

Dover Corporation
Non-GAAP Reconciliation
2020 Company Overview

This document defines, reconciles to GAAP and discloses the relevance to investors of the non-GAAP measures included in the 2020 Company Overview.

Adjusted Earnings Per Share

Earnings from continuing operations are adjusted by the effect of acquisition-related amortization, rightsizing and other costs, loss on extinguishment of debt, loss on assets held for sale, and the Tax Cuts and Jobs Act to derive at adjusted earnings from continuing operations and adjusted diluted earnings per common share as follows:

(in thousands, except per share data*)	2019	2018
Adjusted earnings from continuing operations:		
Earnings from continuing operations	\$ 677,918	\$ 591,145
Acquisition-related amortization, pre-tax ¹	138,336	146,297
Acquisition-related amortization, tax impact ²	(34,768)	(37,001)
Rightsizing and other costs, pre-tax ³	32,153	72,828
Rightsizing and other costs, tax impact ²	(6,789)	(14,531)
Loss on extinguishment of debt, pre-tax ⁴	23,543	-
Loss on extinguishment of debt, tax impact ²	(5,163)	-
Loss on assets held for sale ⁵	46,946	-
Tax Cuts and Jobs Act ⁶	-	(2,832)
Adjusted earnings from continuing operations	\$ 872,176	\$ 755,906
Diluted average shares outstanding	146,992	152,133
Adjusted diluted earnings per common share*:		
Earnings from continuing operations	\$ 4.61	\$ 3.89
Acquisition-related amortization, pre-tax ¹	0.94	0.96
Acquisition-related amortization, tax impact ²	(0.24)	(0.24)
Rightsizing and other costs, pre-tax ³	0.22	0.48
Rightsizing and other costs, tax impact ²	(0.06)	(0.10)
Loss on extinguishment of debt, pre-tax ⁴	0.16	-
Loss on extinguishment of debt, tax impact ²	(0.04)	-
Loss on assets held for sale ⁵	0.32	-
Tax Cuts and Jobs Act ⁶	-	(0.02)
Adjusted diluted earnings per common share	\$ 5.93	\$ 4.97

¹ Includes amortization on acquisition-related intangible assets and inventory step-up.

² Adjustments were tax effected using the statutory tax rates in the applicable jurisdictions or the effective tax rate, where applicable, for each period.

³ Rightsizing and other costs include actions taken on employee reductions, facility consolidations and site closures, product line exits and other associated asset charges.

⁴ Represents a loss on early extinguishment of €300,000 2.125% notes due 2020 and \$450,000 4.30% notes due 2021.

⁵ Represents a loss on assets held for sale of Finder. Under local law, no tax benefit is realized from the loss on the sale of a wholly-owned business.

⁶ 2018 tax benefits related to additional Tax Cuts and Jobs Act regulatory guidance covered by SAB 118.

* Per share data and totals may be impacted by rounding.

Organic Revenue Growth

Organic revenue growth represents the Company's growth excluding impact of acquisitions, dispositions, and foreign currency

	<u>2019</u>
Organic	3.8%
Acquisitions	0.8%
Dispositions	(0.5)%
Currency translation	(2.0)%
Total*	<u>2.1%</u>

*Totals may be impacted by rounding.

Free Cash Flow

Free cash flow represents net cash provided by operating activities minus capital expenditures as follows:

(in thousands)	<u>2019</u>	<u>2018</u>
Cash flow from operating activities	\$ 945,306	\$ 789,193
Less: Capital expenditures	(186,804)	(170,994)
Free cash flow	<u>\$ 758,502</u>	<u>\$ 618,199</u>

Non-GAAP Disclosures

Adjusted earnings from continuing operations represents earnings from continuing operations adjusted for the effect of acquisition-related amortization, rightsizing and other costs, loss on extinguishment of debt, loss on assets held for sale, and the Tax Cuts and Jobs Act. We exclude after-tax acquisition-related amortization because the amount and timing of such charges are significantly impacted by the timing, size, number and nature of the acquisitions the Company consummates. We exclude the other items because they occur for reasons that may be unrelated to the Company's commercial performance during the period and/or Management believes they are not indicative of the Company's ongoing operating costs or gains in a given period.

Adjusted diluted earnings per share from continuing operations represents adjusted earnings from continuing operations divided by average diluted shares.

Management believes these measures are useful to investors to better understand the Company's ongoing profitability as it will better reflect the Company's core operating results, offer more transparency and facilitate easier comparability to prior and future periods and to its peers.

Management believes that reporting organic revenue growth, which excludes the impact of foreign currency exchange rates and the impact of acquisitions and dispositions, provides a useful comparison of our revenue performance and trends between periods.

Free cash flow represents net cash provided by operating activities minus capital expenditures. Management believes 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.