FINAL TRANSCRIPT

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PRESENTATION

Operator

Good morning and welcome to the fourth-quarter 2010 Dover Corporation earnings conference call. With us today are Bob Livingston, President and Chief Executive Officer of Dover Corporation; Brad Cerepak, Vice President and CFO of Dover Corporation; and Paul Goldberg, Treasurer and Director of Investor Relations at Dover Corporation.

After the speakers' opening remarks there will be a question-and-answer period. (Operator Instructions). As a reminder, ladies and gentlemen, this conference call is being recorded and your participation implies consent to our recording of this call. If you do not agree with these terms, please disconnect at this time.

Thank you. I would now like to turn the call over to Mr. Paul Goldberg.

Paul Goldberg - *Dover Corporation - Treasurer, Director IR*

Thank you, Jackie. Good morning and welcome to Dover's fourth-quarter earnings call. As Jackie said, with me today are Bob Livingston, Dover's President and Chief Executive Officer; and Brad Cerepak, our CFO.

Today's call will begin with some comments from Bob and Brad on Dover's fourth-quarter and full-year operating and financial performance and our outlook for 2011. We will then open the call up to questions. In the interest of time we kindly ask that you limit yourself to one question with a follow-up.

Please note that our current earnings release, investors supplement and associated presentation can be found on our website, www.DoverCorporation.com. This call will be available for playback through February 11, and the audio portion of this call will be archived on our website for three months.

The replay telephone number is 800-642-1687. When accessing the playback you will need to supply the following reservation code, 36618220.

Before we get started I would like to remind everyone that our comments today, which are intended to supplement your understanding of Dover, may contain certain forward-looking statements that are inherently subject to uncertainties. We caution everyone to be guided in their analysis of Dover Corporation by referring to our Form 10-K for a list of factors that could cause our results to differ from those anticipated in any such forward-looking statements.

Also, we undertake no obligation to publicly update or revise any forward-looking statements, except as required by law.

We would also direct your attention to our website where considerably more information can be found.

With that I would like to turn the call over to Bob.

Bob Livingston - *Dover Corporation - President, CEO*

Thanks, Paul. Good morning everyone, and thank you for joining us for this morning's conference call. Well, it is fair to say we had a great year, capped off by a strong fourth quarter. Our fourth-quarter orders were up 23% and revenue increased 24%.

I was pleased to see broad-based revenue gains and margin expansion with all segments achieving double-digit revenue growth and higher margins.

Furthermore, we saw the continuing improvement in the majority of our end markets, most notably those served by Electronic Technologies, Energy and Material Handling.

Many of the tailwinds that helped produce our strong 2010 results are continuing. To name just a few, Knowles continues to benefit from the growing handset market, especially the strong growth in smartphones. As a result of this growth we expanded capacity for MEMS microphones 20% in 2010. And in 2011 capacity will increase at an even greater rate.

Our electronic equipment companies had a very strong year, and continue to diversify their end markets. This is best illustrated by DEK's significant penetration in the solar equipment space. Solar products represented 37% of DEK's fourth-quarter revenue, and we expect it to continue to grow.

Our energy platform continues to benefit from increased rig count deployment, rising oil prices, and an increase in shale drilling. We see this market remaining robust in 2011.

Businesses within our Material Handling platform are seeing improved industrial production and rising investment in infrastructure projects, which have provided them a much better marketplace. The fourth quarter marks the sixth consecutive quarter of sequential revenue increases in this platform.

A personal objective of mine is our geographic expansion. I was pleased to see our focus on developing economies result in full-year growth of 50% for Asia and 52% for Latin America. The fourth quarter marked the second consecutive quarter our Asian revenue exceeded Europe's revenue.

Acquisitions have also been a major focus for us as we worked on a full pipeline of deals. In 2010 we closed on six add-on acquisitions for a combined purchase price of $105 million. We closed four more deals this month for a total price of $425 million, including Harbison-Fischer.

In December we announced our intention to acquire the Sound Solutions business of NXP Semiconductors, and we still expect this acquisition to close around the end of the first quarter.

I'm extremely excited with all of our recent acquisitions. As our pipeline rebuilds, we will continue to be acquisitive in our five growth spaces.

I am very pleased with our excellent performance in 2010, and our focus on customers, share gains, geographic expansion and productivity. I am convinced we have built a foundation to produce even stronger results in 2011. With that, let me turn it over to Brad.

Brad Cerepak - *Dover Corporation - VP, CFO*

Thanks, Bob. Good morning everyone. Let's start by turning to slide three. Today we reported fourth-quarter revenue of $1.9 billion, an increase of 24% over last year. Earnings per share increased 85% to $1.01. After adjusting for tax benefits of $0.07, EPS was $0.94, a 71% improvement.

Bookings increased 23% over last year to $1.9 billion. And backlog grew 30% to $1.4 billion. Book-to-bill finished solid at 1.03.

Margins increased at all segments on both a quarterly and full-year basis. Segment margin for the quarter was 16.3%, up 320 basis points. For the full year segment margin was a record 16.4%.

In the fourth quarter we generated free cash flow of $378 million. For the year we generated $767 million of free cash flow, representing 11% of revenue. We are pleased with this performance, given the investments we made to support our growth.

Turning to slide four. Fourth quarter organic revenue growth was 23%, with acquisitions contributing 2% and FX having a negative impact of 1%.

For the full-year organic growth was 20% and growth from acquisitions was 4%. The majority of our full-year acquisition growth in 2010 was in Engineered Systems and was largely related to the Barker acquisition in late 2009.

Electronic Technologies led all segments with full-year organic growth of 39%, followed by Fluid Management with 25%. Industrial Products and Engineered Systems contributed 14% and 12%, respectively.

Turning to slide five. For the fourth quarter we saw sequential revenue increases at three segments. Electronic Technologies grew sequential revenues 6%, while Fluid Management and Industrial Products increased 5% and 3%, respectively. Additionally, as expected, the normal seasonal slowdown at Hill PHOENIX resulted in a sequential revenue decline at Engineered Systems of 12%.

On a sequential basis bookings increased 6%, reflecting solid demand at Knowles, Product ID and our Energy and Material Handling businesses.

Turning to slide 6. Industrial Products posted revenue of $485 million and $54 million of earnings, an increase of 19% and 30%, respectively.

Bookings were $527 million, an increase of 22%, reflecting broad-based year-over-year improvement. Sequential bookings were up 16%, resulting in a strong book-to-bill of 1.09.

Industrial Products' operating margin was 11.2%, up 100 basis points from the prior year, but down 140 basis points sequentially due to product mix.

With respect to our Material Handling platform, sales increased 39% to $230 million. Earnings increased 153%, driven by increased activity across most end markets, including infrastructure and energy. In total, Material Handling margins were up 650 basis points reflecting strong conversion on volume.

For the quarter bookings were $249 million, an increase of 38% over last year and up 12% sequentially, yielding a book-to-bill of 1.08.

With respect to our Mobile Equipment platform, sales were $256 million, an increase of 6% from last year. Earnings of $35 million were down 13%. Margins decreased 280 basis points, primarily reflecting changes in product mix on lower defense and refuse vehicle revenue. Sequential bookings increased 20% to $279 million, and book-to-bill finished at 1.09.

Turning to slide 7. At Engineered Systems sales were $548 million, an increase of 16% year-over-year. And segment earnings increased 47% to $70 million. Operating margin was 13%, a 280 basis point improvement from last year, reflecting stronger conversion at both platforms.

Bookings were $573 million, an increase of 18% over the prior year. On a sequential basis bookings grew 5%. Book-to-bill ended at 1.05.

With respect to our Product Identification platform, strong demand in developing economies and new product launches drove good results. Fourth-quarter sales were $237 million, an increase of 10% before a negative FX impact of 2%. Year-over-year earnings increased 32%, and margins improved 380 basis points. Book-to-bill was 1.02.

Moving to Engineered Products. Sales were $311 million, an increase of 23%, with acquisitions accounting for 7% of the growth. Earnings increased 59%, resulting in margin expansion of 240 basis points.

Favorable margin performance was largely driven by volume improvements, which were partially offset by continued price material cost spread at SWEP.

Engineered Products bookings were $332 million, an increase of 26% over the prior year, and were broad-based. Sequential bookings increased 1% in the fourth quarter resulting in a book-to-bill of 1.07.

Moving to slide 8. At Fluid Management revenue increased 31% to $439 million, while earnings increased 53% to $104 million. Operating margin was 23.6%, a 350 basis point expansion over last year. Bookings were $437 million, an increase of 26% from the prior year, resulting in a book-to-bill of 1.

With respect to our Energy platform, revenue increased 48% to $244 million, while earnings increased 73%. Margin improved 440 basis points on significantly higher volume, principally driven by an expanding rig count.

Quarterly bookings increased 40% to $247 million and grew 16% sequentially, as energy markets continue to be solid. Book-to-bill was 1.01.

Moving to Fluid Solutions. This platform generated revenue of $195 million, an increase of 14%. During the quarter we saw strong growth in international sales. Earnings increased 17%, resulting in a 60 basis point margin improvement. Bookings increased 13% year-over-year to $191 million, and book-to-bill remained steady at 0.98.

We are seeing a continuation of modest improvement in most of this platform served markets, including chemical, transportation, retail fueling and life sciences.

Now turning to slide nine. Electronic Technologies revenue was $406 million, an increase of 39%. The majority of end markets in this segment were up significantly year-over-year, with continuing strong sales of electronic assembly equipment, MEMS microphones and our expanded solar offerings.

Sequential revenue increased 6%, exceeding expectations. Earnings were $76 million, a 92% improvement over last year. Operating margin was 18.8%, a 520 basis point expansion, driven by significantly higher volume at our higher gross margin businesses. Bookings were $390 million, up 28% over last year. Book-to-bill ended at 0.96.

Our electronic assembly equipment companies posted a 76% jump in revenue year-over-year and continue to expand margin. Book-to-bill was 0.85, representing their normal seasonal pattern. Recent positive news coming from major semiconductor OEMs indicate that 2011 CapEx spending will be up modestly.

Lastly, our communication components companies posted another solid quarter, and ended with a strong book to build of 1.05.

Having reviewed the segments, I now would like to briefly provide some additional information. Going to slide 10, for the fourth quarter net interest expense was $26 million, essentially flat with last year. Corporate expense was up $6 million from the prior year, in line with our previous guidance.

With respect to taxes, our fourth-quarter tax rate was 21.4%. This rate was largely impacted by two components totaling $0.07 EPS, a $0.05 benefit from discrete state tax settlements, and $0.02 benefit from recent tax legislation.

Now turning to slide 11. For 2011 we are forecasting organic revenue growth of 6% to 8%, and expect acquisitions to contribute 3%. This includes all 2010 and recently closed acquisitions, the largest being Harbison-Fischer. Therefore, our total revenue growth is expected to be 9% to 11%.

First, breaking down organic growth by segment. We expect Industrial Products and Engineered Systems to be up 4% to 6%. Fluid Management revenues should increase 7% to 9%. And Electronic Technologies should grow between 9% and 11%.

Secondly, with respect to acquisitions, Fluid Management will add an additional 11% to their growth, largely driven by Harbison-Fischer. In total, Fluid Management's revenue will increase 18% to 20% for the full year.

Our other three segments will each add about 1% growth to the previously mentioned organic growth rates.

Corporate expense and interest expense should be about flat, and CapEx should be up versus 2010 to support our growth initiatives. Lastly, we expect the full year tax rate to be in the range of 28% to 29%.

Now let's go to the full-year earnings bridge on slide 12. Volume will be the biggest driver of our increase in earnings. Volume, product mix and pricing should improve earnings $0.40 to $0.58. We expect completed acquisitions to deliver $0.08 to $0.09. Again, this amount does not include Sound Solutions.

Net productivity will again be a significant source of earnings growth. In total we expect productivity to yield $0.23 to $0.28.

In 2011 we will increase our investment in R&D and sales and marketing activities in support of growth initiatives. These important investments will impact EPS $0.14 to $0.18.

In total, we are now forecasting full-year EPS to be in the range of $4.05 to $4.25, an increase of 17% to 22% over 2010's adjusted EPS of $3.47.

With that I would like to turn the call back over to Bob.

Bob Livingston - *Dover Corporation - President, CEO*

Thanks, Brad. We had an excellent 2010. And, as Brad just indicated, we were expecting even stronger results in 2011. Given the size and strategic importance of Harbison-Fischer and Sound Solutions, I would like to provide a quick recap of each deal.

Harbison-Fischer is a leading manufacturer of rod pumps used in artificial lift applications into oil and gas markets. This addition to our Energy platform expands our product portfolio and enables us to deliver a more complete rod lift solution to our customers.

The transaction also increases our scale and allows us to better penetrate the attractive international oil and gas markets. Harbison-Fischer will contribute roughly $160 million to full-year revenue, and will increase the revenue of our Energy platform to roughly $1.2 billion in 2011.

Sound Solutions is a leading manufacturer of speakers and receivers used in cell phones and other wireless devices. By adding the products and capabilities of Sound Solutions, Knowles will become the leading audio supplier in the fast-growing mobile handset industry.

Sound Solutions' 2010 full-year revenue was $330 million, and when added to Knowles will create an industry leader with annual revenue well in excess of $800 million.

Looking forward to 2011, I believe the focus we have on product innovation, geographic expansion, leveraging our scale, and disciplined capital allocation has us very well-positioned for the future.

A growing economy worldwide, coupled with increased demand for energy, wireless communications and the rising middle class in developing economies should provide significant opportunities for Dover. In short, I believe the future is quite right for Dover, and I expect strong results in 2011.

In closing, the results we posted in 2010 do not just happen. It required the concerted efforts of our entire organization. I would like to personally thank everyone at Dover for their commitment and contributions to a very fine year.

With that, I will turn it back to Paul for questions.

Paul Goldberg - *Dover Corporation - Treasurer, Director IR*

Thanks, Bob. At this point we would like to open up the call to questions. But I would like to remind everybody in the interest of getting everybody's question in, if we can limit it to one question -- a single question, not a multipart question, and one follow-up, that would be very helpful.

So at this point, Jackie, please queue the questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Nigel Coe, Deutsche Bank.

Nigel Coe - *Deutsche Bank - Analyst*

A couple of questions on -- sorry, one question, and then one follow-on on the 2011 guidance bridge. Obviously, you are excluding Sound Solutions at this point, so $0.08 to $0.09 seemingly is coming from Harbison-Fischer. Can you just remind us what the impact of Sound Solutions is ex all of the one-time charges?

Bob Livingston - *Dover Corporation - President, CEO*

Okay, well, what we said on the call was we would expect to be able to complete that at the end of the first quarter, early second quarter, which would mean we have three-fourths of the year. You will remember $330 million was their sales in 2010, and growing at a rate of -- in excess of 10%.

So what we said was we would pick up three-fourths of their sales. We said on an EPS basis that it would have a minor accretion impact of $0.01 to $0.02.

Nigel Coe - *Deutsche Bank - Analyst*

Okay, great.

Bob Livingston - *Dover Corporation - President, CEO*

Now, Nigel, that does include deal cost in there. As we continue to close out that deal we will have about $10 million to $15 million of deal cost.

Nigel Coe - *Deutsche Bank - Analyst*

And the $0.01 to $0.02, is that net of the step ups and deal costs and things like that?

Bob Livingston - *Dover Corporation - President, CEO*

That is all in with additional amortization on purchase accounting and deal costs. That's correct.

Nigel Coe - *Deutsche Bank - Analyst*

Okay, so the GAAP number. That is (multiple speakers).

Bob Livingston - *Dover Corporation - President, CEO*

That is a GAAP number.

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Nigel Coe - *Deutsche Bank - Analyst*

You can't be too careful these days. Then on the price of raw material impact in 2011, can you just maybe talk about what you are seeing in terms of raw materials, in particular at ES and Industrial?

And where would we see that coming through on the bridge? Is that coming through on volume, mix price, or is it coming through on the net productivity?

Brad Cerepak - *Dover Corporation - VP, CFO*

Well, to answer the second part first, it is coming through on net productivity. I would say -- let me start to answer that question by going back to what happened in 2010. We entered 2010 saying it will be a 50 to 60 basis headwind. We closed out the year in the range of about a 30 basis point headwind.

I would say 2011 we expect much the same at this point in the year. We see about a 30 basis point headwind. We are, obviously, most susceptible to increases in copper. And that is why we see this price commodities squeeze at SWEP. That is -- the biggest piece of it, let's say half of that is -- one-third of that is SWEP, and the other part is really being -- [still in] our other businesses, and not only in DES but also in the Energy side.

Nigel Coe - *Deutsche Bank - Analyst*

That's great, thanks, Brad.

Operator

Shannon O'Callaghan, Nomura.

Shannon O'Callaghan - *Nomura - Analyst*

Can you just tell us what your assumption is around rig count for '11? And are you guys facing any capacity constraints in your Energy business?

Bob Livingston - *Dover Corporation - President, CEO*

We ended the year looking at a rig count here in North America of a little in excess of 2,100. We see the rig count deployment increasing slightly in the first-half, decreasing a little bit in the second-half, for perhaps a net add of the year of only about 3%. That is what we are using in our model.

With respect to capacity, I think the only business over the last few months within our Energy Group that we have had serious discussions on with respect to capacity constraints has been US Synthetics. We embarked on a rather significant capacity addition project at US Synthetics in August, and that will be completed by the end of the first quarter, early second quarter. We think we are in a good position with capacity for 2011.

Shannon O'Callaghan - *Nomura - Analyst*

Okay, great. Then can you just give us a feel going to the first quarter here around any, I guess, seasonal dynamics or any other things we should keep in mind? Obviously, the nature of Hill PHOENIX has changed a little bit, moving to more renovations, that kind of stuff. Can you just give us a feel for the dynamics you expect to play out sequentially into 1Q?

Bob Livingston - *Dover Corporation - President, CEO*

My first response would be, Dover in general, I think the seasonal patterns in 2011 would be quite reflective of what you saw in 2010, nothing different, nothing strange.

You do mention Hill PHOENIX, and yes, we will expect, and do expect, the first quarter to be seasonally light for Hill PHOENIX like we see normally. I will point out that our bookings at Hill PHOENIX in the fourth quarter were stronger than we had anticipated. What were the numbers, Brad?

Brad Cerepak - *Dover Corporation - VP, CFO*

1.09 book-to-bill.

Bob Livingston - *Dover Corporation - President, CEO*

1.09 book-to-bill for Hill PHOENIX in the fourth quarter. And we are loading quite well for first-quarter revenue and the coming ramp up in the second quarter.

Shannon O'Callaghan - *Nomura - Analyst*

Okay, just to clarify that. Sorry, not to count as a third question. 2010 was actually up into 1Q because of the dynamics of the cycle. Typically in a more normal world you would be down sequentially.

Bob Livingston - *Dover Corporation - President, CEO*

You are asking about Hill PHOENIX again?

Shannon O'Callaghan - *Nomura - Analyst*

No, I am thinking about the whole Company, the overall EPS of the Company.

Bob Livingston - *Dover Corporation - President, CEO*

Brad, how do you want to respond to this?

Brad Cerepak - *Dover Corporation - VP, CFO*

I guess in terms of -- you're asking -- let me clarify, I guess you're asking how does volume look fourth quarter into the first quarter?

We normally don't -- as you know, we normally don't give quarterly guidance, but I would say -- sequentially I would say the fourth quarter into the first quarter we are going to be pretty much at the same level.

I would give you some color this way. I would say 2011, the way I think about the way revenue will flow in 2011 is the first-half on a year-over-year basis will be stronger than the second-half. It will be in the mid-teens in the first-half of the year, going down to the mid-single digits in the second-half of the year. Tougher comps in the second-half of the year.

But, again, fourth quarter to first quarter, if that is your question, pretty much I would say they're going to be on equal footing.

Shannon O'Callaghan - *Nomura - Analyst*

Okay, great. Thanks, guys.

Operator

Bob Cornell, Barclays Capital.

Bob Cornell - *Barclays Capital - Analyst*

Following up a little bit on some of these questions, it looks like you guys had much stronger momentum in the fourth quarter than indicated at the Analyst Day. Maybe just give us some color about how that strength developed in the quarter and maybe an early read on January.

Bob Livingston - *Dover Corporation - President, CEO*

The fourth quarter -- I guess, the two areas that were stronger in the fourth quarter than we anticipated were really -- I would have to comment first on Electronic Technologies. We were actually expecting revenue to be slightly down sequentially in the fourth quarter. We actually ended up with a sequential increase of 6%. It was -- we saw the increase both in our components business, especially at Knowles, but also in our tech equipment businesses.

In addition to revenue in the fourth quarter at DET, our bookings remained fairly strong in the fourth quarter.

We had a little bit better performance in the fourth quarter at Engineered Systems. If you recall, we had a long discussion on the October call about the sequential declines resulting from the seasonality at Hill PHOENIX in the fourth quarter, and were telling you that we were looking at sales declining in the fourth quarter at Hill PHOENIX by about $110 million or $115 million.

The decline was not that severe. I think the decline ended up being about $90 million or $95 million.

Bob Cornell - *Barclays Capital - Analyst*

Just to clarify, when you gave the guide and you talked about organic growth plus acquisitions, you didn't seem to calibrate for the Sound Solutions business. If you would adjust for that how would you adjust the guide?

Bob Livingston - *Dover Corporation - President, CEO*

Well, we haven't closed on Sound Solutions yet, so we're not going to provide guidance on Sound Solutions. But if you -- I will repeat what Brad shared earlier in the call. Revenue at Sound Solutions last year was about $330 million. We are expecting revenue from that business for the entire year to be up about 10%.

We close April 1 and we will capture three-fourths of that. We are taking some fairly healthy upfront charges as we close on Sound Solutions here in another two or three months, both deal costs as well as some purchase accounting charges.

For 2011 our outlook right now would be for $0.01 or $0.02 on EPS. But I'm going to remind you again, we haven't closed on this deal yet.

Brad Cerepak - *Dover Corporation - VP, CFO*

I guess just to add a little bit to that, like we said on the call, while it is a $0.01 or $0.02 EPS because of additional purchase accounting, amortization and deal costs, if you'll recall, the EBITDA, the historical EBITDA and the run rate of that EBITDA business is in the high 20s. So we would expect to see that kind of additive EBITDA to Dover as we go forward.

Bob Cornell - *Barclays Capital - Analyst*

Okay, thanks. I think I'm out of questions.

Operator

Wendy Caplan, SunTrust.

Wendy Caplan - *SunTrust - Analyst*

As we look at your 2011 free cash flow expectations, they are slightly higher than they have been. Usually you say 10% of revenue, now you're saying 10% to 11%. Albeit, 1 percentage point, but can you explain that to us given that your CapEx looks like it is going to be higher than it has been?

Bob Livingston - *Dover Corporation - President, CEO*

Brad is going to give you a detailed response. My first response would be the primary driver of our increased cash flow is our improving margins. We start with that.

Brad Cerepak - *Dover Corporation - VP, CFO*

You know, we did finish the year on a very strong note, and we did achieve 11%, 10.8%, 11% in 2010. I would tell you I think -- and our teams did a great job on receivables, and we made some progress on inventory, but our expectation is there is more to do there.

So we will continue to go to work on receivables and inventories throughout 2011. We finished our working capital as a percent of sales at about 17.8%. We think there is room for improvement there.

Wendy Caplan - *SunTrust - Analyst*

My follow-up is about your spending plans. Can you talk about the CapEx? You mentioned electronics that you're adding capacity, I guess, for Knowles. Can you talk -- is that the bulk of the higher than usual CapEx?

Brad Cerepak - *Dover Corporation - VP, CFO*

Well, I can't give you a rundown on the entire outlook for CapEx. I will point out that the major projects for adding capacity in 2011 -- Knowles, US Synthetics within our Energy business, and some expansion at our Electronic campus in China for continued growth.

I would also point out that a couple of major projects that we are funding in 2011 at Sargent and at Tulsa Winch are [growth] productivity projects.

Wendy Caplan - *SunTrust - Analyst*

Okay, that's very helpful. Thanks.

Operator

Scott Davis, Morgan Stanley.

Scott Davis - *Morgan Stanley - Analyst*

Guys, can you talk about what your competitors are doing in MEMS? The context of my question is this. If you added 20% of capacity this year and you're adding more than that in 2011, are your competitors doing the same, are you ahead of the curve? Just talk about the competitive dynamics a little bit.

Bob Livingston - *Dover Corporation - President, CEO*

You are asking me to comment on what our competitors are doing with respect to adding capacity; I can't do that. The capacity increase at Knowles last year, about 20%. Our production capacity in 2010 was fully utilized. We are increasing capacity again in 2011 at a little bit higher rate than we did in 2010.

We'll probably -- our goal, our objective is to actually have a little surplus capacity at Knowles in the fourth quarter just to help us deal with some, I will call it, push-outs and pull-ins that we see in this industry.

Another important point, we are adding some MEMS capacity in 2011 outside of China. This capacity add, we will keep it in Asia, but we are going to start adding some capacity in a different country in Asia other than China.

That capacity, hopefully, will be online in the latter part of there, hopefully by the start of the fourth quarter. And that will end up being a little bit of what we define as our surplus or safety capacity.

Scott Davis - *Morgan Stanley - Analyst*

Right, I guess to follow up and ask a slightly different question. You really had, and maybe still have, a fairly substantial technology advantage in that business. I think when I was out seeing these guys a couple of years ago in China it was very clear that you had something other people didn't at that time. Has that changed? Do you still have a fairly large lead in technology or have competitors had a chance to reengineer and catch up?

Bob Livingston - *Dover Corporation - President, CEO*

We do have competition today that is shipping production MEMS microphones that we did not see two years ago. I think the one that everyone is aware of is the company in Asia by the name of AA C. If you were to look at the total MEMS microphones shipped in 2010, we believe we shipped 92%, 93%, 95% of the total MEMS microphones shipped into the cell phone industry in 2010.

Scott Davis - *Morgan Stanley - Analyst*

Wow, okay, that's helpful. Thanks, guys.

Operator

Terry Darling, Goldman Sachs.

Terry Darling - *Goldman Sachs - Analyst*

Brad, I am just wondering if I could clarify or squeeze this in as a clarification. I am talking about first-quarter revenues flat sequentially with the first quarter. Were you talking about just revenues there or were you talking earnings-per-share as well? Just because people will run with that if we don't clarify that.

Brad Cerepak - *Dover Corporation - VP, CFO*

Well, I was talking just revenue.

Terry Darling - *Goldman Sachs - Analyst*

So then, I guess, I will have to turn that into a real question. Obviously, your tax rate is going up sequentially, and seasonally you usually have some cost in the first quarter. So we should expect EPS to be down sequentially, or no?

Brad Cerepak - *Dover Corporation - VP, CFO*

Certainly because of the tax rate, that's right. We did have, as you know, those discrete items in the fourth quarter. We have guided on our annual rate of 28% to 29%, which is a little bit of improvement off of Dover Day, but that would be a good rate to use for the first quarter.

Terry Darling - *Goldman Sachs - Analyst*

And in thinking about raw material pressures, presumably that would be greater in the back half have versus the first-half or similar? Your incremental margins in 2010 were much stronger in the first-half than the second-half. And you're talking about organic volume being stronger first-half than second-half, so maybe we might expect incrementals to be stronger, but maybe that commodity headwind is stiffer in the first-half than the second.

Brad Cerepak - *Dover Corporation - VP, CFO*

Boy, there is a lot of questions in there. Okay, first just to clarify, we do expect the growth rate to be higher in the first-half year-over-year than the second-half. But sequentially the second-half is going to be more revenue than the first-half by about 3%, 4% or so is the way I would think about it.

So sequentially we are blowing through the year. Materials will be more back end -- more back end in 2011. And I'm trying to think if I answered all your questions. Is there some -- did I miss anything there?

Terry Darling - *Goldman Sachs - Analyst*

Just the commodity headwind and your first-half versus second.

Brad Cerepak - *Dover Corporation - VP, CFO*

Yes, I don't expect the first -- we don't expect any major change in the first-half or the first quarter on commodities. We really -- I would say we have caught up a bit in terms of our strategic pricing and our pricing on --

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Bob Livingston - *Dover Corporation - President, CEO*

We are well-positioned for the first quarter, maybe even the first-half.

Brad Cerepak - *Dover Corporation - VP, CFO*

Yes.

Terry Darling - *Goldman Sachs - Analyst*

Then, just lastly, can you talk about -- around the Electronic Technologies' full-year organic growth, 9% to 11%. You have talked about the components business, or at least, Knowles being up, it sounds like more than 20%, if you are adding more than 20% capacity this year. It sounds like solar has got a lot of momentum.

But can you talk through some of the pieces? And there is a lot of concern about the semi cap business rolling over, but you had the big Intel CapEx number, so maybe you can just fill in the blanks with some of the pieces in Electronic Technologies for us.

Bob Livingston - *Dover Corporation - President, CEO*

Well, I don't have growth rates here in front of me on all the pieces you're asking about. Yes, we do expect pretty strong growth in 2011 from Knowles. For the other two businesses within communication components, I would label that as mid-single digit growth for the year.

With respect to our three equipment companies, I would say three months ago we were probably looking at electronic assembly and semiconductor test being flat or perhaps even slightly down in 2011.

We had a much stronger fourth quarter in both of those spaces than we anticipated, both orders as well as revenue. And our outlook today for semiconductor test and electronic assembly would be mid-single-digit growth in 2011.

Terry Darling - *Goldman Sachs - Analyst*

That's helpful. Thanks very much.

Bob Livingston - *Dover Corporation - President, CEO*

I want to clarify something. We talked about Knowles, and I mentioned our MEMS growth at 20% capacity add in 2010 and an even greater growth rate in capacity in 2011. I am referring to a part of Knowles. We are not, obviously, forecasting that type of growth in our hearing aid business.

Terry Darling - *Goldman Sachs - Analyst*

That is helpful, thanks Bob.

Operator

Jeff Sprague, Vertical Research Partners.

Jeff Sprague - *Vertical Research Partners - Analyst*

Bob, I was wondering if you could comment on the sell side of the M&A pipeline? Private equity appears to be back. Obviously, if Honeywell gets consumer products done today the private (technical difficulty). Obviously, you're not going to tell us anything untoward, but is there some real activity going on there, and should we expect something to happen this year?

Bob Livingston - *Dover Corporation - President, CEO*

It is more of a topic of discussion today than it was six or nine months ago. Yes, we see all of the announcements that everyone here on the call sees, and we are having some discussions. I'm not going to predict anything, but I think there will be some reshaping of the portfolio over the next 18 months. But we have no announcements to make.

Jeff Sprague - *Vertical Research Partners - Analyst*

No, obviously. Just a little bit more color on Hill PHOENIX. What do you -- you spent a lot of time obviously in Q3 talking about the Q4 pressures that we should have expected. It didn't quite play out that way. Is it share gain? Is there a CapEx cycle starting in those channels? Is there something a little bit just stronger underlying going on there that maybe you thought?

Bob Livingston - *Dover Corporation - President, CEO*

Look, we didn't hit the exact numbers that we had forecasted at Hill PHOENIX in the fourth quarter, but directionally the forecast and the guidance was actually fairly close.

I'm not going to sit here and claim that the stronger revenue in the fourth quarter was anything other than some pull-in of orders and some acceptance of orders that we thought initially would be deferred into the first quarter.

The quarter from a revenue and a product shipment point of view came in about as we expected, no surprises. From a booking's point of view, yes, it was a little bit stronger than we anticipated. Bookings for Hill PHOENIX in the fourth quarter were $180 million, $183 million, and up rather significantly year-over-year.

We are actually seeing some orders that we believe are reflective of the continued strong remodel program in the space. And our outlook for the year for Hill PHOENIX, I think the patterns, the seasonal patterns are going to be very similar, but our outlook for the year is mid-single-digit revenue growth.

Jeff Sprague - *Vertical Research Partners - Analyst*

There is no jumping in front of price increases or something like that going on in the order activity?

Bob Livingston - *Dover Corporation - President, CEO*

No.

Jeff Sprague - *Vertical Research Partners - Analyst*

Thanks a lot, guys.

Operator

John Inch, Banc of America - Merrill Lynch.

John Inch - *Banc of America - Merrill Lynch - Analyst*

Bob, if I could just clarify some of your electronic commentary. Just to be clear on the segment, you guys have very tough compares heading into -- certainly the first-half of 2011. I think before there may have been some sort of a risk that the actual reported results could be negative, not simply because of volume but -- not because of volume, but simply because of the compares.

Are you now saying that is not likely, just to be clear? Because I wasn't sure if you were talking about a subsegment of the ET or how do you see the ET business from a comparison growth rate standpoint playing out in 2011?

Bob Livingston - *Dover Corporation - President, CEO*

I am going to differ to Brad on that. I know he is the holder of the numbers here.

Brad Cerepak - *Dover Corporation - VP, CFO*

Well, we already gave you what our expectations were on the organic side. The way I think about it is that organic growth will continue to mean that we are expanding our segment dollars, because of how we convert that.

But I think sitting here today we would say that the margins, the very, very high levels we saw in the fourth quarter for DET, I would expect that they will continue to hold those through 2011. So we will see less margin expansion in DET, but we will certainly see the dollars coming through on the segment side.

Bob Livingston - *Dover Corporation - President, CEO*

Let me add a little bit of color to that. When you look at 2010, the quarter that was a little bit of an upside surprise to us with respect to our forecasting and planning was the fourth quarter. It typically is not that strong. So when you look at 2011 we would expect positive comps for the first three quarters. The quarter that I have a concern about with respect to comps is the fourth quarter of next year.

John Inch - *Banc of America - Merrill Lynch - Analyst*

Okay, that's fine. That makes sense. Can I ask you guys on the Knowles side, there is obviously lots of press and data points about smartphones accelerating. Some of the recent information suggests though that there is going to be new categories of smartphones that are much cheaper for obviously different price points of the consumer segment.

Do those cheaper priced phones, as you have had discussions with your customers, require some sort of lower kind of component dynamic with respect to MEMS or anything else, or is it what you supply -- it doesn't really matter whether it is a high-end smartphone or a lower-end smartphone?

Bob Livingston - *Dover Corporation - President, CEO*

Yes, the basic -- what I call the basic single microphone between a low-end smartphone and a higher-end smartphone will be essentially the same. What you do see in, I call it, the more feature rich smartphones is the addition of this second microphone for noise suppression.

So on the lower-priced points smartphones you'll typically see one microphone, and on many, not all, but on many of the higher-priced smartphones you will see two microphones.

John Inch - *Banc of America - Merrill Lynch - Analyst*

So, Bob, to your knowledge these low-end smartphones being contemplated by the manufacturers only carry the one microphone, is that correct?

Bob Livingston - *Dover Corporation - President, CEO*

A higher percentage of them do, yes.

John Inch - *Banc of America - Merrill Lynch - Analyst*

So that was my first question. My follow-up question is on Product ID. Product ID, kind of this sort of 4% to 8% range, your primary competitor is Danaher. And I sort of think of you guys somewhat similarly. They have been putting up mid-teens, if not a little bit better organic growth for the last couple of quarters.

Is there something about as you -- I don't know, is there something about Product ID right now, whether it be some initiatives in China or something that is delaying sales today that you expect that to ramp as you move into 2011?

Bob Livingston - *Dover Corporation - President, CEO*

The Product ID business has continued to perform very, very well over the last 6, 12 and 18 months. If there is any disappointment, I think we're about a year late with some of our product launches.

We started -- we have had a significant new product launch in the fourth quarter of '10 that has been well received. We have several more product launches scheduled for the first-half of '11, the second-half of '11 and going into 2012 that we are very excited about -- our sales organization is very enthused with.

But my qualifying comment, I will repeat it. I think we're about a year late with some of our product launches and it is disappointing.

John Inch - *Banc of America - Merrill Lynch - Analyst*

Understood. Thank you very much.

Operator

Steve Tusa, JPMorgan.

Steve Tusa - *JPMorgan - Analyst*

Could you help me reconcile the high-growth core growth at Fluid Management with your expectation for rig counts? And maybe that was an all-in number so you're including the acquisition in there. I'm just curious as to where you're continuing to take share in that business.

Bob Livingston - *Dover Corporation - President, CEO*

Are you referring to the outlook and guidance?

Steve Tusa - *JPMorgan - Analyst*

Yes, for '11. I think you said rig counts are going to be up -- did you say up 3% or is that a specific part of the rig count?

Bob Livingston - *Dover Corporation - President, CEO*

We are looking at net rig count in our modeling to be up, I will call it, low- to mid-single-digits for the year. We do expect it to be a little bit stronger comps in the first-half than the second-half.

Steve Tusa - *JPMorgan - Analyst*

And then the organic items for Fluid again.

Bob Livingston - *Dover Corporation - President, CEO*

For Fluid Management is 7% to 9%.

Steve Tusa - *JPMorgan - Analyst*

So how -- I am just curious so is that a continuing -- your technology continuing to take share --?

Bob Livingston - *Dover Corporation - President, CEO*

Well, there is not a direct correlation. This is a strong correlation, but it is not 100%. One of the things that we probably get a little bit extra revenue on the correlation line with respect to rig counts is the amount of shale drilling that goes on. We do have a little bit stronger play there than we do in normal rig.

Steve Tusa - *JPMorgan - Analyst*

Right, so that's what it is.

Bob Livingston - *Dover Corporation - President, CEO*

Yes.

Steve Tusa - *JPMorgan - Analyst*

How big is Knowles now? And is MEMS about 65% of that business now?

Bob Livingston - *Dover Corporation - President, CEO*

Well, in my prepared comments I said that -- you can do the math. In our prepared comments I said with the addition of Sound Solutions the combined business now is well in excess of $800 million in revenue.

And the MEMS business prior to Sound Solutions, that is a pretty good number. The MEMS business would be about 65% of Knowles' total.

Steve Tusa - *JPMorgan - Analyst*

Okay, great. Thanks a lot.

Operator

That was our final question, and I will turn the floor back over to Mr. Goldberg for any closing remarks.

Paul Goldberg - *Dover Corporation - Treasurer, Director IR*

Thank you very much. We appreciate your time this morning, spending on the conference call. We look forward to speaking to you next quarter. And for those who didn't get to ask questions, I apologize, and feel free to give me a call later in the day. Thanks again. Bye.

Operator

Thank you. That does conclude today's fourth-quarter 2010 Dover Corporation earnings conference call. You may now disconnect your lines. And have a wonderful day.
