effect of changes in assets and liabilities: | | |
| Accounts receivable, net | (108,003) | (62,209) |
| Inventories | (85,340) | (80,444) |
| Prepaid expenses and other assets | (32,336) | (3,641) |
| Accounts payable | 64,592 | 72,454 |
| Accrued compensation and employee benefits | (51,002) | (21,725) |
| Accrued expenses and other liabilities | (32,894) | (39,519) |
| Accrued and deferred taxes, net | 2,075 | (22,709) |
| Other, net | (6,548) | (7,934) |
| **Net cash provided by operating activities** | 174,740 | 198,232 |
| **Investing Activities:** | | |
| Additions to property, plant and equipment | (96,364) | (78,966) |
| Acquisitions, net of cash and cash equivalents acquired | (68,557) | (25,568) |
| Proceeds from sale of property, plant and equipment | 2,411 | 2,177 |
| Proceeds from sale of businesses | 2,069 | 121,175 |
| Other | (13,762) | 21,151 |
| **Net cash (used in) provided by investing activities** | (174,203) | 39,969 |
| **Financing Activities:** | | |
| Cash received from Apergy, net of cash distributed | 689,643 | — |
| Repurchase of common stock, including prepayment under an accelerated share repurchase program | (744,977) | — |
| Change in commercial paper and notes payable | 53,584 | (157,444) |
| Dividends paid to stockholders | (142,322) | (137,182) |
| Payments to settle employee tax obligations on exercise of share-based awards | (21,202) | (12,028) |
| Repayment of long-term debt | (350,000) | — |
| Other | (1,563) | (2,912) |
| **Net cash used in financing activities** | (516,837) | (309,566) |
| **Cash Flows from Discontinued Operations** | | |
| Net cash provided by operating activities of discontinued operations | 19,336 | 40,163 |
| Net cash used in investing activities of discontinued operations | (23,705) | (13,592) |
| **Net cash (used in) provided by discontinued operations** | (4,369) | 26,571 |
| Effect of exchange rate changes on cash and cash equivalents | 9,519 | (2,764) |
| **Net decrease in cash and cash equivalents** | (511,150) | (47,558) |
| Cash and cash equivalents at beginning of period | 753,964 | 349,146 |
| **Cash and cash equivalents at end of period** | $ 242,814 | $ 301,588 |

See Notes to Condensed Consolidated Financial Statements

**DOVER CORPORATION**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Amounts in thousands except share data and where otherwise indicated) (Unaudited)**

## 1. Basis of Presentation

The accompanying unaudited interim Condensed Consolidated Financial Statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim periods and do not include all of the information and note disclosures required by accounting principles generally accepted in the United States of America ("GAAP") for complete financial statements. These unaudited interim Condensed Consolidated Financial Statements should therefore be read in conjunction with the Consolidated Financial Statements and Notes for Dover Corporation ("Dover" or the "Company") for the year ended December 31, 2017, included in the Company's Annual Report on Form 10-K/A filed with the SEC on February 16, 2018. The year end Condensed Consolidated Balance Sheet was derived from audited financial statements. Certain amounts in the prior year have been reclassified to conform to the current year presentation.

On May 9, 2018, the Company completed a pro-rata distribution of the common stock of Apergy Corporation ("Apergy") to the Company's shareholders of record as of the close of business on April 30, 2018. Apergy holds entities conducting upstream energy businesses previously included in the Energy segment. As discussed in Note 5 - Discontinued and Disposed Operations, the Apergy businesses met the criteria to be reported as discontinued operations because the spin-off is a strategic shift in business that has a major effect on the Company's operations and financial results. Therefore, the Company is reporting the historical results of Apergy, including the results of operations, cash flows, and related assets and liabilities, as discontinued operations for all periods presented herein. Subsequent to the spin-off of Apergy, effective the second quarter of 2018, the Company no longer has the Energy segment and is aligned into three reportable segments. See Note 17 —Segment Information for additional information regarding the updated segments, including segment results for the three and six months ended June 30, 2018 and 2017. Unless otherwise noted, the accompanying Notes to the Consolidated Financial Statements have all been revised to reflect the effect of the separation of Apergy and all prior year balances have been revised accordingly to reflect continuing operations only.

The accompanying unaudited interim Condensed Consolidated Financial Statements have been prepared in accordance with U.S. GAAP, which requires management to make estimates and assumptions that affect amounts reported in the Condensed Consolidated Financial Statements and accompanying disclosures. Although these estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results may differ from those estimates. The Condensed Consolidated Financial Statements reflect all adjustments of a normal, recurring nature that are, in the opinion of management, necessary for a fair statement of results for these interim periods. The results of operations of any interim period are not necessarily indicative of the results of operations for the full year.

## 2. Spin-off of Apergy Corporation

On May 9, 2018, Dover completed the distribution of Apergy to its shareholders. The transaction was completed through the pro rata distribution of 100% of the common stock of Apergy to Dover's shareholders of record as of the close of business on April 30, 2018. Each Dover shareholder received one share of Apergy common stock for every two shares of Dover common stock held as of the record date.

The following is a summary of the assets and liabilities transferred to Apergy as part of the separation on May 9, 2018:

| | | |
|---|---|---|
| **Assets:** | | |
| Cash and cash equivalents | $ | 10,357 |
| Current assets | | 462,620 |
| Non-current assets | | 1,438,760 |
| | $ | 1,911,737 |
| **Liabilities:** | | |
| Current liabilities | $ | 185,354 |
| Non-current liabilities | | 119,568 |
| | $ | 304,922 |
| | | |
| **Net assets distributed to Apergy Corporation** | $ | 1,606,815 |
| Less: Cash received from Apergy Corporation | | 700,000 |
| **Net distribution to Apergy Corporation** | $ | 906,815 |

In connection with the spin-off from the company, Apergy issued and sold $300.0 million in aggregate principal amount of its 6.375% senior notes due May 2026 in a private offering exempt from the registration requirements of the Securities Act of 1933, as amended, and incurred $415.0 million in borrowings under its new senior secured term loan facility to fund a one-time cash payment of $700.0 million to Dover. Dover received net cash of $689.6 million upon separation, which reflects $10.4 million of cash held by Apergy on the distribution date and retained by it in connection with its separation from Dover. Dover utilized the proceeds of $700.0 million from Apergy as the primary source of funding for $1 billion of share repurchases started in December 2017. See Note 18 — Share Repurchases for further information.

Included within the net assets distributed to Apergy is approximately $33 million of accumulated other comprehensive earnings attributable to Apergy, relating primarily to foreign currency translation gains, offset by unrecognized losses on pension obligations.

The historical results of Apergy, including the results of operations, cash flows, and related assets and liabilities have been reclassified to discontinued operations for all periods presented herein. See Note 5 Discontinued Operations. Pursuant to the separation of Apergy from Dover, and the related separation and distribution agreements, any liabilities due from Dover to Apergy are not significant and will be paid in the near future.

## 3. Revenue

### Revenue from contracts with customers

Effective January 1, 2018, the Company adopted Accounting Standard Codification ("ASC") Topic 606, Revenue from Contracts with Customers ("Topic 606" or "ASC 606"), using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Accordingly, all periods prior to January 1, 2018 are presented in accordance with ASC Topic 605, Revenue Recognition ("Topic 605" or "ASC 605").

Under Topic 606, a contract with a customer is an agreement which both parties have approved, that creates enforceable rights and obligations, has commercial substance and where payment terms are identified and collectability is probable. Once the Company has entered a contract, it is evaluated to identify performance obligations. For each performance obligation, revenue is recognized as control of promised goods or services transfers to the customer in an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. The amount of revenue recognized takes into account variable consideration, such as discounts and volume rebates.

A majority of the Company's revenue is short cycle in nature with shipments within one year from order. A small portion of the Company's revenue derives from contracts extending over one year. The Company's payment terms generally range between 30 to 90 days and vary by the location of businesses, the type of products manufactured to be sold and the volume of products sold, among other factors.

### Disaggregation of Revenue

Revenue from contracts with customers is disaggregated by end markets, segments and geographic location, as it best depicts the nature and amount of the Company's revenue.

**DOVER CORPORATION**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Amounts in thousands except share data and where otherwise indicated) (Unaudited)**

The following table presents revenue disaggregated by end market and segment:

| | Three Months Ended June 30, | Six Months Ended June 30, |
|---|---|---|
| | 2018 | 2018 |
| Printing & Identification | $ 299,834 | $ 582,356 |
| Industrials | 403,155 | 792,259 |
| **Total Engineered Systems segment** | 702,989 | 1,374,615 |
| Fueling & Transport | 363,355 | 682,659 |
| Pumps | 173,306 | 335,615 |
| Process Solutions | 157,005 | 303,490 |
| **Total Fluids segment** | 693,666 | 1,321,764 |
| Refrigeration | 330,232 | 608,887 |
| Food Equipment | 71,534 | 131,114 |
| **Total Refrigeration & Food Equipment segment** | 401,766 | 740,001 |
| Intra-segment eliminations | (327) | (615) |
| **Total Consolidated Revenue** | $ 1,798,094 | $ 3,435,765 |

The following table presents revenue disaggregated by geography based on the location of the Company's customer:

| | Three Months Ended June 30, | Six Months Ended June 30, |
|---|---|---|
| | 2018 | 2018 |
| United States | $ 932,207 | $ 1,785,209 |
| Europe | 402,234 | 789,412 |
| Asia | 219,032 | 413,635 |
| Other Americas | 168,197 | 301,341 |
| Other | 76,424 | 146,168 |
| **Total** | $ 1,798,094 | $ 3,435,765 |

The majority of revenue from our Engineered Systems, Fluids and Refrigeration and Food Equipment segments is generated from sales to customers within the United States and Europe. Each segment also generates revenue across the other geographies, with no significant concentration of any segment’s remaining revenue.

**Performance Obligations**

A performance obligation is a promise in a contract to transfer a distinct good or service, or a bundle of goods or services, to the customer, and is the unit of accounting under ASC Topic 606. A contract’s transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. A majority of the Company’s contracts have a single performance obligation which represents, in most cases, the equipment or product being sold to the customer. Some contracts include multiple performance obligations such as a product and the related installation, extended warranty and/or maintenance services. These contracts require judgment in determining the number of performance obligations.

The Company has elected to use the practical expedient to not adjust the promised amount of consideration for the effects of a significant financing component if it is expected, at contract inception, that the period between when Dover transfers a promised good or service to a customer, and when the customer pays for that good or service, will be one year or less. Thus, the Company may not consider an advance payment to be a significant financing component, if it is received less than one year before product completion.

The majority of the Company’s contracts offer assurance-type warranties in connection with the sale of a product to a customer. Assurance-type warranties provide a customer with assurance that the related product will function as the parties intended because it complies with agreed-upon specifications. Such warranties do not represent a separate performance obligation.

(Amounts in thousands except share data and where otherwise indicated) (Unaudited)

The Company may also offer service-type warranties that provide services to the customer, in addition to the assurance that the product complies with agreed-upon specifications. If a warranty is determined to be a service-type warranty, it represents a distinct service and is treated as a separate performance obligation.

For contracts with multiple performance obligations, the Company allocates the total transaction price to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. The Company uses an observable price to determine the stand-alone selling price for separate performance obligations or a cost plus margin approach when one is not available.

Over 95% of the Company’s performance obligations are recognized at a point in time that relate to the manufacture and sale of a broad range of products and components. Revenue is recognized when control transfers to the customer upon shipment or completion of installation, testing, certification, or other substantive acceptance provisions required under the contract. Less than 5% of the Company’s revenue is recognized over time and relates to the sale of engineered to order equipment or services.

For revenue recognized over time, there are two types of methods for measuring progress and both are relevant to the Company: (1) input methods and (2) output methods. Although this may vary by business, input methods generally are based on costs incurred relative to estimated total costs. Output methods generally are based on a measurement of progress, such as milestone achievement. The businesses use the method and measure of progress that best depicts the transfer of control to the customer of the goods or services to date relative to the remaining goods or services promised under the contract.

**Transaction Price Allocated to the Remaining Performance Obligations**

At June 30, 2018, we estimated that $65.2 million in revenue is expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period. We expect to recognize approximately 56% of our unsatisfied (or partially unsatisfied) performance obligations as revenue in 2019, with the remaining balance to be recognized in 2020 and thereafter.

Remaining consideration, including variable consideration, from contracts with customers is included in the amounts presented above and primarily consists of extended warranties on products and multi-year maintenance agreements, which are typically recognized as the performance obligation is satisfied.

The Company applied the standard's practical expedient that permits the omission of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which the Company recognizes revenue at the amount to which the Company has the right to invoice for services performed.

**Contract Balances**

The following table provides information about contract assets and contract liabilities from contracts with customers:

| | June 30, 2018 | At Adoption |
|---|---|---|
| Contract assets | $ 13,803 | $ 11,932 |
| Contract liabilities - current | 44,992 | 48,268 |
| Contract liabilities - non-current | 10,305 | 9,916 |

Contract assets primarily relate to the Company's right to consideration for work completed but not billed at the reporting date and are recorded in Prepaid and other current assets in the Condensed Consolidated Balance Sheet. Contract assets are transferred to receivables when the right to consideration becomes unconditional. Contract liabilities relate to advance consideration received from customers for which revenue has not been recognized. Current contract liabilities are recorded in Other accrued expenses and non-current contract liabilities are recorded in Other liabilities in the Condensed Consolidated Balance Sheet. Contract liabilities are reduced when the associated revenue from the contract is recognized.

(Amounts in thousands except share data and where otherwise indicated) (Unaudited)

Significant changes in contract assets and liabilities balances during the period are as follows:

| | Contract Assets |
|---|---|
| **Opening balance at January 1, 2018** | $ 11,932 |
| Cumulative catch-up adjustment upon transition | 356 |
| Changes in the estimate of the stage of completion | 7,211 |
| Transferred to receivables from contract assets recognized during the period | (5,618) |
| Other | (78) |
| **Closing balance at June 30, 2018** | $ 13,803 |

| | Contract Liabilities |
|---|---|
| **Opening balance at January 1, 2018** | $ 58,184 |
| Cumulative catch-up adjustment upon transition | — |
| Revenue recognized that was included in the contract liability balance at the beginning of the period | (39,484) |
| Increases due to cash received, excluding amounts recognized as revenue during the period | 36,271 |
| Other | 326 |
| **Closing balance at June 30, 2018** | $ 55,297 |

**Contract Costs**

Costs incurred to obtain a customer contract are not material to the Company. The Company elected to apply the practical expedient to not capitalize contract costs to obtain contracts with a duration of one year or less, which are expensed and included within Cost of goods and services in the Condensed Consolidated Statements of Earnings.

**Critical Accounting Estimates**

Estimates are used to determine the amount of variable consideration in contracts, the standalone selling price among separate performance obligations and the measure of progress for contracts where revenue is recognized over time. The Company reviews and updates these estimates regularly.

Some contracts with customers include variable consideration primarily related to volume rebates. The Company estimates variable consideration at the most likely amount to determine the total consideration which the Company expects to be entitled. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The Company’s estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of our anticipated performance and all information (historical, current and forecasted) that is reasonably available.

**Changes in Accounting Policies**

The Company adopted Topic 606, effective January 1, 2018, using the modified retrospective method, applying Topic 606 to contracts that are not complete as of the date of initial application. Under the modified retrospective method, the cumulative effect of applying the standard has been recognized at the date of initial application, January 1, 2018. The comparative information has not been adjusted and continues to be reported under Topic 605. The Company's accounting policy has been updated to align with Topic 606, and no significant changes to revenue recognition have occurred as a result of the change.

Shipping and handling charges are not considered a separate performance obligation. If revenue is recognized for the related good before the shipping and handling activities occur, the related costs of those shipping and handling activities must be accrued.

Additionally, all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected from a customer (e.g., sales, use, value added, and some excise taxes) are excluded from revenue. The Company's policy elections related to shipping and handling and taxes have not changed with the adoption of Topic 606.

Under Topic 605, revenue was generally recognized when all of the following criteria were met: a) persuasive evidence of an arrangement exists, b) price is fixed or determinable, c) collectability is reasonably assured and d) delivery has occurred or services have been rendered. The majority of the Company's revenue is generated through the manufacture and sale of a broad range of specialized products and components and revenue was recognized upon transfer of title and risk of loss, which was generally upon shipment. In limited cases, the Company's revenue arrangements with customers required delivery, installation, testing, certification, or other acceptance provisions to be satisfied before revenue was recognized. The Company included shipping costs billed to customers in Revenue and the related shipping costs in Cost of goods and services.

**Impact on Financial Statements**

The adoption of Topic 606 impacted certain contracts for highly customized customer products that have no alternative use and in which the contract specifies the Company has a right to payment for its costs, plus a reasonable margin. For these contracts, the Company now recognizes revenue over time based on the method and measure of progress that best depicts the transfer of control to the customer of the goods or services to date relative to the remaining goods or services promised under the contract.

The Company recorded a cumulative catch-up adjustment to retained earnings at January 1, 2018 for $0.2 million, related to the impact of adopting Topic 606 under the modified retrospective method.

The impact of adopting Topic 606 was not material to the Company's consolidated financial statements as of and for the three and six months ended June 30, 2018.

**4. Acquisitions**

***2018 Acquisitions***

During the six months ended June 30, 2018, the Company acquired two businesses in separate transactions for total consideration of $68,557, net of cash acquired. These businesses were acquired to complement and expand upon existing operations within the Fluids and Refrigeration & Food Equipment segments. The goodwill recorded as a result of these acquisitions reflects the benefits expected to be derived from product line expansions and operational synergies. The goodwill is non-deductible for U.S. federal income tax purposes for these acquisitions.

On January 2, 2018, the Company acquired 100% of the voting stock of Ettlinger Group ("Ettlinger"), within the Fluids segment for $53,218, net of cash acquired. In connection with this acquisition, the Company recorded goodwill of $36,070 and intangible assets of $19,730, primarily related to customer intangibles. The intangible assets are being amortized over 8 to 15 years.

On January 12, 2018, the Company acquired 100% of the voting stock of Rosario Handel B.V. ("Rosario"), within the Refrigeration & Food Equipment segment for total consideration of $15,339, net of cash acquired. In connection with this acquisition, the Company recorded goodwill of $10,402 and a customer intangible asset of $4,149. The customer intangible asset is being amortized over 10 years.

***2017 Acquisitions***

During the six months ended June 30, 2017, the Company acquired Caldera Graphics S.A.S. ("Caldera") within the Engineered Systems segment for $32,680, net of cash acquired and including contingent consideration. In connection with this acquisition, the Company recorded goodwill of $24,649 and intangible assets of $8,169, primarily related to customer intangibles. The goodwill is non-deductible for U.S. federal income tax purposes. The intangible assets are being amortized over 7 to 15 years.

**Pro Forma Information**

The following unaudited pro forma information illustrates the impact of 2018 and 2017 acquisitions on the Company's revenue and earnings from operations for the six months ended June 30, 2018 and 2017, respectively. In the year 2017, the Company acquired two businesses in separate transactions for total net consideration of $34,300.

The unaudited pro forma information assumes that the 2018 and 2017 acquisitions had taken place at the beginning of the prior year, 2017 and 2016, respectively. Unaudited pro forma earnings are adjusted to reflect the comparable impact of additional depreciation and amortization expense, net of tax, resulting from the fair value measurement of intangible and tangible assets relating to the year of acquisition.

**(Amounts in thousands except share data and where otherwise indicated) (Unaudited)**

The unaudited pro forma effects for the three and six months ended June 30, 2018 and 2017 were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| Revenue: | | | | |
| As reported | $ 1,798,094 | $ 1,737,371 | $ 3,435,765 | $ 3,320,581 |
| Pro forma | 1,798,094 | 1,746,950 | 3,436,081 | 3,342,851 |
| Earnings: | | | | |
| As reported | $ 166,456 | $ 142,475 | $ 275,865 | $ 297,563 |
| Pro forma | 168,158 | 142,167 | 279,714 | 296,459 |
| Basic earnings per share: | | | | |
| As reported | $ 1.10 | $ 0.92 | $ 1.80 | $ 1.91 |
| Pro forma | 1.11 | 0.91 | 1.83 | 1.90 |
| Diluted earnings per share: | | | | |
| As reported | $ 1.08 | $ 0.90 | $ 1.77 | $ 1.89 |
| Pro forma | 1.09 | 0.90 | 1.80 | 1.88 |

## 5. Discontinued and Disposed Operations

***Discontinued Operations***

The Apergy businesses, as discussed in Note 2, met the criteria to be reported as discontinued operations because the spin-off is a strategic shift in business that has a major effect on the Company's operations and financial results. Therefore, the results of discontinued operations for the three and six months ended June 30, 2018 and 2017 include the historical results of Apergy prior to its distribution on May 9, 2018. The three and six months ended June 30, 2018 included costs incurred by Dover to complete the spin-off of Apergy amounting to $34,638 and $46,384, respectively, reflected in selling, general and administrative expenses. There were no such costs for the three and six months ended June 30, 2017. See Note 2 Spin-off of Apergy Corporation for further information.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| Revenue | $ 119,647 | $ 256,156 | $ 403,688 | $ 486,430 |
| Cost of goods and services | 76,277 | 160,817 | 254,205 | 305,771 |
| Gross profit | 43,370 | 95,339 | 149,483 | 180,659 |
| Selling, general and administrative expenses | 64,990 | 62,773 | 144,114 | 122,347 |
| Operating (loss) earnings | (21,620) | 32,566 | 5,369 | 58,312 |
| Other (income) expense, net | (134) | (165) | 349 | 484 |
| (Loss) earnings from discontinued operations before taxes | (21,486) | 32,731 | 5,020 | 57,828 |
| Provision for income taxes | 5,011 | 11,148 | 9,492 | 19,086 |
| (Loss) earnings from discontinued operations, net of tax | $ (26,497) | $ 21,583 | $ (4,472) | $ 38,742 |

**DOVER CORPORATION**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Amounts in thousands except share data and where otherwise indicated) (Unaudited)**

Assets and liabilities of discontinued operations are summarized below:

| | | December 31, 2017 |
|---|---|---|
| **Assets of Discontinued Operations** | | |
| Accounts receivable | $ | 202,052 |
| Inventories, net | | 201,591 |
| Prepaid and other current assets | | 14,035 |
| Total current assets | | 417,678 |
| Property, plant and equipment, net | | 211,832 |
| Goodwill and intangible assets, net | | 1,232,843 |
| Other assets and deferred charges | | 3,200 |
| **Total assets** | $ | 1,865,553 |
| | | |
| **Liabilities of Discontinued Operations** | | |
| Accounts payable | $ | 97,439 |
| Other current liabilities | | 59,482 |
| Total current liabilities | | 156,921 |
| Deferred income taxes | | 90,641 |
| Other liabilities | | 16,691 |
| **Total liabilities** | $ | 264,253 |

On May 9, 2018, all assets and liabilities of Apergy were spun-off. Therefore, as of June 30, 2018, there were no assets and liabilities classified as discontinued operations.

***Disposed Operations***

***2018***

There were no other dispositions aside from the spin-off of Apergy during the six months ended June 30, 2018.

***2017***

On February 14, 2017, the Company completed the sale of Performance Motorsports International ("PMI"), which was a wholly owned subsidiary of the Company that manufactures pistons and other engine related components serving the motorsports and powersports markets. Total consideration for the transaction was $147,313, including cash proceeds of $118,706. We recognized a pre-tax gain on sale of $88,402 for the six months ended June 30, 2017 within gain on sale of businesses in the Condensed Consolidated Statements of Earnings and recorded a 25% equity method investment at fair value of $18,607 as well as a subordinated note receivable of $10,000.

During the six months ended June 30, 2017, the Company recorded a working capital adjustment for the sale of Tipper Tie in the fourth quarter of 2016 for $1,691. This adjustment is included within gain on sale of businesses in the Condensed Consolidated Statements of Earnings.

These disposals did not represent strategic shifts in operations and, therefore, did not qualify for presentation as discontinued operations.

**DOVER CORPORATION**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Amounts in thousands except share data and where otherwise indicated) (Unaudited)**

## 6. Inventories

| | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Raw materials | $ 392,774 | $ 400,009 |
| Work in progress | 172,959 | 128,296 |
| Finished goods | 307,850 | 251,402 |
| **Subtotal** | 873,583 | 779,707 |
| Less reserves | (109,530) | (102,664) |
| **Total** | $ 764,053 | $ 677,043 |

## 7. Property, Plant and Equipment, net

| | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Land | $ 54,032 | $ 54,918 |
| Buildings and improvements | 520,396 | 517,049 |
| Machinery, equipment and other | 1,527,842 | 1,472,852 |
| **Property, plant and equipment, gross** | 2,102,270 | 2,044,819 |
| Total accumulated depreciation | (1,297,261) | (1,256,879) |
| **Property, plant and equipment, net** | $ 805,009 | $ 787,940 |

Depreciation expense totaled $32,947 and $32,564 for the three months ended June 30, 2018 and 2017, respectively. For the six months ended June 30, 2018 and 2017, depreciation expense was $65,111 and $64,149, respectively.

## 8. Goodwill and Other Intangible Assets

Accounting Standards Codification ("ASC") 350, "Intangibles - Goodwill and Other Intangibles" provides guidance on an entity's subsequent measurement and subsequent recognition of goodwill and other intangibles, including subsequent changes to carrying amounts, including impairment and fair value adjustments. In accordance with the guidance set forth in ASC 350, and in connection with the separation of Apergy, the Company was required to calculate the portion of goodwill included in the Apergy distribution. Using a relative fair value approach, the Company reallocated $3,546 of goodwill from a reporting unit that included Apergy to a reporting unit now included within the Engineered Systems segment. Refer to See Note 17 —Segment Information for further information.

Further, the Company realigned its remaining businesses and reallocated goodwill among its reporting units based on their relative fair value and tested goodwill for impairment in the second quarter of 2018. The Company concluded that no impairment indicators exist.

The changes in the carrying value of goodwill by reportable operating segments were as follows:

| | Engineered Systems | Fluids | Refrigeration & Food Equipment | Total |
|---|---|---|---|---|
| **Balance at December 31, 2017** | $ 1,645,389 | $ 1,504,284 | $ 536,699 | $ 3,686,372 |
| Reallocation due to Apergy separation | 3,546 | — | — | 3,546 |
| Acquisitions | — | 36,070 | 10,402 | 46,472 |
| Purchase price adjustments | 44 | — | — | 44 |
| Foreign currency translation | (9,596) | (10,950) | (523) | (21,069) |
| **Balance at June 30, 2018** | $ 1,639,383 | $ 1,529,404 | $ 546,578 | $ 3,715,365 |

During the six months ended June 30, 2018, the Company recorded additions of $46,472 to goodwill as a result of the acquisitions discussed in Note 4 — Acquisitions. The net goodwill transferred to Apergy on May 9, 2018 amounted to $899,888.

**DOVER CORPORATION**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Amounts in thousands except share data and where otherwise indicated) (Unaudited)**

The Company's definite-lived and indefinite-lived intangible assets by major asset class were as follows:

| | June 30, 2018 | | | December 31, 2017 | | |
|---|---|---|---|---|---|---|
| | **Gross Carrying Amount** | **Accumulated Amortization** | **Net Carrying Amount** | **Gross Carrying Amount** | **Accumulated Amortization** | **Net Carrying Amount** |
| **Amortized intangible assets:** | | | | | | |
| Customer intangibles | $ 1,413,880 | $ 604,476 | $ 809,404 | $ 1,405,361 | $ 559,447 | $ 845,914 |
| Trademarks | 217,126 | 65,392 | 151,734 | 217,621 | 58,523 | 159,098 |
| Patents | 145,059 | 125,950 | 19,109 | 145,577 | 123,135 | 22,442 |
| Unpatented technologies | 157,161 | 78,745 | 78,416 | 152,913 | 71,284 | 81,629 |
| Distributor relationships | 85,145 | 35,235 | 49,910 | 85,794 | 32,092 | 53,702 |
| Drawings & manuals | 32,522 | 22,182 | 10,340 | 32,739 | 20,767 | 11,972 |
| Other | 28,105 | 15,152 | 12,953 | 23,095 | 12,028 | 11,067 |
| **Total** | 2,078,998 | 947,132 | 1,131,866 | 2,063,100 | 877,276 | 1,185,824 |
| **Unamortized intangible assets:** | | | | | | |
| Trademarks | 96,739 | — | 96,739 | 96,800 | — | 96,800 |
| **Total intangible assets, net** | $ 2,175,737 | $ 947,132 | $ 1,228,605 | $ 2,159,900 | $ 877,276 | $ 1,282,624 |

Amortization expense was $36,356 and $37,844, respectively, including acquisition-related intangible amortization of $35,945 and $37,295 for the three months ended June 30, 2018 and 2017, respectively. For the six months ended June 30, 2018 and 2017, amortization expense was $72,817 and $75,479, respectively, including acquisition-related intangible amortization of $71,834 and $74,398, respectively.

## 9. Restructuring Activities

The Company's restructuring charges by segment were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| Engineered Systems | $ 1,860 | $ 756 | $ 3,235 | $ 1,818 |
| Fluids | 3,497 | 1,068 | 5,548 | 4,507 |
| Refrigeration & Food Equipment | 234 | 19 | 146 | 1,525 |
| Corporate | 2,544 | — | 3,293 | — |
| **Total** | $ 8,135 | $ 1,843 | $ 12,222 | $ 7,850 |
| These amounts are classified in the Condensed Consolidated Statements of Earnings as follows: | | | | |
| Cost of goods and services | $ 2,192 | $ 157 | $ 4,399 | $ 4,235 |
| Selling, general and administrative expenses | 5,943 | 1,686 | 7,823 | 3,615 |
| **Total** | $ 8,135 | $ 1,843 | $ 12,222 | $ 7,850 |

The restructuring expenses of $8,135 and $12,222 incurred during the three and six months ended June 30, 2018, respectively, were related to restructuring programs initiated during 2018 and 2017. The three and six months ended June 30, 2018 restructuring expense includes $6,808 and $9,857, respectively, related to rightsizing restructuring programs largely initiated in the fourth quarter of 2017 and designed to better align the Company's cost structure in preparation for the Apergy separation. The Company also executed restructuring programs to better align the Company's costs and operations with current market conditions through targeted facility consolidations, headcount reductions and other measures to further optimize operations. The Company expects the programs currently underway to be substantially completed in the next 12 months.

The $8,135 of restructuring charges incurred during the second quarter of 2018 primarily included the following items:

- The Engineered Systems segment recorded $1,860 of restructuring charges related to programs focused on headcount reduction.

(Amounts in thousands except share data and where otherwise indicated) (Unaudited)

- The Fluids segment recorded $3,497 of restructuring charges as a result of programs and projects across the segment, principally related to headcount reductions and facility consolidations, focused on achieving acquisition integration benefits.

- Corporate recorded $2,544 of restructuring charges primarily related to headcount reductions.

The Company's severance and exit accrual activities were as follows:

| | Severance | Exit | Total |
|---|---|---|---|
| **Balance at December 31, 2017** | $ 25,681 | $ 5,591 | $ 31,272 |
| Restructuring charges | 8,420 | 3,802 | 12,222 |
| Payments | (21,848) | (5,876) | (27,724) |
| Other, including foreign currency translation | (1,743) | 369 (1) | (1,374) |
| **Balance at June 30, 2018** | $ 10,510 | $ 3,886 | $ 14,396 |

(1) Other activity in exit reserves primarily represents the non-cash write-off of certain long-lived assets and inventory in connection with certain facility closures and product exits.

## 10. Borrowings

Borrowings consisted of the following:

| | June 30, 2018 | December 31, 2017 |
|---|---|---|
| **Short-term** | | |
| Current portion of long-term debt and short-term borrowings | $ 1,330 | $ 350,402 |
| Commercial paper | 283,300 | 230,700 |
| **Notes payable and current maturities of long-term debt** | $ 284,630 | $ 581,102 |

| | | Carrying amount [1] | |
|---|---|---|---|
| | Principal | June 30, 2018 | December 31, 2017 |
| **Long-term** | | | |
| 5.45% 10-year notes due March 15, 2018 | $ 350,000 | $ — | $ 349,918 |
| 2.125% 7-year notes due December 1, 2020 (euro-denominated) | € 351,103 | 349,932 | 354,349 |
| 4.30% 10-year notes due March 1, 2021 | $ 450,000 | 449,016 | 448,831 |
| 3.150% 10-year notes due November 15, 2025 | $ 400,000 | 395,032 | 394,695 |
| 1.25% 10-year notes due November 9, 2026 (euro-denominated) | € 702,206 | 692,400 | 701,058 |
| 6.65% 30-year debentures due June 1, 2028 | $ 200,000 | 199,004 | 198,954 |
| 5.375% 30-year debentures due October 15, 2035 | $ 300,000 | 295,686 | 295,561 |
| 6.60% 30-year notes due March 15, 2038 | $ 250,000 | 247,770 | 247,713 |
| 5.375% 30-year notes due March 1, 2041 | $ 350,000 | 343,739 | 343,600 |
| Other | | 2,361 | 2,034 |
| Total long-term debt | | 2,974,940 | 3,336,713 |
| Less long-term debt current portion | | — | (350,011) |
| Net long-term debt | | $ 2,974,940 | $ 2,986,702 |

(1) Carrying amount is net of unamortized debt discount and deferred debt issuance costs. Total unamortized debt discounts were $16.8 million and $17.6 million as of June 30, 2018 and December 31, 2017, respectively. Total deferred debt issuance costs were $14.0 million and $14.9 million as of June 30, 2018 and December 31, 2017, respectively.

On March 15, 2018, the outstanding 5.45% notes with a principal value of $350.0 million matured. The repayment of debt was funded by the Company's commercial paper program and through a reduction of existing cash balances.

(Amounts in thousands except share data and where otherwise indicated) (Unaudited)

The Company maintains a $1.0 billion five-year unsecured revolving credit facility (the "Credit Agreement") with a syndicate of banks which expires on November 10, 2020. The Company was in compliance with all covenants in the Credit Agreement and other long-term debt covenants at June 30, 2018 and had a coverage ratio of 10.9 to 1.0. The Company uses the Credit Agreement as liquidity back-up for its commercial paper program and has not drawn down any loans under the facility and does not anticipate doing so. The Company generally uses commercial paper borrowings for general corporate purposes, funding of acquisitions and repurchases of its common stock.

As of June 30, 2018, the Company had approximately $141.8 million outstanding in letters of credit and performance and other guarantees which expire on various dates in 2018 through 2028. These letters of credit are primarily maintained as security for insurance, warranty and other performance obligations. In general, we would only be liable for the amount of these guarantees in the event of default in the performance of our obligations.

## 11. Financial Instruments

**Derivatives**

The Company is exposed to market risk for changes in foreign currency exchange rates due to the global nature of its operations and certain commodity risks. In order to manage these risks, the Company has hedged portions of its forecasted sales and purchases to occur within the next twelve months that are denominated in non-functional currencies, with currency forward contracts designated as cash flow hedges. At June 30, 2018 and December 31, 2017, the Company had contracts with U.S. dollar equivalent notional amounts of $221,577 and $115,580, respectively, to exchange foreign currencies, principally the Pound Sterling, Chinese Yuan, Swedish Krona, Swiss Franc, Canadian Dollar and Euro. The Company believes it is probable that all forecasted cash flow transactions will occur.

In addition, the Company had outstanding contracts with a total notional amount of $91,858 and $59,952 as of June 30, 2018 and December 31, 2017, respectively, that are not designated as hedging instruments. These instruments are used to reduce the Company's exposure for operating receivables and payables that are denominated in non-functional currencies. Gains and losses on these contracts are recorded in other expense (income), net in the Condensed Consolidated Statements of Earnings.

The following table sets forth the fair values of derivative instruments held by the Company as of June 30, 2018 and December 31, 2017 and the balance sheet lines in which they are recorded:

| | Fair Value Asset (Liability) | | |
|---|---|---|---|
| | **June 30, 2018** | **December 31, 2017** | **Balance Sheet Caption** |
| Foreign currency forward | $ 4,059 | $ 358 | Prepaid / Other current assets |
| Foreign currency forward | (1,290) | (2,243) | Other accrued expenses |

For a cash flow hedge, the effective portion of the change in estimated fair value of a hedging instrument is recorded in accumulated other comprehensive loss as a separate component of the Condensed Consolidated Statement of Stockholders' Equity and is reclassified into cost of goods and services in the Condensed Consolidated Statements of Earnings during the period in which the hedged transaction is recognized. The amount of gains or losses from hedging activity recorded in earnings is not significant, and the amount of unrealized gains and losses from cash flow hedges that are expected to be reclassified to earnings in the next twelve months is not significant; therefore, additional tabular disclosures are not presented. There are no amounts excluded from the assessment of hedge effectiveness and the Company's derivative instruments that are subject to credit risk contingent features were not significant.

The Company is exposed to credit loss in the event of nonperformance by counterparties to the financial instrument contracts held by the Company; however, nonperformance by these counterparties is considered unlikely as the Company’s policy is to contract with highly-rated, diversified counterparties.

The Company has designated the €600,000 and €300,000 of euro-denominated notes issued November 9, 2016 and December 4, 2013, respectively, as hedges of a portion of its net investment in euro-denominated operations. Changes in the value of the euro-denominated debt are recognized in foreign currency translation adjustments within other comprehensive earnings (loss) of the Condensed Consolidated Statements of Comprehensive Earnings to offset changes in the value of the net investment in euro-denominated operations.

(Amounts in thousands except share data and where otherwise indicated) (Unaudited)

Amounts recognized in other comprehensive earnings (loss) for the gains (losses) on net investment hedges were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Gain (loss) on euro-denominated debt | $ 57,998 | $ (35,318) | $ 13,889 | $ (65,839) |
| Tax (expense) benefit | (12,180) | 12,362 | (2,917) | 23,044 |
| Net gain (loss) on net investment hedges, net of tax | $ 45,818 | $ (22,956) | $ 10,972 | $ (42,795) |

**Fair Value Measurements**

ASC 820, Fair Value Measurements and Disclosures, establishes a fair value hierarchy that requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. ASC 820 establishes three levels of inputs that may be used to measure fair value.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs include inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of assets or liabilities.

Level 3 inputs are unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The following table presents the Company's assets and liabilities measured at fair value on a recurring basis as of June 30, 2018 and December 31, 2017:

| | June 30, 2018 | December 31, 2017 |
|---|---|---|
| | Level 2 | Level 2 |
| Assets: | | |
| Foreign currency cash flow hedges | $ 4,059 | $ 358 |
| Liabilities: | | |
| Foreign currency cash flow hedges | 1,290 | 2,243 |

In addition to fair value disclosure requirements related to financial instruments carried at fair value, accounting standards require interim disclosures regarding the fair value of all of the Company's financial instruments.

The estimated fair value of long-term debt, net at June 30, 2018 and December 31, 2017, was $3,199,810 and $3,324,776, respectively, compared to the carrying value of $2,974,940 and $2,986,702, respectively. The estimated fair value of long-term debt is based on quoted market prices for similar instruments and is, therefore, classified as Level 2 within the fair value hierarchy.

The carrying values of cash and cash equivalents, trade receivables, accounts payable and notes payable are reasonable estimates of their fair values as of June 30, 2018, and December 31, 2017 due to the short-term nature of these instruments.

## 12. Income Taxes

The effective tax rates for the three months ended June 30, 2018 and 2017 were 21.3% and 28.1%, respectively. The decrease in the effective tax rate for the three months ended June 30, 2018 relative to the prior comparable period was principally due to the decrease in the U.S. statutory tax rate from 35% to 21% and other U.S. tax law changes.

The effective tax rates for the six months ended June 30, 2018 and 2017 were 20.2% and 26.5%, respectively. The decrease in the effective tax rate for the six months ended June 30, 2018 relative to the prior comparable period was primarily driven by the decrease in the U.S. statutory tax rate from 35% to 21% and other U.S. tax law changes.

The discrete items for the three and six months ended June 30, 2018 primarily resulted from the net tax benefit from stock exercises and favorable audit settlements. The discrete items for the three and six months ended June 30, 2017 principally resulted from adjustments to the provision based on filed tax returns in foreign jurisdictions and the effect of the settlement of the 2013 IRS audit. Additionally, the discrete items for the six months ended June 30, 2017 also included the gain on the sale of PMI.

(Amounts in thousands except share data and where otherwise indicated) (Unaudited)

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 (“SAB 118”) to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the U.S. bill commonly referred to as the Tax Cuts and Jobs Act (“Tax Reform Act”). In accordance with the SAB 118 guidance, the Company recognized the provisional tax impacts related to deemed repatriated earnings and the benefit for the revaluation of deferred tax assets and liabilities in its consolidated financial statements for the year ended December 31, 2017. For the six months ended June 30, 2018, the Company recorded a $1.3 million tax benefit, which resulted in a 0.2% decrease in the effective tax rate, as an adjustment to the provisional estimates as a result of additional regulatory guidance and changes in interpretations and assumptions the Company has made as a result of the Tax Reform Act. In accordance with SAB 118, any additional adjustment to the financial reporting impact of the Tax Reform Act will be completed by the fourth quarter of 2018.

Dover and its subsidiaries file tax returns in the U.S., including various state and local returns and in other foreign jurisdictions. We believe adequate provision has been made for all income tax uncertainties. The Company is routinely audited by taxing authorities in its filing jurisdictions, and a number of these audits are currently underway. The Company believes that within the next twelve months uncertain tax positions may be resolved and statutes of limitations will expire, which could result in a decrease in the gross amount of unrecognized tax benefits of approximately zero to $9.7 million.

## 13. Equity Incentive Program

The Company typically grants equity awards annually at its regularly scheduled first quarter meeting of the Compensation Committee of the Board of Directors. Additionally, in the second quarter, the Company granted equity awards to its new President and Chief Executive Officer. During the six months ended June 30, 2018, the Company issued stock-settled appreciation rights ("SARs") covering 757,603 shares, performance share awards of 122,459 and restricted stock units ("RSUs") of 284,721.

In addition, in connection with the separation of Apergy, the Company modified the outstanding equity awards for its employees. The awards were modified such that all individuals received an equivalent fair value both before and after the separation of Apergy. This modification resulted in the issuance of an additional 1,138,008 SARs, 26,316 performance shares, and 47,063 RSUs. The exercise price of these outstanding awards, where applicable, was adjusted to preserve the value of the awards immediately prior to the separation. As no incremental fair value was awarded as a result of the issuance of these additional shares, the modification did not result in additional compensation expense.

The Company uses the Black-Scholes option pricing model to determine the fair value of each SAR on the date of grant. Expected volatilities are based on Dover's stock price history, including implied volatilities from traded options on Dover stock. The Company uses historical data to estimate SAR exercise and employee termination patterns within the valuation model. The expected life of SARs granted is derived from the output of the option valuation model and represents the average period of time that SARs granted are expected to be outstanding. The interest rate for periods within the contractual life of the SARs is based on the U.S. Treasury yield curve in effect at the time of grant.

The range of assumptions used in determining the fair value of the SARs awarded during the respective periods were as follows:

| | SARs | |
|---|---|---|
| | 2018 | 2017 |
| Risk-free interest rate | 2.58% - 2.87% | 1.80% |
| Dividend yield | 1.99% - 2.43% | 2.27% |
| Expected life (years) | 5.6 - 5.6 | 4.6 |
| Volatility | 20.95% - 21.20% | 21.90% |
| | | |
| Grant price [1] | $79.75 - $82.08 | $66.84 |
| Fair value per share at date of grant [1] | $14.58 - $15.41 | $10.65 |

[1] Updated to reflect the modification of grants in connection with the separation of Apergy on May 9, 2018.

The performance share awards granted in 2018 and 2017 are considered performance condition awards as attainment is based on Dover's performance relative to established internal metrics. The fair value of these awards was determined using Dover's closing stock price on the date of grant. The expected attainment of the internal metrics for these awards is analyzed each reporting period, and the related expense is adjusted based on expected attainment, if that attainment differs from previous estimates. The cumulative effect on current and prior periods of a change in attainment is recognized in selling, general and administrative expenses in the Condensed Consolidated Statements of Earnings in the period of change.

(Amounts in thousands except share data and where otherwise indicated) (Unaudited)

The fair value and average attainment used in determining stock-based compensation cost for the performance shares issued in 2018 and 2017 is as follows for the six months ended June 30, 2018:

| | Performance shares | |
|---|---|---|
| | 2018 | 2017 |
| Fair value per share at date of grant [(1)] | $79.75 - $82.08 | $66.84 |
| Average attainment rate reflected in expense | 222.25% | 222.49% |

[(1)] Updated to reflect the modification of grants in connection with the separation of Apergy on May 9, 2018.

The Company also has granted RSUs, and the fair value of these awards was determined using Dover's closing stock price on the date of grant (updated to reflect the modification of grants in connection with the separation of Apergy).

Stock-based compensation is reported within selling, general and administrative expenses of continuing operations in the Condensed Consolidated Statements of Earnings. The following table summarizes the Company’s compensation expense relating to all stock-based incentive plans:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Pre-tax stock-based compensation expense (continuing) | $ 3,658 | $ 4,710 | $ 10,403 | $ 16,861 |
| Tax benefit | (817) | (1,649) | (2,313) | (5,974) |
| Total stock-based compensation expense, net of tax | $ 2,841 | $ 3,061 | $ 8,090 | $ 10,887 |

Stock-based compensation expense attributable to Apergy employees for the three months ended June 30, 2018 and 2017 was $174 and $608, respectively. For the six months ended June 30, 2018 and 2017, stock-based compensation expense attributable to Apergy employees was $744 and $1,261, respectively. These costs are reported within earnings from discontinued operations in the Condensed Consolidated Statement of Earnings.

## 14. Commitments and Contingent Liabilities

### Litigation

Certain of the Company’s subsidiaries are involved in legal proceedings relating to the cleanup of waste disposal sites identified under federal and state statutes that 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, certain 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. At June 30, 2018 and December 31, 2017, the Company has reserves totaling $33,992 and $34,991, respectively, for environmental and other matters, including private party claims for exposure to hazardous substances that are probable and estimable.

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, 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 and currently accrued to-date, and the availability and extent of insurance coverage. The Company has reserves for legal matters that are probable and estimable and not otherwise covered by insurance, and at June 30, 2018 and December 31, 2017, these reserves were not significant. While it is not possible at this time to predict the outcome of these legal actions, in the opinion of management, based on the aforementioned reviews, the Company is not currently involved in any legal proceedings which, individually or in the aggregate, could have a material effect on its financial position, results of operations, or cash flows.

**DOVER CORPORATION**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Amounts in thousands except share data and where otherwise indicated) (Unaudited)**

**Warranty Accruals**

Estimated warranty program claims are provided for at the time of sale of the Company's products. Amounts provided for are based on historical costs and adjusted for new claims and are included within other accrued expenses and other liabilities in the Condensed Consolidated Balance Sheet. The changes in the carrying amount of product warranties through June 30, 2018 and 2017, were as follows:

| | 2018 | 2017 |
|---|---|---|
| **Beginning Balance, December 31 of the Prior Year** | $ 59,403 | $ 80,331 |
| Provision for warranties | 30,603 | 32,830 |
| Settlements made | (34,746) | (37,623) |
| Other adjustments, including acquisitions and currency translation | (480) | 178 |
| **Ending Balance, June 30** | $ 54,780 | $ 75,716 |

## 15. Employee Benefit Plans

**Retirement Plans**

The Company offers defined contribution retirement plans which cover the majority of its U.S. employees, as well as employees in certain other countries. In addition, the Company sponsors qualified defined benefit pension plans covering certain employees of the Company and its subsidiaries. The plans' benefits are generally based on years of service and employee compensation. The Company also provides to certain management employees, through non-qualified plans, supplemental retirement benefits in excess of qualified plan limits imposed by federal tax law.

Upon separation from Dover, Apergy participants in the Dover U.S. pension plan (other than Norris USW participants) fully vested in their benefits and ceased accruing future benefits. Dover retained the obligation and participants will be able to elect lump-sum payments from plan assets post-separation. Such payments could result in a non-cash settlement charge to the Company's fourth quarter 2018 earnings when lump sum payments are expected to be paid out; the amount of which is not currently determinable. Assets and obligations related to the Norris USW participants were moved to a new plan sponsored by Apergy. The separation of Apergy triggered a pension plan curtailment which required a re-measurement of the Plan's benefit obligation in the second quarter, assuming a discount rate of 4.2% and an expected return on assets of 6.8%. The re-measurement resulted in one-time charges of $0.2 million in the second quarter of 2018.

The following tables set forth the components of the Company's net periodic expense relating to retirement benefit plans:

***Qualified Defined Benefits***

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | U.S. Plan | | Non-U.S. Plans | | U.S. Plan | | Non-U.S. Plans | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Service cost | $ 2,303 | $ 3,021 | $ 1,534 | $ 1,343 | $ 5,287 | $ 6,042 | $ 3,111 | $ 2,660 |
| Interest cost | 5,153 | 5,430 | 1,343 | 1,285 | 10,255 | 10,859 | 2,721 | 2,549 |
| Expected return on plan assets | (9,745) | (9,953) | (2,037) | (1,833) | (19,956) | (19,906) | (4,128) | (3,637) |
| Amortization: | | | | | | | | |
| Prior service cost (credit) | 339 | 106 | (111) | (112) | 426 | 213 | (226) | (222) |
| Recognized actuarial loss | 870 | 1,395 | 782 | 864 | 2,801 | 2,791 | 1,585 | 1,705 |
| Transition obligation | — | — | 1 | 1 | — | — | 2 | 2 |
| Net periodic (income) expense | $ (1,080) | $ (1) | $ 1,512 | $ 1,548 | $ (1,187) | $ (1) | $ 3,065 | $ 3,057 |
| Less: Discontinued operations | $ 273 | $ 846 | $ 73 | $ 203 | $ 950 | $ 1,692 | $ 247 | $ 405 |
| Net periodic (income) expense - Continuing operations | $ (1,353) | $ (847) | $ 1,439 | $ 1,345 | $ (2,137) | $ (1,693) | $ 2,818 | $ 2,652 |

(Amounts in thousands except share data and where otherwise indicated) (Unaudited)

***Non-Qualified Supplemental Benefits***

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Service cost | $ 660 | $ 618 | $ 1,355 | $ 1,236 |
| Interest cost | 808 | 1,019 | 1,701 | 2,038 |
| Amortization: | | | | |
| Prior service cost | 1,351 | 1,103 | 2,314 | 2,205 |
| Recognized actuarial gain | (281) | (298) | (536) | (596) |
| Net periodic expense | $ 2,538 | $ 2,442 | $ 4,834 | $ 4,883 |
| Less: Discontinued operations | 97 | 306 | 351 | 613 |
| Net periodic expense - Continuing operations | $ 2,441 | $ 2,136 | $ 4,483 | $ 4,270 |

***Post-Retirement Benefit Plans***

The Company also maintains post-retirement benefit plans, although these plans are closed to new entrants. The supplemental and post-retirement benefit plans are supported by the general assets of the Company. The following table sets forth the components of the Company's net periodic expense relating to its post-retirement benefit plans:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Service cost | $ 7 | $ 8 | $ 15 | $ 17 |
| Interest cost | 72 | 73 | 145 | 146 |
| Amortization: | | | | |
| Prior service cost | 4 | 2 | 7 | 4 |
| Recognized actuarial gain | (7) | (40) | (15) | (80) |
| Net periodic expense | $ 76 | $ 43 | $ 152 | $ 87 |

The total amount amortized out of accumulated other comprehensive earnings into net periodic pension and post-retirement expense totaled $2,948 and $3,021 for the three months ended June 30, 2018 and 2017, respectively, and $6,358 and $6,022 for the six months ended June 30, 2018 and 2017, respectively.

On January 1, 2018, the Company adopted Accounting Standards Update ("ASU") 2017-07, Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The service cost component is recognized within selling, general and administrative expenses and cost of goods and services, depending on the functional area of the underlying employees included in the plans, and the non-operating components of pension costs are included within other expense (income), net in the Condensed Consolidated Statements of Earnings. See Note 20 — Recent Accounting Pronouncements for additional information.

**Defined Contribution Retirement Plans**

The Company also offers defined contribution retirement plans which cover the majority of its U.S. employees, as well as employees in certain other countries. The Company's expense relating to defined contribution plans was $8,563, and $8,794 for the three months ended June 30, 2018 and 2017, respectively, and $18,852 and $18,110 for the six months ended June 30, 2018 and 2017.

(Amounts in thousands except share data and where otherwise indicated) (Unaudited)

**16. Other Comprehensive Earnings**

The amounts recognized in other comprehensive (loss) earnings were as follows:

| | Three Months Ended June 30, 2018 | | | Three Months Ended June 30, 2017 | | |
|---|---|---|---|---|---|---|
| | Pre-tax | Tax | Net of tax | Pre-tax | Tax | Net of tax |
| Foreign currency translation adjustments | $ (52,979) | $ (12,180) | $ (65,159) | $ 13,812 | $ 12,362 | $ 26,174 |
| Pension and other post-retirement benefit plans | 2,948 | (628) | 2,320 | 3,021 | (966) | 2,055 |
| Changes in fair value of cash flow hedges | 2,085 | (437) | 1,648 | (2,642) | 925 | (1,717) |
| Other | — | — | — | (657) | 79 | (578) |
| **Total other comprehensive (loss) earnings** | $ (47,946) | $ (13,245) | $ (61,191) | $ 13,534 | $ 12,400 | $ 25,934 |

| | Six Months Ended June 30, 2018 | | | Six Months Ended June 30, 2017 | | |
|---|---|---|---|---|---|---|
| | Pre-tax | Tax | Net of tax | Pre-tax | Tax | Net of tax |
| Foreign currency translation adjustments | $ (9,934) | $ (2,917) | $ (12,851) | $ 46,902 | $ 23,044 | $ 69,946 |
| Pension and other post-retirement benefit plans | 6,358 | (1,356) | 5,002 | 6,022 | (1,927) | 4,095 |
| Changes in fair value of cash flow hedges | 3,490 | (733) | 2,757 | (2,855) | 999 | (1,856) |
| Other | — | — | — | (274) | 33 | (241) |
| **Total other comprehensive (loss) earnings** | $ (86) | $ (5,006) | $ (5,092) | $ 49,795 | $ 22,149 | $ 71,944 |

Total comprehensive earnings were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Net earnings | $ 139,959 | $ 164,058 | $ 271,393 | $ 336,305 |
| Other comprehensive (loss) earnings | (61,191) | 25,934 | (5,092) | 71,944 |
| **Comprehensive earnings** | $ 78,768 | $ 189,992 | $ 266,301 | $ 408,249 |

Amounts reclassified from accumulated other comprehensive (loss) to earnings during the three and six months ended June 30, 2018 and 2017 were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| **Foreign currency translation:** | | | | |
| Reclassification of foreign currency translation losses to earnings from sale of subsidiary | $ — | $ — | $ — | $ 3,875 |
| Tax benefit | — | — | — | — |
| Net of tax | $ — | $ — | $ — | $ 3,875 |
| **Pension and other postretirement benefit plans:** | | | | |
| Amortization of actuarial losses | $ 1,365 | $ 1,922 | $ 3,837 | $ 3,821 |
| Amortization of prior service costs | 1,583 | 1,099 | 2,521 | 2,201 |
| Total before tax | 2,948 | 3,021 | 6,358 | 6,022 |
| Tax benefit | (628) | (966) | (1,356) | (1,927) |
| Net of tax | $ 2,320 | $ 2,055 | $ 5,002 | $ 4,095 |
| **Cash flow hedges:** | | | | |
| Net gains (loss) reclassified into earnings | $ (579) | $ 245 | $ (899) | $ (89) |
| Tax provision (benefit) | 122 | (86) | 189 | 31 |
| Net of tax | $ (457) | $ 159 | $ (710) | $ (58) |

The Company recognizes net periodic pension cost, which includes amortization of net actuarial gains and losses and prior service costs, in both selling, general and administrative expenses and cost of goods and services within the Condensed Consolidated Statements of Earnings, depending on the functional area of the underlying employees included in the plans.

Cash flow hedges consist mainly of foreign currency forward contracts. The Company recognizes the realized gains and losses on its cash flow hedges in the same line item as the hedged transaction, such as revenue, cost of goods and services, or selling, general and administrative expenses.

**17. Segment Information**

As described in Note 2 - Spin-off of Apergy Corporation, Dover completed the distribution of Apergy to its shareholders on May 9, 2018. Apergy holds entities conducting upstream energy businesses previously included in the Energy segment. Following completion of the spin-off, the retained Precision Components (Bearings & Compression) and Tulsa Winch Group businesses, which were historically reported within the former Energy segment, became part of the Fluids and Engineered Systems segments, respectively. As a result of the spin-off of Apergy, the Company no longer has the Energy segment.

Effective the second quarter of 2018, the Company categorizes its operating companies into three reportable segments based on how the Chief Operating Decision Makers (CODM) analyze performance, allocate capital and make strategic and operational decisions. The three reportable segments are as follows:

- Engineered Systems segment is comprised of two platforms, Printing & Identification and Industrials, and is focused on the design, manufacture and service of critical equipment and components serving the fast-moving consumer goods, digital textile printing, vehicle service, environmental solutions and industrial end markets.

- Fluids segment, serving the Fueling & Transport, Pumps and Process Solutions end markets, is focused on the safe handling of critical fluids, and providing critical components to the retail fueling, chemical, hygienic, oil and gas, power generation and industrial markets.

- Refrigeration & Food Equipment segment is a provider of innovative and energy efficient equipment and systems serving the commercial refrigeration and food equipment end markets

**DOVER CORPORATION**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Amounts in thousands except share data and where otherwise indicated) (Unaudited)**

Segment financial information and a reconciliation of segment results to consolidated results is as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| **Revenue:** | | | | |
| Engineered Systems | $ 702,989 | $ 678,285 | $ 1,374,615 | $ 1,307,157 |
| Fluids | 693,666 | 633,252 | 1,321,764 | 1,230,897 |
| Refrigeration & Food Equipment | 401,766 | 426,304 | 740,001 | 783,138 |
| Intra-segment eliminations | (327) | (470) | (615) | (611) |
| Total consolidated revenue | $ 1,798,094 | $ 1,737,371 | $ 3,435,765 | $ 3,320,581 |
| **Earnings from continuing operations:** | | | | |
| Segment earnings: (1) | | | | |
| Engineered Systems | $ 126,649 | $ 110,103 | $ 228,715 | $ 287,310 |
| Fluids | 93,028 | 91,465 | 160,376 | 158,637 |
| Refrigeration & Food Equipment | 51,372 | 65,829 | 80,554 | 99,391 |
| Total segment earnings | 271,049 | 267,397 | 469,645 | 545,338 |
| Corporate expense / other (2) | 30,050 | 34,818 | 60,813 | 72,100 |
| Interest expense | 32,125 | 36,854 | 67,765 | 73,213 |
| Interest income | (2,563) | (2,335) | (4,620) | (4,910) |
| Earnings before provision for income taxes and discontinued operations | 211,437 | 198,060 | 345,687 | 404,935 |
| Provision for income taxes | 44,981 | 55,585 | 69,822 | 107,372 |
| Earnings from continuing operations | $ 166,456 | $ 142,475 | $ 275,865 | $ 297,563 |

(1) Segment earnings includes non-operating income and expense directly attributable to the segments. Non-operating income and expense includes gain on sale of businesses and other expense (income), net.

(2) Certain expenses are maintained at the corporate level and not allocated to the segments. These expenses include executive and functional compensation costs, non-service pension costs, non-operating insurance expenses, shared business services costs and various administrative expenses relating to the corporate headquarters.

## 18. Share Repurchases

Under the January 2015 authorization which expired on January 9, 2018, the Company repurchased 440,608 shares of common stock during the six months ended June 30, 2018 at a total cost of $44,977, or $102.08 per share. There were 5,271,168 shares available for repurchase under this authorization upon expiration. There were no repurchases during the six months ended June 30, 2017.

In February 2018, the Company's Board of Directors approved a new standing share repurchase authorization, whereby the Company may repurchase up to 20 million shares of its common stock through December 31, 2020. This share repurchase authorization replaced the January 2015 share repurchase authorization.

On May 22, 2018, the Company entered into an accelerated share repurchase agreement (the “ASR Agreement”) with Goldman Sachs & Co. LLC (“Goldman Sachs”) pursuant to which it will repurchase $700,000 of shares in an accelerated share repurchase program (the “ASR Program”). The Company is conducting the ASR Program under the February 2018 share repurchase authorization. The Company funded the ASR Program with funds received from Apergy in connection with the consummation of the Apergy spin-off.

Under the terms of the ASR Agreement, the Company paid Goldman Sachs $700,000 on May 24, 2018 and on that date received initial deliveries of 7,078,751 shares, representing a substantial majority of the shares expected to be retired over the course of the ASR Agreement. The total number of shares ultimately repurchased under the ASR Agreement will be based on the volume-weighted average share price of Dover’s common stock during the calculation period of the ASR Program, less a discount. The ASR Program is scheduled to be completed in 2018, subject to postponement or acceleration under the terms of the ASR Agreement. The actual number of shares repurchased will be determined at the completion of the ASR Program.

As of June 30, 2018, 12,921,249 shares remain authorized for repurchase under the share repurchase authorization.

(Amounts in thousands except share data and where otherwise indicated) (Unaudited)

## 19. Earnings per Share

The following table sets forth a reconciliation of the information used in computing basic and diluted earnings per share:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Earnings from continuing operations | $ 166,456 | $ 142,475 | $ 275,865 | $ 297,563 |
| (Loss) earnings from discontinued operations, net | (26,497) | 21,583 | (4,472) | 38,742 |
| Net earnings | $ 139,959 | $ 164,058 | $ 271,393 | $ 336,305 |
| **Basic earnings per common share:** | | | | |
| Earnings from continuing operations | $ 1.10 | $ 0.92 | $ 1.80 | $ 1.91 |
| (Loss) earnings from discontinued operations, net | $ (0.17) | $ 0.14 | $ (0.03) | $ 0.25 |
| Net earnings | $ 0.92 | $ 1.05 | $ 1.77 | $ 2.16 |
| Weighted average shares outstanding | 151,744,000 | 155,703,000 | 153,124,000 | 155,622,000 |
| **Diluted earnings per common share:** | | | | |
| Earnings from continuing operations | $ 1.08 | $ 0.90 | $ 1.77 | $ 1.89 |
| (Loss) earnings from discontinued operations, net | $ (0.17) | $ 0.14 | $ (0.03) | $ 0.25 |
| Net earnings | $ 0.91 | $ 1.04 | $ 1.74 | $ 2.14 |
| Weighted average shares outstanding | 153,938,000 | 157,513,000 | 155,573,000 | 157,457,000 |

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Weighted average shares outstanding - Basic | 151,744,000 | 155,703,000 | 153,124,000 | 155,622,000 |
| Dilutive effect of assumed exercise of SARs and vesting of performance shares and RSUs | 2,194,000 | 1,810,000 | 2,449,000 | 1,835,000 |
| Weighted average shares outstanding - Diluted | 153,938,000 | 157,513,000 | 155,573,000 | 157,457,000 |

Diluted earnings per share amounts are computed using the weighted average number of common shares outstanding and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of SARs and vesting of performance shares and RSUs, as determined using the treasury stock method.

The weighted average number of anti-dilutive potential common shares excluded from the calculation above were approximately 78,000 and 33,000 for the three months ended June 30, 2018 and 2017, respectively, and 0 and 20,000 for the six months ended June 30, 2018 and 2017, respectively.

## 20. Recent Accounting Pronouncements

### Recently Issued Accounting Standards

The following standards, issued by the Financial Accounting Standards Board ("FASB"), will, or are expected to, result in a change in practice and/or have a financial impact to the Company's Consolidated Financial Statements:

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. This ASU provides new guidance about income statement classification and eliminates the requirement to separately measure and report hedge ineffectiveness. The entire change in fair value for qualifying hedge instruments included in the effectiveness will be recorded in Other Comprehensive Income ("OCI") and amounts deferred in OCI will be reclassified to earnings in the same income statement line item in which the earnings effect of the hedged item is reported. The guidance is effective for interim and annual periods for the Company on January 1, 2019, with early adoption permitted. The Company does not expect the adoption of this ASU to have a material impact on its Consolidated Financial Statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which amends existing guidance to require lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by long-term leases and to disclose additional quantitative and qualitative information about leasing arrangements. This ASU also provides clarifications surrounding the presentation of the effects of leases in the income statement and statement of cash flows. This guidance will be effective for the Company on January 1, 2019.

During the second half of 2017, the Company developed a project plan to guide the implementation of ASU 2016-02. The Company made progress on this plan including surveying the Company's businesses, assessing the Company's portfolio of leases and compiling a central repository of active leases. The Company has evaluated key policy elections and considerations under the standard and drafted an internal policy to address the new standard requirements. The Company has also selected a lease accounting software solution to support the new reporting requirements and made continued progress on its configuration. The Company is assessing the design of the future lease process and has initiated training. Lease data elements, required for lease accounting, are in the process of being extracted and are being loaded into the software solution. While the Company has not yet completed its evaluation of the impact the new lease accounting guidance will have on its Consolidated Financial Statements, the Company expects to recognize right of use assets and liabilities for its operating leases in the Consolidated Balance Sheet upon adoption.

**Recently Adopted Accounting Standards**

In March 2018, the FASB issued ASU 2018-07, Income Taxes (Topic 740) Amendments to SEC Paragraphs Pursuant to the SEC SAB 118. This ASU provides guidance on income tax accounting implications under the Tax Reform Act. SAB 118 addressed the application of GAAP to situations when a registrant does not have the necessary information available, prepared and analyzed in reasonable detail to complete the accounting for certain income tax effects of the Tax Reform Act and allows companies to record provisional amounts during the re-measurement period not to exceed one year after the enactment date while the accounting impact remains under analysis. This guidance was effective immediately upon issuance. See Note 12 — Income Taxes for further details.

In February 2018, the FASB issued ASU No. 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220) Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. The ASU allows for the reclassification from Accumulated Other Comprehensive Income ("AOCI") to retained earnings for tax effects resulting from the Tax Reform Act that are stranded in AOCI. ASU 2018-02, however, does not change the underlying guidance that requires that the effect of a change in tax laws or rates be included in income from continuing operations. The Company early adopted this guidance on January 1, 2018, and elected to reclassify the stranded tax effects from AOCI to retained earnings of $12.9 million. The stranded tax effects were specifically identified and represented the difference between the change in the amount of income tax from 35% to 21%, recognized in AOCI primarily for the deferred tax associated with the pension activity, which were recognized in the Consolidated Statement of Earnings for the year ended December 31, 2017.

In March 2017, the FASB issued ASU 2017-07, Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. This ASU changes the income statement presentation of defined benefit and post-retirement benefit plan expense by requiring separation between operating expense (service cost component of net periodic benefit expense) and non-operating expense (all other components of net periodic benefit expense, including interest cost, amortization of prior service cost, curtailments and settlements, etc.). The operating expense component is reported with similar compensation costs while the non-operating components are reported outside of operating income. The non-operating components are reported in the other expense (income), net line item in the Consolidated Statement of Earnings. The Company's non-service cost components of net periodic benefit cost were a benefit of $1.5 million and $1.0 million during the three months ended June 30, 2018 and 2017 respectively and a benefit of $2.9 million and $1.9 million for the six months ended June 30, 2018 and 2017, respectively. The impact of this adoption resulted in a reclassification to the Company's Condensed Consolidated Statement of Earnings for the six months ended June 30, 2017, in which previously reported selling, general and administrative expenses ("SG&A") was increased by $1.9 million, with a corresponding $1.9 million decrease to other expense (income), net. The Company utilized a practical expedient included in the ASU which allowed the Company to use amounts previously disclosed in its pension and other post-retirement benefits note for the prior period as the estimation basis for applying the required retrospective presentation requirements. The Company adopted this guidance on January 1, 2018.

In January 2017, the FASB issued ASU 2017-01, Business combinations (Topic 805): Clarifying the definition of a business, which clarifies the definition of a business and assists entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. Under this guidance, when substantially all of the fair value of gross assets acquired is concentrated in a single asset (or group of similar assets), the assets acquired would not represent a business. In addition, in order to be considered a business, an acquisition would have to include at a minimum an input and a substantive process that together significantly contribute to the ability to create an output. The amended guidance also narrows the definition of outputs by more closely aligning it with how outputs are described in FASB guidance for revenue recognition. The Company adopted this guidance on January 1, 2018. The adoption of this ASU did not have a material impact on the Company's Consolidated Financial Statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This ASU addresses the following eight specific cash flow issues: Debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (including bank-owned life insurance policies); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. The Company adopted this guidance on January 1, 2018. The adoption of this ASU did not have a material impact on the Company's Consolidated Financial Statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The guidance introduced a new five-step revenue recognition model in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also required disclosures sufficient to enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers, significant judgments and changes in judgments and assets recognized from the costs to obtain or fulfill a contract. The Company adopted this guidance on January 1, 2018.

The Company commenced its assessment of ASU 2014-09 during the second half of 2015 and developed a project plan to guide the implementation. The Company completed this project plan, in which it analyzed the ASU’s impact on the Company's contract portfolio, surveyed the Company's businesses and discussed the various revenue streams, completed contract reviews, compared its historical accounting policies and practices to the requirements of the new guidance, identified potential differences from applying the requirements of the new guidance to its contracts and updated and provided training on its accounting policy. The Company also evaluated new disclosure requirements and identified and implemented appropriate changes to its business processes, systems and controls to support recognition and disclosure under the new guidance. The Company adopted this new guidance using the modified retrospective method that resulted in a cumulative catch-up adjustment of $0.2 million to retained earnings as of the date of adoption.

**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 our actual results to differ from the forward-looking statements contained below and throughout this quarterly report.

Throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), we refer to measures used by management to evaluate performance as well as liquidity, including a number of financial measures that are not defined under accounting principles generally accepted in the United States of America ("GAAP"). We believe these measures provide investors with important information that is useful in understanding our business results and trends. Explanations within this MD&A provide more details on the use and derivation of these measures.

## OVERVIEW

Dover is a diversified global manufacturer delivering innovative equipment and components, specialty systems, consumable supplies, software and digital solutions and support services through three operating segments: Engineered Systems, Fluids, and Refrigeration & Food Equipment. The Company's entrepreneurial business model encourages, promotes and fosters deep customer engagement and collaboration, which has led to Dover's well-established and valued reputation for providing superior customer service and industry-leading product innovation. Unless the context indicates otherwise, references herein to "Dover," "the Company," and words such as "we," "us," or "our" include Dover Corporation and its consolidated subsidiaries.

Effective in the second quarter of 2018, Dover's three operating segments are as follows:

- Our Engineered Systems segment is comprised of two platforms, Printing & Identification and Industrials, and is focused on the design, manufacture and service of critical equipment and components serving the fast-moving consumer goods, digital textile printing, vehicle service, environmental solutions and industrial end markets.

- Our Fluids segment, serving the Fueling & Transport, Pumps and Process Solutions end markets, is focused on the safe handling of critical fluids, and providing critical components to the retail fueling, chemical, hygienic, oil and gas, power generation and industrial markets.

- Our Refrigeration & Food Equipment segment is a provider of innovative and energy efficient equipment and systems serving the commercial refrigeration and food equipment end markets.

The following table shows the percentage of total revenue and segment earnings generated by each of our three segments for the three months ended June 30, 2018 and 2017:

| | Revenue | | Segment Earnings | |
|---|---|---|---|---|
| | Three Months Ended June 30, | | Three Months Ended June 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| Engineered Systems | 39.1% | 39.0% | 46.7% | 41.2% |
| Fluids | 38.6% | 36.5% | 34.3% | 34.2% |
| Refrigeration & Food Equipment | 22.3% | 24.5% | 19.0% | 24.6% |

In the second quarter of 2018, revenue of $1.8 billion increased 3.5% from $1.7 billion, as compared to the second quarter of 2017. Results were driven by organic revenue growth of 3.5%, acquisition-related revenue growth of 0.4%, and a favorable impact from foreign currency translation of 2.2%. This growth was partially offset by a revenue decline of 2.6% due to disposed businesses primarily in our Engineered Systems and Refrigeration & Food Equipment segments.

The 3.5% organic revenue growth was led by 7.0% organic growth in our Fluids segment, which was driven by strong activity in industrial pumps and international retail fueling. Engineered Systems segment organic revenue increased 5.8%, reflecting broad-based growth across the segment with particular strength in our digital printing and environmental solutions businesses. Organic revenue declined 5.6% in our Refrigeration & Food Equipment segment driven by continued weak retail refrigeration markets, especially with respect to refrigerated door cases.

From a geographic perspective, our major geographic markets (U.S., Europe and Asia) all grew organically year over year.

During the three months ended June 30, 2018, we continued to execute our previously announced rightsizing plans. These actions resulted in approximately $6.8 million of rightsizing costs across our segments as well as at the corporate level. These charges relate to employee reductions, facility consolidations and site closures to better align our cost structure after the Apergy separation. We incurred rightsizing costs of $0.8 million in Engineered Systems, $3.7 million in Fluids and $2.3 million at the corporate level. These charges were recorded in cost of goods and services and selling, general and administrative expenses in the Condensed Consolidated Statement of Earnings. We expect to undertake additional targeted cost reduction initiatives in 2018 to reduce overhead and increase asset intensity, while preserving our ability to drive top line growth.

On May 9, 2018, the Company completed the separation of Apergy Corporation ("Apergy") from Dover through the pro rata distribution of 100% of the common stock of Apergy to Dover's shareholders of record as of the close of business on April 30, 2018. Each Dover shareholder received one share of Apergy common stock for every two shares of Dover common stock held as of the record date. As a result, Apergy became an independent, publicly traded company listed on the New York Stock Exchange, and Dover retains no ownership interest in Apergy. The distribution was structured to be tax-free to Dover and its shareholders for U.S. federal income tax purposes. Apergy holds entities conducting the upstream energy businesses previously included within our Energy segment. Following the spin-off, effective the second quarter of 2018, the Company no longer has the Energy segment and is aligned into three reportable segments. The retained Precision Components (Bearings & Compression) and Tulsa Winch Group businesses, which were historically reported within the Energy segment, became a part of the Fluids and Engineered Systems segments, respectively.

For the three and six months ended June 30, 2018 and 2017, the historical results of Apergy are presented as discontinued operations as the spin-off represents a strategic shift in operations with a major impact on our operations and financial results. Earnings from discontinued operations for the three and six months ended June 30, 2018 included costs incurred by Dover to complete the spin-off of Apergy amounting to $34.6 million and $46.4 million, respectively.

Apergy issued and sold $300 million in aggregate principal amount of its 6.375% senior notes due May 2026 in a private offering exempt from the registration requirements of the Securities Act of 1933, as amended, and incurred $415 million in borrowings under its new senior secured term loan facility to fund a one-time cash payment of $700 million to Dover. Dover utilized the proceeds of $700 million from Apergy as the primary source of funding for $1 billion of share repurchases started in December 2017.

On May 22, 2018, we entered into an accelerated share repurchase agreement (the “ASR Agreement”) with Goldman Sachs & Co. LLC (“Goldman Sachs”) pursuant to which we will repurchase $700 million of shares in an accelerated share repurchase program (the “ASR Program”). We are conducting the ASR Program under the February 2018 share repurchase authorization. We funded the ASR Program with funds received from Apergy in connection with the consummation of the Apergy spin-off.

Under the terms of the ASR Agreement, we paid Goldman Sachs $700 million on May 24, 2018 and on that date received initial deliveries of 7,078,751 million shares, representing a substantial majority of the shares expected to be retired over the course of the ASR Agreement. The total number of shares ultimately repurchased under the ASR Agreement will be based on the volume-weighted average share price of Dover’s common stock during the calculation period of the ASR Program, less a discount. The ASR Program is scheduled to be completed in 2018, subject to postponement or acceleration under the terms of the ASR Agreement. The actual number of shares repurchased will be determined at the completion of the ASR Program.

## CONSOLIDATED RESULTS OF OPERATIONS

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|---|---|---|---|---|---|
| *(dollars in thousands, except per share data)* | **2018** | **2017** | **% Change** | **2018** | **2017** | **% Change** |
| Revenue | $ 1,798,094 | $ 1,737,371 | 3.5 % | $ 3,435,765 | $ 3,320,581 | 3.5 % |
| Cost of goods and services | 1,132,858 | 1,083,263 | 4.6 % | 2,167,700 | 2,090,620 | 3.7 % |
| Gross profit | 665,236 | 654,108 | 1.7 % | 1,268,065 | 1,229,961 | 3.1 % |
| *Gross profit margin* | *37.0%* | *37.6%* | *(0.6)* | *36.9%* | *37.0%* | *(0.1)* |
| | | | | | | |
| Selling, general and administrative expenses | 428,775 | 421,270 | 1.8 % | 863,801 | 846,987 | 2.0 % |
| *Selling, general and administrative expenses as a percent of revenue* | *23.8%* | *24.2%* | *(0.4)* | *25.1%* | *25.5%* | *(0.4)* |
| | | | | | | |
| Interest expense | 32,125 | 36,854 | (12.8)% | 67,765 | 73,213 | (7.4)% |
| Interest income | (2,563) | (2,335) | 9.8 % | (4,620) | (4,910) | (5.9)% |
| Gain on sale of businesses | — | — | nm* | — | (90,093) | nm* |
| Other (income) expense, net | (4,538) | 259 | nm* | (4,568) | (171) | nm* |
| | | | | | | |
| Provision for income taxes | 44,981 | 55,585 | (19.1)% | 69,822 | 107,372 | (35.0)% |
| *Effective tax rate* | *21.3%* | *28.1%* | *(6.8)* | *20.2%* | *26.5%* | *(6.3)* |
| | | | | | | |
| Earnings from continuing operations | 166,456 | 142,475 | 16.8 % | 275,865 | 297,563 | (7.3)% |
| (Loss) earnings from discontinued operations, net | (26,497) | 21,583 | nm* | (4,472) | 38,742 | nm* |
| Net earnings | 139,959 | 164,058 | (14.7)% | 271,393 | 336,305 | (19.3)% |
| Earnings from continuing operations per common share - diluted | $ 1.08 | $ 0.90 | 20.0 % | $ 1.77 | $ 1.89 | (6.3)% |

* nm - not meaningful

***Revenue***

In the second quarter of 2018, revenue increased $60.7 million, or 3.5%, from the comparable period. Results included organic revenue growth of 3.5%, acquisition-related revenue growth of 0.4%, and a favorable impact from foreign currency translation of 2.2%. This growth was partially offset by a revenue decline of 2.6% due to disposed businesses primarily within our Engineered Systems and Refrigeration & Food Equipment segments. Customer pricing favorably impacted revenue by approximately 0.6% in the second quarter of 2018.

Revenue for the six months ended June 30, 2018 increased $115.2 million, or 3.5%, from the comparable period. The increase primarily reflects organic revenue growth of 2.6%, led by our Engineered Systems and Fluids segments, acquisition-related growth of 0.5% and a favorable impact from foreign currency translation of 3.2%. Revenue growth was partially offset by revenue decline of 2.8% related primarily to disposed businesses within our Engineered Systems segment. Customer pricing favorably impacted revenue by approximately 0.7% for the six months ended June 30, 2018.

***Gross Profit***

Gross profit for the three months ended June 30, 2018 increased $11.1 million, or 1.7%, from the comparable period, primarily reflecting the benefits of increased sales volume and rightsizing and other restructuring actions taken in 2017, partially offset by higher material costs, inclusive of unfavorable commodity pricing impacts attributable to U.S. Section 232 tariffs, and temporary costs associated with site consolidations and supply chain disruptions within our Fluids segment. Gross profit margin decreased by 60 basis points for the three months ended June 30, 2018 from the comparable period.

Gross profit for the six months ended June 30, 2018 increased $38.1 million, or 3.1%, from the comparable period, consistent with the increase in revenues for the period. Gross profit margin decreased by 10 basis points for the six months ended June 30, 2018 from the comparable period.

***Selling, General and Administrative Expenses***

Selling, general and administrative expenses for the three months ended June 30, 2018 increased $7.5 million, or 1.8%, from the comparable period, primarily due to increased restructuring charges of $4.3 million and certain costs to support higher year over year sales, partially offset by the benefit of rightsizing and other restructuring actions. As a percentage of revenue, selling, general and administrative expenses improved 40 basis points as compared to the prior year comparable period, driven by the benefit of rightsizing and other restructuring actions taken largely in 2017.

Selling, general and administrative expenses for the six months ended June 30, 2018 increased $16.8 million, or 2.0%, from the comparable period, reflecting increased restructuring charges of $4.2 million and and certain costs to support higher year over year sales, partially offset by the benefit of rightsizing and other restructuring actions. As a percentage of revenue, selling, general and administrative expenses improved 40 basis points as compared to the prior year comparable period.

***Non-Operating Items***

Gain on sale of businesses

There was no gain on sale of businesses for the three and six months ended June 30, 2018 or the three months ended June 30, 2017. Gain on sale of businesses of $90.1 million for the six months ended June 30, 2017 was due to the sale of Performance Motorsports International ("PMI") during the first quarter of 2017 for a pre-tax gain of $88.4 million, as well as a working capital adjustment for our sale of Tipper Tie in the fourth quarter of 2016.

***Income Taxes***

The effective tax rates for the three months ended June 30, 2018 and 2017 were 21.3% and 28.1%, respectively. The decrease in the effective tax rate for the three months ended June 30, 2018 relative to the prior comparable period was principally due to the decrease in the U.S. statutory tax rate from 35% to 21% and other U.S. tax law changes.

The effective tax rates for the six months ended June 30, 2018 and 2017 were 20.2% and 26.5%, respectively. The decrease in the effective tax rate for the six months ended June 30, 2018 relative to the prior comparable period was primarily driven by the decrease in the U.S. statutory tax rate from 35% to 21% and other U.S. tax law changes.

The discrete items for the three and six months ended June 30, 2018 primarily resulted from the net tax benefit from stock exercises and favorable audit settlements. The discrete items for the three and six months ended June 30, 2017 principally resulted from adjustments to the provision based on filed tax returns in foreign jurisdictions and the effect of the settlement of the 2013 IRS audit. Additionally, the discrete items for the six months ended June 30, 2017 also included the gain on the sale of PMI.

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 (“SAB 118”) to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the U.S. bill commonly referred to as the Tax Cuts and Jobs Act (“Tax Reform Act”). In accordance with the SAB 118 guidance, the Company recognized the provisional tax impacts related to deemed repatriated earnings and the benefit for the revaluation of deferred tax assets and liabilities in its consolidated financial statements for the year ended December 31, 2017. For the six months ended June 30, 2018, the Company recorded a $1.3 million tax benefit, which resulted in a 0.2% decrease in the effective tax rate, as an adjustment to the provisional estimates as a result of additional regulatory guidance and changes in interpretations and assumptions the Company has made as a result of the Tax Reform Act. In accordance with SAB 118, any additional adjustment to the financial reporting impact of the Tax Reform Act will be completed by the fourth quarter of 2018.

Dover and its subsidiaries file tax returns in the U.S., including various state and local returns and in other foreign jurisdictions. We believe adequate provision has been made for all income tax uncertainties. The Company is routinely audited by taxing authorities in its filing jurisdictions, and a number of these audits are currently underway. The Company believes that within the next twelve months uncertain tax positions may be resolved and statutes of limitations will expire, which could result in a decrease in the gross amount of unrecognized tax benefits of approximately 0 to $9.7 million.

***Earnings from Continuing Operations***

Earnings from continuing operations for the three months ended June 30, 2018 increased 16.8% to $166.5 million, or $1.08 diluted earnings per share, from $142.5 million, or $1.04 diluted earnings per share, from the comparable period. The increase in earnings from continuing operations reflects leverage on year over year volume growth in our Engineered Systems segment, the benefit of lower U.S. tax rates, reduced corporate and interest expense, the benefit of rightsizing and other restructuring actions taken in 2017 and favorable pricing. This increase was partially offset by weakness in the retail refrigeration market served by our Refrigeration & Food Equipment segment, higher material costs and higher restructuring costs. Additionally, diluted earnings per share improved due to the benefit of the accelerated share repurchase program initiated in the second quarter of 2018.

Earnings from continuing operations for the six months ended June 30, 2018 decreased 7.3% to $275.9 million, or $1.77 diluted earnings per share, from $297.6 million, or $1.89 diluted earnings per share from the comparable period. The decrease in earnings from continuing operations was attributable to the gain on sale of PMI of $61.7 million, net of tax, recognized during the six months ended June 30, 2017. Excluding this item, earnings from continuing operations for the three months ended June 30, 2018 increased $40.0 million, or 17.0%. Consistent with the three months ended June 30, 2018, the increase reflects leverage on year over year volume growth in our Engineered Systems segment, the benefit of lower U.S. tax rates, reduced corporate and interest expense, the benefit of rightsizing and other restructuring actions taken in 2017 and favorable pricing, partially offset by weakness in the retail refrigeration market served by our Refrigeration & Food Equipment segment, higher material costs and higher restructuring costs.

Additionally, diluted earnings per share improved slightly due to the benefit of the accelerated share repurchase program initiated in the second quarter of 2018. The impact of the reduction in weighted average shares outstanding will be more significant for the full year 2018.

***Discontinued Operations***

For the three and six months ended June 30, 2018 and 2017, the historical results of Apergy were presented as discontinued operations as the spin-off represents a strategic shift in operations with a major impact on our operations and financial results. For the three and six months ended June 30, 2018, losses from discontinued operations were $26.5 million and $4.5 million, respectively, which included costs incurred by Dover to complete the spin-off of Apergy amounting to $34.6 million and $46.4 million, respectively. For the three and six months ended June 30, 2017, earnings from discontinued operations were $21.6 million and $38.7 million, respectively.

## SEGMENT RESULTS OF OPERATIONS

### Engineered Systems

Our Engineered Systems segment is comprised of two platforms, Printing & Identification and Industrials, and is focused on the design, manufacture and service of critical equipment and components serving the fast-moving consumer goods, digital textile printing, vehicle service, environmental solutions and industrial end markets.

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|---|---|---|---|---|---|
| *(dollars in thousands)* | 2018 | 2017 | % Change | 2018 | 2017 | % Change |
| Revenue: | | | | | | |
| Printing & Identification | $ 299,834 | $ 278,220 | 7.8 % | $ 582,356 | $ 527,458 | 10.4 % |
| Industrials | 403,155 | 400,065 | 0.8 % | 792,259 | 779,699 | 1.6 % |
| Total | $ 702,989 | $ 678,285 | 3.6 % | $ 1,374,615 | $ 1,307,157 | 5.2 % |
| | | | | | | |
| Segment earnings (1) | $ 126,649 | $ 110,103 | 15.0 % | $ 228,715 | $ 287,310 | (20.4)% |
| Segment margin (1) | 18.0% | 16.2% | | 16.6% | 22.0% | |
| | | | | | | |
| Segment EBITDA (2) | $ 145,852 | $ 131,375 | 11.0 % | $ 267,157 | $ 329,180 | (18.8)% |
| Segment EBITDA margin (2) | 20.7% | 19.4% | | 19.4% | 25.2% | |
| | | | | | | |
| Other measures: | | | | | | |
| Depreciation and amortization | $ 19,203 | $ 21,272 | (9.7)% | $ 38,442 | $ 41,870 | (8.2)% |
| | | | | | | |
| Bookings: | | | | | | |
| Printing & Identification | $ 306,770 | $ 282,158 | 8.7 % | $ 591,207 | $ 538,822 | 9.7 % |
| Industrials | 412,780 | 392,816 | 5.1 % | 879,502 | 836,874 | 5.1 % |
| | $ 719,550 | $ 674,974 | 6.6 % | $ 1,470,709 | $ 1,375,696 | 6.9 % |
| Backlog: | | | | | | |
| Printing & Identification | | | | $ 137,019 | $ 115,763 | 18.4 % |
| Industrials | | | | 372,525 | 321,315 | 15.9 % |
| | | | | $ 509,544 | $ 437,078 | 16.6 % |
| | | | | | | |
| Components of revenue growth: | | | | | | |
| Organic growth | | | 5.8 % | | | 6.9 % |
| Acquisitions | | | — % | | | 0.2 % |
| Dispositions | | | (5.0)% | | | (6.1)% |
| Foreign currency translation | | | 2.8 % | | | 4.2 % |
| | | | 3.6 % | | | 5.2 % |

(1) Excluding gain on sale of businesses, segment earnings was $228.7 million and $198.9 million for the six months ended June 30, 2018 and 2017, respectively. Segment margin was 16.6% and 15.2% for the six months ended June 30, 2018 and 2017, respectively.

(2) Excluding gain on sale of businesses, segment EBITDA was $267.2 million and $240.8 million for the six months ended June 30, 2018 and 2017, respectively. Segment EBITDA margin was 19.4% and 18.4% for the six months ended June 30, 2018 and 2017, respectively. See "Non-GAAP Disclosures" for definitions of segment EBITDA and segment EBITDA margin.

***Second Quarter 2018 Compared to the Second Quarter 2017***

Engineered Systems revenue for the second quarter of 2018 increased $24.7 million, or 3.6%, as compared to the second quarter of 2017, comprised of broad-based organic growth of 5.8% and a favorable impact from foreign currency translation of 2.8%. This increase was partially offset by a 5.0% impact from the 2017 disposition of the consumer and industrial winch business of Warn Industries Inc. ("Warn"). Customer pricing favorably impacted revenue by approximately 0.9% in the second quarter of 2018.

- Printing & Identification revenue (representing 42.7% of segment revenue) increased $21.6 million, or 7.8%, as compared to the prior year quarter. Organic revenue of 4.0%, and a favorable impact from foreign currency translation of 3.8%

contributed to year over year growth. Organic revenue growth was led by strong activity in our digital printing businesses, complemented by growth in our marking and coding businesses.

- Industrials revenue (representing 57.3% of segment revenue) increased $3.1 million, or 0.8%, as compared to the prior year quarter. The increase reflects organic revenue growth of 7.0% and a favorable impact of foreign currency translation of 2.1% partially offset by the impact of a 2017 disposition of 8.4%. Organic revenue growth was broad-based, with particular strength in our environmental solutions business.

Engineered Systems segment earnings increased $16.5 million, or 15.0%, compared to the second quarter of 2017. This increase was primarily driven by solid conversion on organic volume growth, favorable pricing and productivity initiatives including the benefits of prior year rightsizing actions across both platforms, and the net benefit of an earn-out reversal related to a prior year acquisition of $2.8 million. These benefits were partially offset by increases in material costs, most notably steel, inclusive of unfavorable commodity pricing impacts attributable to U.S. Section 232 tariffs, and lost earnings from a 2017 divested business. Segment margin increased from 16.2% to 18.0% as compared to the prior year quarter.

Bookings increased 6.6% for the segment, including organic growth of 9.2% and a favorable impact of 2.8% from foreign currency translation, offset in part by a 5.4% impact from a disposition. Bookings for our Industrials platform increased 5.1%, compared to the prior year quarter, driven by broad-based organic growth and the favorable impact from foreign currency translation, which more than offset lost bookings from a divested business. Our Printing & Identification bookings increased 8.7% compared to the prior year quarter, driven by broad-based organic growth in both our digital printing and marking and coding businesses and the favorable impact from foreign currency translation. Segment book-to-bill was 1.02.

***Six Months Ended June 30, 2018 Compared to the Six Months Ended June 30, 2017***

Engineered Systems revenue for the six months ended June 30, 2018 increased $67.5 million, or 5.2%, compared to the prior year comparable period. This was comprised of 6.9% organic revenue growth and a favorable impact from foreign currency translation of 4.2%, which was partly offset by dispositions of 6.1%. Organic revenue growth was broad based across both Printing and Identification and Industrials platforms. Customer pricing favorably impacted revenue by approximately 0.7% for the six months ended June 30, 2018.

Segment earnings for the six months ended June 30, 2018 decreased $58.6 million, or 20.4% as compared to the 2017 period, primarily impacted by the $88.4 million gain recognized from the sale of PMI in the first quarter of 2017. Excluding the PMI gain, as well as earnings of $17.1 million associated with 2017 divested businesses, segment earnings increased by $46.9 million, or 25.8%. This increase was primarily driven by solid conversion on organic volume growth, favorable pricing and productivity initiatives including the benefits of prior year rightsizing actions, as well as the net benefit of the earn-out reversal, partially offset by increases in material costs, most notably steel, inclusive of unfavorable commodity pricing impacts attributable to U.S. Section 232 tariffs, and higher restructuring costs. Segment margin decreased from 22.0% to 16.6% as compared to the prior year quarter due to the gain from the PMI sale in the first quarter of 2017. Excluding this gain, margins increased from 15.2% to 16.6% from the prior year period.

**Fluids**

Our Fluids segment, serving the Fueling & Transport, Pumps and Process Solutions end markets, is focused on the safe handling of critical fluids, and providing critical components to the retail fueling, chemical, hygienic, oil and gas, power generation and industrial markets.

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|---|---|---|---|---|---|
| *(dollars in thousands)* | 2018 | 2017 | % Change | 2018 | 2017 | % Change |
| Revenue: | | | | | | |
| Fueling & Transport | $ 363,355 | $ 330,027 | 10.1 % | $ 682,659 | $ 646,156 | 5.6 % |
| Pumps | 173,306 | 157,700 | 9.9 % | 335,615 | 303,309 | 10.7 % |
| Process Solutions | 157,005 | 145,525 | 7.9 % | 303,490 | 281,432 | 7.8 % |
| | $ 693,666 | $ 633,252 | 9.5 % | $ 1,321,764 | $ 1,230,897 | 7.4 % |
| | | | | | | |
| Segment earnings | $ 93,028 | $ 91,465 | 1.7 % | $ 160,376 | $ 158,637 | 1.1 % |
| Segment margin | 13.4% | 14.4% | | 12.1% | 12.9% | |
| | | | | | | |
| Segment EBITDA | $ 128,009 | $ 124,827 | 2.5 % | $ 229,806 | $ 224,453 | 2.4 % |
| Segment EBITDA margin | 18.5% | 19.7% | | 17.4% | 18.2% | |
| | | | | | | |
| Other measures: | | | | | | |
| Depreciation and amortization | $ 34,981 | $ 33,362 | 4.9 % | $ 69,430 | $ 65,816 | 5.5 % |
| Bookings | 737,340 | 631,350 | 16.8 % | 1,440,801 | 1,270,151 | 13.4 % |
| Backlog | | | | 564,959 | 438,445 | 28.9 % |
| | | | | | | |
| Components of revenue growth: | | | | | | |
| Organic growth | | | 7.0 % | | | 3.7 % |
| Acquisitions | | | 0.7 % | | | 0.7 % |
| Dispositions | | | (0.2)% | | | (0.1)% |
| Foreign currency translation | | | 2.0 % | | | 3.1 % |
| | | | 9.5 % | | | 7.4 % |

***Second Quarter 2018 Compared to the Second Quarter 2017***

Fluids revenue for the second quarter of 2018 increased $60.4 million, or 9.5%, comprised of acquisition-related growth of 0.7%, organic growth of 7.0% and a favorable impact from foreign currency translation of 2.0%. Customer pricing favorably impacted revenue by approximately 0.5% in the second quarter of 2018.

- Fueling & Transport revenue (representing 52.4% of segment revenue) increased $33.3 million, or 10.1%, as compared to the prior year quarter, primarily driven by the positive impact of foreign currency translation and strong international retail fueling activity, specifically in the Asia Pacific region, which was partially offset by expected lower U.S. based Europay, Mastercard and Visa (EMV) activity driven by the extended compliance date. Transport revenue improved over the prior year and the rail business experienced strong growth, in part, due to recovery from softer volumes in the first quarter.

- Pumps revenue (representing 25.0% of segment revenue) increased $15.6 million, or 9.9%, as compared to the prior year quarter. This increase reflects growth in the chemical pumps market globally, strong activity in other industrial markets, including our biopharma and medical businesses, and a positive impact of foreign currency translation.

- Process Solutions revenue (representing 22.6% of segment revenue) increased $11.5 million, or 7.9%, as compared to the prior year quarter. This revenue increase was driven by the acquisition of Ettlinger, strength in our Asia Pacific markets, continued infrastructure spending by our original equipment manufacturer ("OEM") customers, and favorable foreign currency translation.

Fluids segment earnings increased $1.6 million, or 1.7%, over the prior year quarter, predominantly driven by volume strength in our international markets, benefits of restructuring and rightsizing actions taken in 2017 and pricing initiatives. These benefits were largely offset by increased material costs, higher restructuring costs and approximately $7.0 million of temporary costs related to footprint consolidation and supply chain disruptions negatively impacting productivity. Segment margin decreased 100 basis points over the prior year quarter.

Overall bookings increased 16.8% as compared to the prior year quarter, driven by nearly double-digit growth in all of our platforms. Consistent with revenue trends, a substantial portion of our bookings growth was due to continued strength in our international markets. Segment book to bill was 1.06.

***Six Months Ended June 30, 2018 Compared to the Six Months Ended June 30, 2017***

Fluids segment revenue increased $90.9 million, or 7.4%, as compared to the six months ended June 30, 2017, attributable to organic growth of 3.7%, acquisition-related growth of 0.7%, and a favorable impact from foreign currency translation of 3.1%. The organic growth was principally driven by industrial pump activity and solid biopharma and medical markets, along with continued strength in retail fueling in Asia. Customer pricing favorably impacted revenue by approximately 0.5% for the six months ended June 30, 2018.

Fluids segment earnings increased $1.7 million, or 1.1%, for the six months ended June 30, 2018, predominantly driven by ongoing productivity gains, benefits of restructuring and rightsizing actions taken in 2017, and pricing initiatives. These benefits were largely offset by increased material costs, costs associated with the exit of a minority interest investment, higher restructuring costs and approximately $8.0 million of temporary costs related to footprint consolidation and supply chain disruptions negatively impacting productivity. Segment margin decreased 75 basis points primarily due to one-time cost impacts driven by footprint consolidations and temporary supply chain disruptions impacting production.

**Refrigeration & Food Equipment**

Our Refrigeration & Food Equipment segment is a provider of innovative and energy efficient equipment and systems serving the commercial refrigeration and food equipment end markets.

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|---|---|---|---|---|---|
| *(dollars in thousands)* | 2018 | 2017 | % Change | 2018 | 2017 | % Change |
| Revenue: | | | | | | |
| Refrigeration | $ 330,232 | $ 353,059 | (6.5)% | $ 608,887 | $ 651,858 | (6.6)% |
| Food Equipment | 71,534 | 73,245 | (2.3)% | 131,114 | 131,280 | (0.1)% |
| Total | $ 401,766 | $ 426,304 | (5.8)% | $ 740,001 | $ 783,138 | (5.5)% |
| | | | | | | |
| Segment earnings | $ 51,372 | $ 65,829 | (22.0)% | $ 80,554 | $ 99,391 | (19.0)% |
| Segment margin | 12.8% | 15.4% | | 10.9% | 12.7% | |
| | | | | | | |
| Segment EBITDA | $ 64,896 | $ 80,351 | (19.2)% | $ 107,657 | $ 128,948 | (16.5)% |
| Segment EBITDA margin | 16.2% | 18.8% | | 14.5% | 16.5% | |
| | | | | | | |
| Other measures: | | | | | | |
| Depreciation and amortization | $ 13,524 | $ 14,522 | (6.9)% | $ 27,103 | $ 29,557 | (8.3)% |
| Bookings | 428,816 | 466,276 | (8.0)% | 801,517 | 904,852 | (11.4)% |
| Backlog | | | | 309,440 | 382,598 | (19.1)% |
| | | | | | | |
| Components of revenue decline: | | | | | | |
| Organic decline | | | (5.6)% | | | (6.3)% |
| Acquisitions | | | 0.7 % | | | 0.6 % |
| Dispositions | | | (2.2)% | | | (1.6)% |
| Foreign currency translation | | | 1.3 % | | | 1.8 % |
| | | | (5.8)% | | | (5.5)% |

***Second Quarter 2018 Compared to the Second Quarter 2017***

Refrigeration & Food Equipment revenue decreased $24.5 million, or 5.8%, as compared to the second quarter of 2017, reflecting an organic revenue decline of 5.6% and the impact from dispositions of 2.2%, partially offset by a favorable impact from foreign currency translation of 1.3% and acquisition-related growth of 0.7%. Customer pricing did not have a significant impact to revenue in the second quarter of 2018.

- Refrigeration revenue (representing 82.2% of segment revenue) decreased $22.8 million, or 6.5%, as compared to the prior year quarter, principally driven by weak capital spending and deferred remodel programs with key U.S. retail refrigeration customers, as well as certain product line exits. The retail refrigeration shortfall was partially offset by strong global demand for heat exchanger products.
- Food Equipment revenue (representing 17.8% of segment revenue) decreased $1.7 million, or 2.3%, as compared to the prior year quarter, due to project timing in our food service equipment and can shaping businesses, partially offset by the addition of sales from our Rosario acquisition.

Refrigeration & Food Equipment segment earnings decreased $14.5 million, or 22.0%, as compared to the second quarter of 2017. Segment margin decreased 260 basis points to 12.8% due to volume reductions, unfavorable product mix and rising material costs, most notably steel, inclusive of unfavorable commodity pricing impacts attributable to U.S. Section 232 tariffs, more than offsetting productivity gains and rightsizing savings. We continued to take actions in order to reduce operating costs in response to continued market softness in our retail refrigeration markets.

Bookings in the second quarter of 2018 decreased 8.0% from the prior year quarter driven by market softness in retail refrigeration and timing of project orders in our can shaping businesses. Segment book to bill for the second quarter of 2018 was 1.07. Backlog decreased 19.1% over the prior year quarter as a result of reduced orders in our retail refrigeration and can-shaping businesses.

***Six Months Ended June 30, 2018 Compared to the Six Months Ended June 30, 2017***

Refrigeration & Food Equipment segment revenue decreased $43.1 million, or 5.5%, compared to the six months ended June 30, 2017, reflecting an organic revenue decline of 6.3% and the impact from dispositions of 1.6%, partially offset by a favorable foreign currency translation of 1.8% and acquisitions of 0.6%. The organic revenue decrease for the six-month period was driven primarily by soft U.S. retail refrigeration market activity. Customer pricing favorably impacted revenue by approximately 0.9% for the six months ended June 30, 2018.

Refrigeration & Food Equipment segment earnings decreased $18.8 million, or 19.0%, for the six months ended June 30, 2018, as compared to the prior year period. Segment margin decreased to 10.9% from 12.7% in the prior year period, as benefits from rightsizing and other restructuring actions taken in 2017, productivity gains and lower restructuring costs were more than offset by volume reductions and unfavorable product mix in our retail refrigeration business and a favorable $1.7 million one-time disposition gain in 2017 due to a working capital adjustment.

## FINANCIAL CONDITION

We assess our liquidity in terms of our ability to generate cash to fund our operating, investing and financing activities. Significant factors affecting liquidity are: cash flows generated from operating activities, capital expenditures, acquisitions, dispositions, dividends, repurchases of outstanding shares, adequacy of available commercial paper and bank lines of credit, and the ability to attract long-term capital with satisfactory terms. We generate substantial cash from the operations of our businesses and remain in a strong financial position, with sufficient liquidity available for reinvestment in existing businesses and strategic acquisitions, while managing our capital structure on a short and long-term basis.

### Cash Flow Summary

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

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| **Cash Flows from Continuing Operations** *(in thousands)* | | **2018** | | **2017** |
| Net Cash Flows Provided By (Used In): | | | | |
| Operating activities | $ | 174,740 | $ | 198,232 |
| Investing activities | | (174,203) | | 39,969 |
| Financing activities | | (516,837) | | (309,566) |

***Operating Activities***

Cash provided by operating activities for the six months ended June 30, 2018 decreased approximately $23.5 million compared to the comparable period in 2017. This decrease was primarily driven by higher investments in working capital of $58.6 million relative to the prior year in support of growth in organic bookings. The decrease was also attributable to higher compensation payouts primarily as a result of improved 2017 performance compared to 2016. These reductions were partially offset by higher continuing earnings before the impact of depreciation, amortization and gain on sale of businesses.

*Adjusted Working Capital:* We believe adjusted working capital (a non-GAAP measure calculated as accounts receivable, plus inventory, less accounts payable) provides a meaningful measure of our operational results by showing changes caused solely by revenue.

| **Adjusted Working Capital** *(dollars in thousands)* | | **June 30, 2018** | | **December 31, 2017** |
|---|---|---|---|---|
| Accounts receivable | $ | 1,281,260 | $ | 1,183,514 |
| Inventories | | 764,053 | | 677,043 |
| Less: Accounts payable | | 938,425 | | 882,007 |
| **Adjusted working capital** | $ | 1,106,888 | $ | 978,550 |

Adjusted working capital increased from December 31, 2017 by $128.3 million, or 13.1%, to $1.1 billion at June 30, 2018, which reflected an increase of $97.7 million in accounts receivable and an increase of $87.0 million in inventory, partially offset by an increase in accounts payable of $56.4 million. Excluding acquisitions and the effects of foreign currency translation, adjusted working capital increased by $131.2 million, or 13.4%, for the six months ended June 30, 2018 primarily driven by higher investments in working capital to support growth in organic bookings.

***Investing Activities***

Cash provided by or used in investing activities generally results from cash outflows for capital expenditures and acquisitions, offset by proceeds from sales of businesses and property, plant and equipment. For the six months ended June 30, 2018, we used cash through investing activities of $174.2 million as compared to cash provided by investing activities of $40.0 million for the same period in 2017, driven mainly by the following factors:

- *Acquisitions:* During the six months ended June 30, 2018, we acquired Ettlinger, within the Fluids segment for $53.2 million, net of cash acquired, and Rosario, within the Refrigeration & Food Equipment segment for $15.3 million, net of cash acquired. During the six months ended June 30, 2017, we acquired Caldera within the Engineered Systems segment for a cash consideration of $25.6 million.

- *Capital spending:* Our capital expenditures increased $17.4 million during the six months ended June 30, 2018 compared to the six months ended June 30, 2017 primarily due to investments in support of increased sales.

- *Proceeds from sale of businesses:* For the six months ended June 30, 2018, we received proceeds of $2.1 million primarily from the sale of a small business in the fourth quarter of 2017. For the six months ended June 30, 2017, we generated cash of $121 million from the sale of PMI as well as from a working capital adjustment for our sale of Tipper Tie in the fourth quarter of 2016.

We anticipate that capital expenditures and any acquisitions we make through the remainder of 2018 will be funded from available cash and internally generated funds and through the issuance of commercial paper, use of established lines of credit or public or private debt or equity markets, as necessary.

***Financing Activities***

Our cash flow from financing activities generally relates to the use of cash for the repurchase of our common stock and payments of dividends, offset by net borrowing activity and proceeds from the exercises of share-based awards. For the six months ended June 30, 2018 and 2017, we used cash totaling $516.8 million and $309.6 million, respectively, for financing activities, with the activity primarily attributable to the following:

- *Cash received from Apergy, net of cash distributed:* In connection with the separation of Apergy from Dover, Apergy incurred borrowings to fund a one-time cash payment of $700.0 million to Dover in connection with Dover's contribution to Apergy of stock and assets relating to the businesses spun off with Apergy. Dover received net cash of $689.6 million upon separation, which reflects $10.4 million of cash held by Apergy at the time of distribution and retained by it in in connection with its separation from Dover.

- *Repurchase of common stock, including prepayment under an accelerated share repurchase program:* During the six months ended June 30, 2018, we used $45.0 million to repurchase 440,608 shares under the January 2015 authorization, which expired on January 9, 2018. There were no repurchases during the six months ended June 30, 2017 under the January 2015 authorization. In February 2018, our Board of Directors approved a new standing share repurchase authorization, whereby we may repurchase up to 20 million shares of our common stock through December 31, 2020. This share repurchase authorization replaced the January 2015 share repurchase authorization. During the six months ended June 30, 2018, we used $700 million to repurchase a variable number of shares through an accelerated share repurchase transaction. The Company funded the accelerated share repurchase with funds received from Apergy in connection with the consummation of the Apergy spin-off.

- *Long-term debt and commercial paper and notes payable:* During the six months ended June 30, 2018, commercial paper and notes payable increased by $53.6 million to partially fund the repayment of the Company's $350.0 million 5.45% notes, which matured on March 15, 2018, offset by a decrease in net borrowings from commercial paper paid down by cash repatriated to the U.S. For the six months ended June 30, 2017, we repaid $157.4 million of commercial paper.

- *Dividend payments:* Dividends paid to shareholders during the six months ended June 30, 2018 totaled $142.3 million as compared to $137.2 million during the same period in 2017. Our dividends paid per common share increased 7.0% to $0.94 during the six months ended June 30, 2018 compared to $0.88 during the same period in 2017.

- *Payments to settle employee tax obligations:* Payments to settle tax obligations from the exercise of share based awards increased $9.2 million compared to the prior year period. This increase is primarily due to the increased number of shares exercised as well as an increase in the average stock price compared to the prior year period.

***Cash Flows from Discontinued Operations***

Our cash flows from discontinued operations for the six months ended June 30, 2018 and 2017 used $4.4 million and generated $26.6 million, respectively. These cash flows reflect the operating results of Apergy prior to its separation during the second quarter. Cash flow used in discontinued operations for the six months ended June 30, 2018 primarily reflects cash payments of spin-off costs of $46.0 million and capital expenditures, partially offset by cash provided by operations of approximately $65.3 million. Cash flow generated for the six months ended June 30, 2017 primarily reflects cash provided by discontinued operations of approximately $40.2 million, partially offset by capital expenditures.

**Liquidity and Capital Resources**

***Free Cash Flow***

In addition to measuring our cash flow generation and usage based upon the operating, investing and financing classifications included in the Condensed Consolidated Statements of Cash Flows, we also measure free cash flow (a non-GAAP measure) which represents net cash provided by operating activities minus capital expenditures. We believe that free cash flow is an important measure of operating performance because it provides management and investors a measurement of cash generated from operations that is available for mandatory payment obligations and investment opportunities, such as funding acquisitions, paying dividends, repaying debt and repurchasing our common stock.

The following table reconciles our free cash flow to cash flow provided by operating activities:

| | Six Months Ended June 30, | |
|---|---|---|
| **Free Cash Flow** *(dollars in thousands)* | **2018** | **2017** |
| Cash flow provided by operating activities | $ 174,740 | $ 198,232 |
| Less: Capital expenditures | (96,364) | (78,966) |
| Free cash flow | $ 78,376 | $ 119,266 |
| | | |
| Free cash flow as a percentage of revenue | 2.3% | 3.6% |
| | | |
| Free cash flow as a percentage of earnings from continuing operations | 28.4% | 40.1% |

For the six months ended June 30, 2018, we generated free cash flow of $78.4 million, representing 2.3% of revenue and 28.4% of earnings from continuing operations. Free cash flow for the six months ended June 30, 2018 decreased $40.9 million compared to the prior year period, primarily due to lower cash flow provided by operations, as previously noted, as well as higher capital expenditures.

***Capitalization***

We use commercial paper borrowings for general corporate purposes, including the funding of acquisitions and the repurchase of our common stock. We maintain a $1.0 billion, five-year, unsecured committed revolving credit facility (the "Credit Agreement") with a syndicate of banks which will expire on November 10, 2020. The Credit Agreement is used as liquidity back-up for our commercial paper program. We have not drawn down any loans under the facility nor do we anticipate doing so. Under the Credit Agreement, we are required to pay a facility fee and to maintain an interest coverage ratio of consolidated EBITDA to consolidated net interest expense of not less than 3.0 to 1.0. We were in compliance with this covenant and our other long-term debt covenants at June 30, 2018 and had a coverage ratio of 10.9 to 1.0. We are not aware of any potential impairment to our liquidity and expect to remain in compliance with all of our debt covenants.

On March 15, 2018, the outstanding 5.45% notes with a principal value of $350.0 million matured. The repayment of debt was funded by the Company's commercial paper program and through a reduction of existing cash balances.

We also have a current shelf registration statement filed with the Securities and Exchange Commission that allows for the issuance of additional debt securities that may be utilized in one or more offerings on terms to be determined at the time of the offering. Net proceeds of any offering would be used for general corporate purposes, including repayment of existing indebtedness, capital expenditures and acquisitions.

At June 30, 2018, our cash and cash equivalents totaled $242.8 million, of which $153.2 million was held outside the United States. At December 31, 2017, our cash and cash equivalents totaled $754.0 million, of which $609.8 million was held outside the United States. The reduction in non U.S. cash from December 31, 2017 was primarily the result of repatriating $449.7 million to the U.S. during the six months ended June 30, 2018. Cash and cash equivalents are invested in highly liquid investment-grade money market instruments and bank deposits with maturities of three months or less. We regularly invest cash in excess of near-term requirements in money market instruments or short-term investments, which consist of investment grade time deposits with original maturity dates at the time of purchase of no greater than three months.

We utilize the net debt to net capitalization calculation (a non-GAAP measure) to assess our overall financial leverage and capacity and believe the calculation is useful to investors for the same reason. Net debt represents total debt minus cash and cash equivalents. Net capitalization represents net debt plus stockholders' equity. The following table provides a reconciliation of net debt to net capitalization to the most directly comparable GAAP measures:

| ***Net Debt to Net Capitalization Ratio*** *(dollars in thousands)* | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Current maturities of long-term debt | $ 1,330 | $ 350,402 |
| Commercial paper | 283,300 | 230,700 |
| Notes payable and current maturities of long-term debt | 284,630 | 581,102 |
| Long-term debt | 2,974,940 | 2,986,702 |
| Total debt | 3,259,570 | 3,567,804 |
| Less: Cash and cash equivalents | (242,814) | (753,964) |
| Net debt | 3,016,756 | 2,813,840 |
| Add: Stockholders' equity | 2,840,591 | 4,383,180 |
| Net capitalization | $ 5,857,347 | $ 7,197,020 |
| Net debt to net capitalization | 51.5% | 39.1% |

Our net debt to net capitalization ratio increased to 51.5% at June 30, 2018 from 39.1% at December 31, 2017. The increase in this ratio was driven primarily by the reduction in our net capitalization of $1.5 billion for the period due to the $906.8 million distribution of Apergy, $745.0 million in share repurchases including prepayment under an accelerated share repurchase program, and $142.3 million of dividends, offset by $271.4 million of current earnings. As described above, we also received a cash payment of $700.0 million from Apergy upon distribution on May 9, 2018, which was used to fund share repurchases. Net debt increased $202.9 million during the period primarily due to a reduction in cash levels to fund dividends and other operating purposes, offset by net reduction in current maturities of long term debt as a result of the repayment of the $350.0 million note maturing on March 15, 2018.

Operating cash flow and access to capital markets are expected to satisfy our various cash flow requirements, including acquisitions and capital expenditures. Acquisition spending and/or share repurchases could potentially increase our debt.

**Critical Accounting Policies and Estimates**

Our Condensed Consolidated Financial Statements and related public financial information are based on the application of GAAP which 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 our public disclosures, including information regarding contingencies, risk and our financial condition. We believe our use of estimates and underlying accounting assumptions conform to GAAP and are consistently applied. We review valuations based on estimates for reasonableness on a consistent basis.

**Recent Accounting Standards**

See Part 1, Notes to Condensed Consolidated Financial Statements, Note 20 — Recent Accounting Pronouncements. The adoption of recent accounting standards as included in Note 20 — Recent Accounting Pronouncements in the Condensed Consolidated Financial Statements has not had and is not expected to have a significant impact on our revenue, earnings or liquidity.

**Special Notes Regarding Forward-Looking Statements**

This Quarterly Report on Form 10-Q, especially "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements in this document other than statements of historical fact are statements that are, or could be deemed, "forward-looking" statements. Some of these statements may be indicated by words such as "may", "anticipate", "expect", believe", "intend", "guidance", "estimates", "suggest", "will", "plan", "should", "would", "could", "forecast" and other words and terms that use the future tense or have a similar meaning. Forward-looking statements are based on current expectations and are subject to numerous important risks, uncertainties, assumptions and other factors, some of which are beyond the Company's control. Factors that could cause actual results to differ materially from current expectations include, among other things, general economic conditions and conditions in the particular markets in which we operate, changes in customer demand and capital spending, competitive factors and pricing pressures, our ability to develop and launch new products in a cost-effective manner, changes in law, including the effect of U.S. tax reform and developments with respect to trade policy and tariffs, our ability to identify and complete acquisitions and integrate and realize synergies from newly acquired businesses, the impact of interest rate and currency exchange rate fluctuations, capital allocation plans and changes in those plans, including with respect to dividends, share repurchases, investments in research and development, capital expenditures and acquisitions, our ability to derive expected benefits from restructuring, productivity initiatives and other cost reduction actions, changes in material costs or the supply of input materials, the impact of legal compliance risks and litigation, including with respect to product quality and safety, cybersecurity and privacy, our ability to capture and protect intellectual property rights, and various other factors that are described in our periodic reports filed with or furnished to the Securities and Exchange Commission, including our Annual Report on Form 10-K/A for the year ended December 31, 2017. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

The Company may, from time to time, post financial or other information on its website, www.dovercorporation.com. The website 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 Disclosures**

In an effort to provide investors with additional information regarding our results as determined by GAAP, we also disclose non-GAAP information that we believe provides useful information to investors. Segment EBITDA, segment EBITDA margin, free cash flow, net debt, net capitalization, the net debt to net capitalization ratio, adjusted working capital 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, earnings, revenue or working capital as determined in accordance with GAAP, and they may not be comparable to similarly titled measures reported by other companies. We believe that segment EBITDA and segment EBITDA margin are useful to investors and other users of our financial information in evaluating ongoing operating profitability as they exclude the depreciation and amortization expense related primarily to capital expenditures and acquisitions that occurred in prior years, as well as in evaluating operating performance in relation to our competitors. Segment EBITDA is calculated by adding back depreciation and amortization expense to segment earnings, which is the most directly comparable GAAP measure. We do not present segment net income because corporate expenses are not allocated at a segment level. Segment EBITDA margin is calculated as segment EBITDA divided by segment revenue.

We believe the net debt to net capitalization ratio and free cash flow are important measures of liquidity. Net debt to net capitalization is helpful in evaluating our capital structure and the amount of leverage we employ. 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 our common stock. Reconciliations of free cash flow, net debt and net capitalization can be found above in this Item 2, MD&A. We believe that reporting adjusted working capital, which is calculated as accounts receivable, plus inventory, less accounts payable, provides a meaningful measure of our operational results by showing the changes caused solely by revenue. We believe that reporting organic revenue and organic revenue growth, which exclude the impact of foreign currency exchange rates and the impact of acquisitions and divestitures, provides a useful comparison of our revenue performance and trends between periods.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There has been no significant change in our exposure to market risk during the six months ended June 30, 2018. For a discussion of our exposure to market risk, refer to Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," contained in our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2017.

**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 June 30, 2018.

During the second quarter of 2018, 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.

**PART II — OTHER INFORMATION**

**Item 1. Legal Proceedings**

See Part I, Notes to Condensed Consolidated Financial Statements, Note 14 — Commitments and Contingent Liabilities.

**Item 1A. Risk Factors**

The risk factors disclosed in our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2017 (the "Form 10-K/A") should be considered together with information included elsewhere in this report and should not be considered the only risks to which we are exposed. In general, we are subject to the same general risks and uncertainties that impact many other industrial companies such as general economic, industry and/or market conditions and growth rates; the impact of natural disasters and their effect on global markets; possible future terrorist threats and their effect on the worldwide economy; and changes in laws or accounting rules. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial also may impair our business, including our results of operations, liquidity and financial condition. We are providing the following information regarding changes that have occurred to the previously disclosed risk factors in our Form 10-K/A. Except for such additional information, we believe there have been no material changes from the risk factors previously disclosed in our Form 10-K/A.

***New tariffs have resulted in increased prices and could adversely affect our consolidated results of operations, financial position and cash flows.***

Recently, the Trump Administration imposed Section 232 tariffs on certain steel and aluminum products imported into the U.S. which have increased the prices of these inputs. Increased prices for imported steel and aluminum products have lead domestic sellers to respond with market-based increases to prices for such inputs as well. The Trump Administration has also imposed Section 301 tariffs on goods imported from China in connection with China's intellectual property practices which may increase the cost to our customers of our products manufactured in China as well as the cost of Chinese parts and components for our products manufactured in the U.S. Additional tariffs have been announced that may be imposed on goods imported from China in the future. The new tariffs, along with any additional tariffs or trade restrictions that may be implemented by the U.S. or other countries, could result in further increased prices and a decreased available supply of steel and aluminum as well as additional imported components and inputs. We may not be able to pass price increases on to our customers and may not be able to secure adequate alternative sources of steel and aluminum on a timely basis. While retaliatory tariffs imposed by other countries on U.S. goods have not yet had a significant impact, we cannot predict further developments. The tariffs could adversely affect the operating profits for certain of our businesses and customer demand for certain of our products which could have a material adverse effect on our consolidated results of operations, financial position and cash flows.

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

(a) Not applicable.

(b) Not applicable.

(c) The table below presents shares of Dover stock that we acquired 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 (1) | Maximum Number of Shares that May Yet Be Purchased under the Plans or Programs<br>February 2018 Program (1) |
|---|---|---|---|---|---|
| April 1 to April 30 | — | $ — | | — | 20,000,000 |
| May 1 to May 31 | 7,078,751 | 79.11 | (2) | 7,078,751 | 12,921,249 |
| June 1 to June 30 | — | — | | — | 12,921,249 |
| **For the Second Quarter** | 7,078,751 | $ 79.11 | | 7,078,751 | 12,921,249 |

(1) In February 2018, the Company's Board of Directors approved a new standing share repurchase authorization, whereby the Company may repurchase up to 20 million shares of its common stock through December 31, 2020. The Company repurchased 7,078,751 shares under the February 2018 authorization during the three months ended June 30, 2018. As of June 30, 2018, the number of shares still available for repurchase under the February 2018 share repurchase authorization was 12,921,249.

(2) On May 22, 2018, the Company entered into an accelerated share repurchase agreement (the “ASR Agreement”) with Goldman Sachs & Co. LLC (“Goldman Sachs”) pursuant to which it will repurchase $700 million of shares (the “ASR Program”). The Company is conducting the accelerated share repurchase under the February 2018 share repurchase authorization. The Company funded the accelerated share repurchase with funds received from Apergy in connection with the consummation of the Apergy spin-off. Under the terms of the ASR Agreement, the Company paid Goldman Sachs $700 million on May 24, 2018 and on that date received initial deliveries of 7,078,751 million shares, representing a substantial majority of the shares expected to be retired over the course of the ASR Agreement. The purchase price per share under the ASR Program is subject to adjustment. The total number of shares ultimately repurchased under the ASR Agreement will be based on the volume-weighted average share price of Dover’s common stock during the calculation period of the ASR Program, less a discount. The accelerated share repurchase is scheduled to be completed in 2018, subject to postponement or acceleration under the terms of the ASR Agreement. The actual number of shares repurchased will be determined at the completion of the ASR Program.

**Item 3. Defaults Upon Senior Securities**

Not applicable.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

Under the Iran Threat Reduction and Syrian Human Rights Act of 2012, which added Section 13(r) of the Exchange Act, we are required to disclose in our periodic reports if we or any of our affiliates knowingly engaged in certain activities, transactions or dealings relating to Iran or with certain Iran-related entities or individuals designated pursuant to certain Executive Orders. Disclosure is required even where the activities are authorized by and in compliance with applicable law. In connection with the easing of certain sanctions by the U.S. against Iran in January 2016 and in compliance with the economic sanctions regulations administered by U.S. Treasury’s Office of Foreign Assets Control (“OFAC”), a wholly-owned non-U.S. subsidiary in our Fluids segment serving the pumps end market sold non-U.S. origin spare parts related to the oil, gas and/or petrochemical sectors to Iranian counterparties and non-U.S. origin pump equipment to European engineering parties with end use in the petrochemical sector in Iran, which resulted in revenue of approximately €1.35 million and net profits of approximately €986.3 thousand in the second quarter of 2018 (total revenue from contracts entered in the second quarter prior to May 8, 2018 was expected to be approximately €56.2 thousand). The sales were made pursuant to, and in compliance with, the terms and conditions of OFAC’s General License H. Our non-U.S. subsidiary will wind down its business in Iran that was conducted under General License H by November 4, 2018 in compliance with U.S. economic sanctions laws.

**Item 6. Exhibits**

| | |
|---|---|
| 2.1 | Separation and Distribution Agreement, dated May 9, 2018, by and between Dover Corporation and Apergy Corporation, filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed May 11, 2018 (SEC File No. 001-04018), is incorporated by reference. |
| 10.1 | Seventh Amendment, dated as of May 8, 2018, to the Dover Corporation Deferred Compensation Plan.* |
| 10.2 | Third Amendment, dated as of May 8, 2018, to the Dover Corporation Pension Replacement Plan.* |
| 10.3 | Master Confirmation - Accelerated Stock Buyback, dated as of May 22, 2018, between Dover Corporation and Goldman Sachs & Co. LLC, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed May 22, 2018(SEC File No. 001-04018), is incorporated by reference. |
| 10.4 | Employee Matters Agreement, dated May 9, 2018, by and between Dover Corporation and Apergy Corporation, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed May 11, 2018 (SEC File No. 001-04018), is incorporated by reference. |
| 10.5 | Tax Matters Agreement, dated May 9, 2018, by and between Dover Corporation and Apergy Corporation, filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed May 11, 2018 (SEC File No. 001-04018), is incorporated by reference. |
| 10.6 | Transition Services Agreement, dated May 9, 2018, by and between Dover Corporation and Apergy Corporation, filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed May 11, 2018 (SEC File No. 001-04018), is incorporated by reference. |
| 31.1 | Certificate pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, signed and dated by Brad M. Cerepak. |
| 31.2 | Certificate pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, signed and dated by Richard J. Tobin. |
| 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 Richard J. Tobin and Brad M. Cerepak. |
| 101 | The following materials from Dover Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Statements of Earnings, (ii) the Condensed Consolidated Statements of Comprehensive Earnings, (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statement of Stockholders' Equity, (v) the Condensed Consolidated Statements of Cash Flows, and (vi) Notes to the Condensed Consolidated Financial Statements. |

* Executive compensation plan or arrangement

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: | July 19, 2018 | /s/ Brad M. Cerepak |
| | | Brad M. Cerepak<br>Senior Vice President & Chief Financial Officer<br>(Principal Financial Officer) |
| Date: | July 19, 2018 | /s/ Carrie Anderson |
| | | Carrie Anderson<br>Vice President, Controller<br>(Principal Accounting Officer) |

**Exhibit 10.1**

**SEVENTH AMENDMENT**
**to the**
**Dover Corporation Deferred Compensation Plan**
**(As Amended and Restated as of January 1, 2009)**

**WHEREAS,** Dover Corporation (the “Corporation”) has heretofore adopted the Dover Corporation Deferred Compensation Plan, as amended and restated as of January 1, 2009 (the “Plan”); and

WHEREAS, in connection with the spin off of Apergy Corporation and its subsidiaries to the shareholders of the Corporation, it is necessary to amend the Plan to facilitate certain actions contemplated under that certain Employee Matters Agreement dated May 9, 2018, between the Corporation and Apergy Corporation.

NOW, THEREFORE, by virtue and in exercise of the power granted to the Dover Corporation Benefits Committee (the "Benefits Committee") under Article 10.1 of the Plan, the Plan is hereby amended, effective as of the date below written, in the following particulars:

1. By re-designating the existing Appendix to the Plan as "Appendix 1."
2. By substituting the phase "Appendix 1" for the word "Appendix" where it appears in Section 6.9 of the Plan.
3. By adding the following new Appendix 2 to the Plan as a part thereof:

"APPENDIX 2

A.1.1 For purposes of this Appendix 2, the following terms shall have the meanings set forth below. Terms not otherwise defined in this Appendix 2 shall have the meaning given such terms under the Plan.

a. 'Affected Employee' means those employees of Apergy Corporation, and its subsidiaries who, as of the Effective Time, are actively employed or on a leave of absence approved by Apergy Corporation or its subsidiaries and who as of such date have a Deferred Compensation Account and/or Supplemental Accrued Benefit under the Plan.

b. 'Effective Time' has the meaning given such term under the Separation and Distribution Agreement between the Company and Apergy Corporation dated May 9, 2018.

A.1.2 As of the Effective Time, the liability for the value of the Deferred Compensation Accounts (determined as of the Effective Time) of each Affected Employee shall be assumed by Apergy Corporation or one of its subsidiaries and shall be administered in accordance with the Apergy Executive Deferred Compensation Plan and shall cease to be a liability of the Company.

A.1.3 Effective as of May 1, 2018, (i) the accrued Supplemental Accrued Benefit, if any, of each Affected Employee shall be converted to an actuarially equivalent lump sum amount using the assumptions for determining actuarially equivalent lump sums in the SI-Dover Corporation Pension Program of the Dover Corporation Pension Plan as in effect as of immediately prior to the Effective Time, and (ii) following the conversion described in (i), the lump sum value shall be reduced by the amounts necessary to pay the employee portion of any Federal Insurance Contributions Act ('FICA') taxes payable with respect to the lump sum amount and any federal, state or local income taxes that become payable by an Affected Employee as a result of the reduction for FICA taxes as permitted under Treasury Regulation Section 1.409A-3(j)(4)(vii) using tax rate and other assumptions as determined by the Company.

A.1.4 As of the Effective Time, the liability for the value of the lump sum Supplemental Accrued Benefit amount of each Affected Employee, as determined in accordance with Section A.1.3 of this Appendix 2, shall be assumed by Apergy

Corporation or one of its subsidiaries, and shall be administered in accordance with the Apergy Executive Deferred Compensation Plan and shall cease to be a liability of the Company."

IN WITNESS WHEREOF, the Benefits Committee has caused this amendment to be executed by its duly authorized member, this 8th day of May, 2018.

The Benefits Committee

By: /s/ Jay L. Kloosterboer

**Exhibit 10.2**

**THIRD AMENDMENT**
**to the**
**Dover Corporation**
**Pension Replacement Plan**
**(As Amended and Restated as of January 1, 2010)**

WHEREAS, Dover Corporation (the "Corporation") has heretofore adopted the Dover Corporation Pension Replacement Plan, as amended and restated as of January 1, 2010 (the "Plan"); and

WHEREAS, in connection with the spin off of Apergy Corporation and its subsidiaries to the shareholders of the Corporation, it is necessary to amend the Plan to facilitate certain actions contemplated under that certain Employee Matters Agreement dated May 9, 2018, between the Corporation and Apergy Corporation.

NOW, THEREFORE, by virtue and in exercise of the power granted to the Dover Corporation Benefits Committee (the "Benefits Committee") under Article 9 of the Plan, the Plan is hereby amended, effective as of the date below written, by adding the following new Appendix D to the Plan:

"APPENDIX D

D.1.1 For purposes of this Appendix D, the following terms shall have the meanings set forth below. Terms not otherwise defined in this Appendix D shall have the meaning given such terms under the Plan.

a. 'Affected Employee' means those employees of Apergy Corporation, and its subsidiaries who, as of the Effective Time, are actively employed or on a leave of absence approved by Apergy Corporation or its subsidiaries and who as of such date have an accrued Retirement Benefit under the Plan.

b. 'Effective Time' has the meaning given such term under the Separation and Distribution Agreement between the Company and Apergy Corporation dated May 9, 2018.

D.1.2 Effective as of May 1, 2018, each Affected Employee's Additional Years of Service, Applicable Percentage, Final Average Compensation, Compensation, Social Security Integration Level, and Years of Service shall be frozen as of May 1, 2018, and each such Affected Employee's Retirement Benefit under the Plan shall be converted to an actuarially equivalent lump sum determined as though such Affected Employee had a Termination of Employment immediately prior to the Effective Time and using the actuarial assumptions for such purpose as set forth in the Plan; provided, however, that for purposes of determining his or her Retirement Benefit as described in this Section D.1.2 of this Appendix D, each Affected Employee's Years of Service will include the period May 1, 2018 through December 31, 2018.

D.1.3 Following the determination of each Affected Employee's lump sum Retirement Benefit as set forth in Section D.1.2, the lump sum value shall be reduced by the amounts necessary to pay the employee portion of any Federal Insurance Contributions Act ('FICA') taxes payable with respect to the lump sum amount and any federal, state or local income taxes that become payable by an Affected Employee as a result of the reduction for FICA taxes as permitted under Treasury Regulation Section 1.409A-3(j)(4)(vii) using tax rate and other assumptions as determined by the Company.

D.1.4 As of the Effective Time, the liability for the value of the lump sum Retirement Benefit of each Affected Employee, as determined in accordance with Section D.1.3 of this Appendix D, shall be assumed by Apergy Corporation or one of its subsidiaries, and shall be administered in accordance with the Apergy Executive Deferred Compensation Plan and shall cease to be a liability of the Company."

IN WITNESS WHEREOF, the Benefits Committee has caused this amendment to be executed by its duly authorized member, this 8th day of May, 2018.

The Benefits Committee

By: /s/ Jay L. Kloosterboer

Exhibit 31.1

## Certification

I, Brad M. Cerepak, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Dover Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 19, 2018

/s/ Brad M. Cerepak

Brad M. Cerepak
Senior Vice President & Chief Financial Officer
(Principal Financial Officer)

**Exhibit 31.2**

**Certification**

I, Richard J. Tobin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Dover Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 19, 2018

/s/ Richard J. Tobin
Richard J. Tobin
President and Chief Executive Officer
(Principal Executive Officer)

**Exhibit 32**

**Certification**

**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
**with Respect to the Quarterly Report on Form 10-Q**
**for the Period ended June 30, 2018**
**of Dover Corporation**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Dover Corporation, a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

1. The Company's Quarterly Report on Form 10-Q for the period ended June 30, 2018 (the "Form 10-Q") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and

2. Information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 19, 2018

/s/ Richard J. Tobin
Richard J. Tobin
President and Chief Executive Officer
(Principal Executive Officer)

Dated: July 19, 2018

/s/ Brad M. Cerepak
Brad M. Cerepak
Senior Vice President & Chief Financial Officer
(Principal Financial Officer)

The certification set forth above is being furnished as an exhibit solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the Form 10-Q or as a separate disclosure document of the Company or the certifying officers.