# SECURITIES AND EXCHANGE COMMISSION

## WASHINGTON, D.C. 20549

# FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2005 | Commission File No. 1-4018

# DOVER CORPORATION

(Exact name of registrant as specified in its charter)

| Delaware<br>(State of Incorporation) | 53-0257888<br>(I.R.S. Employer Identification No.) |
|---|---|
| 280 Park Avenue, New York, NY<br>(Address of principal executive offices) | 10017<br>(Zip Code) |

Registrant’s telephone number, including area code: (212) 922-1640

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No o

Indicate by checkmark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Securities Exchange Act). Yes ☒ No o

The number of shares outstanding of the Registrant’s common stock as April 27, 2005 was 203,727,972.

**TABLE OF CONTENTS**

EX-10.1 NAMED EXECUTIVE OFFICER SALARIES
EX-31.1 CERTIFICATION
EX-31.2 CERTIFICATION
EX-32 CERTIFICATION

---

# Dover Corporation
# Index
# Form 10-Q


| Page | Item |
|---|---|
| | **Part I – Financial Information** |
| | Item 1. Financial Statements |
| 3 | Condensed Consolidated Statement of Earnings for the three months ended March 31, 2005 |
| 4 | Condensed Consolidated Balance Sheets at March 31, 2005 and December 31, 2004 |
| 4 | Condensed Consolidated Statement of Stockholder's Equity and Comprehensive Income for the three months ended March 31, 2005 |
| 5 | Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2005 |
| 6 | Notes to Condensed Consolidated Financial Statements |
| 11 | Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations |
| 16 | Market Segment Results |
| 21 | Item 3. Quantitative and Qualitative Disclosure About Market Risk |
| 21 | Item 4. Controls and Procedures |
| | **Part II – Other Information** |
| 21 | Item 1. Legal Proceedings |
| 21 | Item 2. Unregistered Sales of Equity Securities and of Use Proceeds |
| 22 | Item 3. Defaults Upon Senior Securities |
| 22 | Item 4. Submission of Matters to a Vote of Security Holders |
| 22 | Item 5. Other Information |
| 23 | Item 6. Exhibits |
| 24 | Signatures |
| 25 | Exhibit Index |
| 26. | Exhibit 10.1 Summary of 2005 Named Executive Officer Salaries |
| 27 | Exhibit 31.1 Certification |
| 28 | Exhibit 31.2 Certification |
| 29 | Exhibit 32 Certification |


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

PART I. FINANCIAL INFORMATION

Item 1. **FINANCIAL STATEMENTS**

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

| | Three Months Ended March 31, 2005 | Three Months Ended March 31, 2004 |
|---|---|---|
| Net sales | $ 1,449,034 | $ 1,242,380 |
| Cost of sales | 951,543 | 806,515 |
| Gross profit | 497,491 | 435,865 |
| Selling and administrative expenses | 351,437 | 303,177 |
| Operating profit | 146,054 | 132,688 |
| Interest expense, net | 16,147 | 14,680 |
| All other (income) expense, net | (4,479) | 313 |
| Total | 11,668 | 14,993 |
| Earnings from continuing operations, before taxes on income | 134,386 | 117,695 |
| Federal and other taxes on income | 34,121 | 33,886 |
| Net earnings from continuing operations | 100,265 | 83,809 |
| Net (losses)from discontinued operations | (2,131) | (697) |
| Net earnings | $ 98,134 | $ 83,112 |
| Basic earnings per common share: | | |
| - Continuing operations | $ 0.49 | $ 0.41 |
| - Discontinued operations | (0.01) | — |
| - Net earnings | $ 0.48 | $ 0.41 |
| Diluted earnings per common share: | | |
| - Continuing operations | $ 0.49 | $ 0.41 |
| - Discontinued operations | (0.01) | — |
| - Net earnings | $ 0.48 | $ 0.41 |
| Weighted average number of common shares outstanding during the period: | | |
| Basic | 203,650 | 203,088 |
| Diluted | 204,904 | 204,763 |

The computations of basic and diluted earnings per share from continuing operations were as follows:

| | Three Months Ended March 31, 2005 | Three Months Ended March 31, 2004 |
|---|---|---|
| Numerator: | | |
| Net earnings from continuing operations available to common stockholders | $ 100,265 | $ 83,809 |
| Denominator: | | |
| Basic weighted average shares | 203,650 | 203,088 |
| Dilutive effect of assumed exercise of employee stock options | 1,254 | 1,675 |
| Denominator: | | |
| Diluted weighted average shares | 204,904 | 204,763 |
| Basic earnings per share from continuing operations | $ 0.49 | $ 0.41 |
| Diluted earnings per share from continuing operations | $ 0.49 | $ 0.41 |
| Shares excluded from dilutive effect due to exercise price exceeding average market price of common stock | 4,635 | 2,777 |

See Notes to Condensed Consolidated Financial Statements

Table of Contents

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

| | March 31, 2005 | December 31, 2004 |
|---|---|---|
| Assets: | | |
| Current assets: | | |
| Cash and equivalents | $ 411,830 | $ 357,606 |
| Receivables, net | 964,565 | 912,688 |
| Inventories, net | 813,254 | 775,741 |
| Deferred tax and other current assets | 117,283 | 103,912 |
| Total current assets | 2,306,932 | 2,149,947 |
| Property, plant and equipment, net | 750,119 | 756,680 |
| Goodwill | 2,209,913 | 2,149,780 |
| Intangible assets, net | 523,705 | 529,277 |
| Other assets and deferred charges | 204,350 | 195,674 |
| Assets of discontinued operations | 11,157 | 10,821 |
| Total assets | $ 6,006,176 | $ 5,792,179 |
| Liabilities: | | |
| Current liabilities: | | |
| Short-term debt and commercial paper | $ 515,129 | $ 339,264 |
| Accounts payable | 409,061 | 364,406 |
| Accrued expenses | 425,097 | 471,413 |
| Federal and other taxes on income | 181,677 | 180,893 |
| Total current liabilities | 1,530,964 | 1,355,976 |
| Long-term debt | 755,443 | 753,063 |
| Deferred income taxes | 312,950 | 296,464 |
| Other deferrals (principally compensation) | 246,212 | 246,170 |
| Liabilities of discontinued operations | 21,594 | 21,824 |
| Stockholders' equity: | | |
| Total stockholders' equity | 3,139,013 | 3,118,682 |
| Total liabilities and stockholders' equity | $ 6,006,176 | $ 5,792,179 |

**DOVER CORPORATION**
**CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME**
**(unaudited) (in thousands)**

| | Common Stock $1 Par Value | Additional Paid-In Capital | Other Comprehensive Earnings (Loss) | Retained Earnings | Treasury Stock | Total Stockholders' Equity | Comprehensive Earnings (Loss) |
|---|---|---|---|---|---|---|---|
| Balance as of December 31, 2004 | $ 239,015 | $ 98,979 | $ 195,220 | $3,628,715 | $(1,043,247) | $3,118,682 | $ 488,302 |
| Net earnings | — | — | — | 98,134 | — | 98,134 | 98,134 |
| Dividends paid | — | — | — | (32,592) | — | (32,592) | — |
| Common stock issued for options exercised | 362 | 9,508 | — | — | — | 9,870 | — |
| Stock issued, net of cancellations | — | — | — | — | — | — | — |
| Stock acquired during the period | — | — | — | — | (5,080) | (5,080) | — |
| Decrease from translation of foreign financial statements | — | — | (49,958) | — | — | (49,958) | (49,958) |
| Unrealized holding gains (losses) | — | — | (43) | — | — | (43) | (43) |
| Balance as of March 31, 2005 | $ 239,377 | $108,487 | $ 145,219 | $3,694,257 | $(1,048,327) | $3,139,013 | $ 48,133 |

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

Common Stock, $1 par value per share. 500,000,000 shares authorized; issued 239,376,755 in 2005, and 239,015,320 shares in 2004.

See Notes to Condensed Consolidated Financial Statements

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

| | Three Months Ended March 31, 2005 | 2004 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net earnings | $ 98,134 | $ 83,112 |
| Adjustments to reconcile net earnings to net cash from operating activities: | | |
| Net (earnings) losses from discontinued operations | 2,131 | 697 |
| Depreciation and amortization | 42,496 | 38,201 |
| Changes in current assets and liabilities (excluding effects of acquisitions, dispositions and foreign exchange): | | |
| Decrease (increase) in accounts receivable | (58,113) | (63,391) |
| Decrease (increase) in inventories | (33,621) | (33,100) |
| Decrease (increase) in prepaid expenses & other assets | (4,465) | (8,890) |
| Increase (decrease) in accounts payable | 46,421 | 46,796 |
| Increase (decrease) in accrued expenses | (45,345) | (1,333) |
| Increase (decrease) in accrued federal and other taxes payable | 786 | 63,262 |
| Net change (increase) decrease in current assets and liabilities | (94,337) | 3,344 |
| Net change (increase) decrease in non-current assets & liabilities | (2,180) | 5,929 |
| Total adjustments | (51,890) | 48,171 |
| **Net cash from operating activities** | 46,244 | 131,283 |
| **Cash flows from (used in) investing activities:** | | |
| Proceeds from the sale of property and equipment | 1,156 | 1,424 |
| Additions to property, plant and equipment | (27,820) | (20,931) |
| Proceeds from sale of discontinued businesses | — | 15,000 |
| Acquisitions (net of cash and cash equivalents acquired) | (100,668) | — |
| **Net cash used in investing activities** | (127,332) | (4,507) |
| **Cash flows from (used in) financing activities:** | | |
| Increase (decrease) in debt | 177,815 | (37,691) |
| Purchase of treasury stock | (5,080) | (1,466) |
| Proceeds from exercise of stock options | 7,865 | 5,829 |
| Dividends to stockholders | (32,592) | (30,479) |
| **Net cash used in financing activities** | 148,008 | (63,807) |
| Effect of exchange rate changes on cash | (9,999) | (7,365) |
| Cash from (used in) discontinued operations | (2,697) | (3,450) |
| **Net increase (decrease) in cash &cash equivalents** | 54,224 | 52,154 |
| Cash & cash equivalents at beginning of period | 357,606 | 370,379 |
| **Cash & cash equivalents at end of period** | $ 411,830 | $ 422,533 |

See Notes to Condensed Consolidated Financial Statements

**DOVER CORPORATION**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE A — Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and changes in financial position in conformity with accounting principles generally accepted in the United States of America. It is the opinion of the Company's management that all adjustments necessary for a fair statement of the interim results presented have been reflected therein. The results of operations of any interim period are not necessarily indicative of the results of operations for the fiscal year. Certain amounts in prior years have been reclassified to conform to the current quarter's presentation.

As previously disclosed, the Company expanded its subsidiary structure from four to six reporting market segments effective January 1, 2005 and is reporting financial information on this basis effective January 1, 2005.

**DOVER CORPORATION**
**MARKET SEGMENT RESULTS**
**(unaudited) (in thousands)**

| SALES | Three Months Ended March 31, 2005 | 2004 |
|---|---|---|
| Diversified | $ 222,927 | $ 184,907 |
| Electronics | 135,599 | 110,372 |
| Industries | 219,679 | 195,603 |
| Resources | 371,655 | 290,792 |
| Systems | 165,602 | 147,631 |
| Technologies | 336,036 | 315,244 |
| Intramarket eliminations | (2,464) | (2,169) |
| Net sales | $ 1,449,034 | $ 1,242,380 |
| **EARNINGS** | | |
| Diversified | $ 24,303 | $ 22,265 |
| Electronics | 10,334 | 11,103 |
| Industries | 25,220 | 21,060 |
| Resources | 63,768 | 47,248 |
| Systems | 21,223 | 15,579 |
| Technologies | 20,941 | 26,583 |
| Subtotal continuing operations | 165,789 | 143,838 |
| Corporate expense/other | (15,256) | (11,463) |
| Net interest expense | (16,147) | (14,680) |
| Earnings from continuing operations, before taxes on income | 134,386 | 117,695 |
| Federal and other taxes on income | 34,121 | 33,886 |
| Net earnings from continuing operations | $ 100,265 | $ 83,809 |

See Notes to Condensed Consolidated Financial Statements

For a more complete understanding of the Company's financial position, operating results, business properties and other matters, reference is made to the Company's Annual Report on Form 10-K which was filed with the Securities and Exchange Commission on March 14, 2005.

**NOTE B — Stock-Based Compensation**

The Company has long-term incentive plans authorizing various types of market and performance based incentive awards that may be granted to officers and employees. Statement of Financial Accounting Standards ("SFAS") No. 123 and SFAS No. 148 "Accounting for Stock-Based Compensation," allow companies to measure compensation cost in connection with employee share option plans using a fair value based method or to continue to use an intrinsic value based method as defined by APB No. 25 "Accounting for Stock Issued to Employees," which generally does not result in a compensation cost at time of grant. The Company accounts for stock-based compensation under APB 25, and does not recognize stock-based compensation expense upon the grant of its stock options because the option terms are fixed and the exercise price equals the market price of the underlying stock on the grant date. All granted stock options have a term of ten years and cliff vest after three years.

The following table illustrates the effect on net earnings and basic and diluted earnings per share if the Company had recognized compensation expense upon grant of the options, based on the Black-Scholes option pricing model:

| (in thousands, except per share figures) | Three Months Ended March 31, 2005 | 2004 |
|---|---|---|
| Net earnings, as reported | $ 98,134 | $ 83,112 |
| Deduct: | | |
| Total stock-based employee compensation expense determined under fair value based method for all awards, net of tax effects | (4,663) | (4,649) |
| Pro forma net earnings | $ 93,471 | $ 78,463 |
| Earnings per share: | | |
| Basic-as reported | $ 0.48 | $ 0.41 |
| Basic-pro forma | 0.46 | 0.39 |

| | | | | |
|---|---|---|---|---|
| Diluted-as reported | $ | 0.48 | $ | 0.41 |
| Diluted-pro forma | | 0.46 | | 0.38 |

The fair value of each option grant was estimated on the date of grant using a Black-Scholes option-pricing model with the following assumptions:

Table of Contents

| | Three Months Ended March 31, 2005 | 2004 |
|---|---|---|
| Risk-free interest rates | 3.97% | 3.71% |
| Dividend yield | 1.70% | 1.46% |
| Expected life | 8 | 8 |
| Volatility | 31.15% | 31.54% |
| Weighted average option grant price | $ 38.00 | $ 41.25 |
| Weighted average fair value of options granted | $ 13.27 | $ 14.89 |

**NOTE C — Acquisitions**

The Company completed four acquisitions during the first quarter of 2005. There were no acquisitions during the first quarter of 2004. The acquisitions completed during the first three months of 2005 have been accounted for appropriately under SFAS 141 “Business Combinations”. Accordingly, the accounts of the acquired companies, after adjustments to reflect fair market values assigned to assets and liabilities, have been included in the consolidated financial statements from their respective dates of acquisitions. All 2005 acquisitions are wholly owned and had an aggregate cost of approximately $101.2 million, including cash, at date of acquisition.

2005 Acquisitions

| Date | Type | Acquired Companies | Location (Near) | Segment | Operating Company |
|---|---|---|---|---|---|
| 18-Jan | Asset | Avborne Accessory Group, Inc. | Miami, Florida | Diversified | Sargent |
| Maintenance, repair, and overhaul of commercial, military, and business aircraft. | | | | | |
| 21-Feb | Asset | Rostone (Reunion Industries) | Lafayette, Indiana | Electronics | Kurz-Kasch |
| Manufacturer of thermo set specialty plastics. | | | | | |
| 23-Feb | Stock | Fas-Co Coders, Inc. | Phoenix, Arizona | Technologies | Imaje |
| Integrator of high resolution carton printers. | | | | | |
| 2-Mar | Asset | APG | Longmont, Colorado | Technologies | ECT |
| Manufacturer of test fixtures for loaded circuit board testing. | | | | | |

The following unaudited pro forma information presents the results of operations of the Company for the three-month periods ending March 31, 2005 and 2004 as if the 2005 and 2004 acquisitions had taken place on January 1, 2004 and January 1, 2005.

| (in thousands, except per share figures) | Three Months Ended March 31, 2005 | 2004 |
|---|---|---|
| Net sales from continuing operations: | | |
| As reported | $ 1,449,034 | $ 1,242,380 |
| Pro forma | 1,454,756 | 1,352,232 |
| Net earnings from continuing operations: | | |
| As reported | $ 100,265 | $ 83,809 |
| Pro forma | 99,664 | 92,358 |
| Basic earnings per share from continuing operations: | | |
| As reported | $ 0.49 | $ 0.41 |
| Pro forma | 0.49 | 0.45 |
| Diluted earnings per share from continuing operations: | | |
| As reported | $ 0.49 | $ 0.41 |
| Pro forma | 0.49 | 0.45 |

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

**NOTE D — Inventory**

Summary by Components

| (in thousands) | March 31, 2005 | December 31, 2004 |
|---|---|---|
| Raw materials | $363,446 | $ 366,977 |
| Work in progress | 213,933 | 207,885 |
| Finished goods | 280,494 | 242,825 |
| Total | 857,873 | 817,687 |
| Less LIFO reserve | (44,619) | (41,946) |
| Net amount per balance sheet | $813,254 | $ 775,741 |

**NOTE E — Property, Plant and Equipment**

Summary by Components

| (in thousands) | March 31, 2005 | December 31, 2004 |
|---|---|---|
| Land | $ 61,249 | $ 61,744 |
| Buildings | 500,118 | 500,350 |
| Machinery and equipment | 1,535,172 | 1,524,119 |
| Less accumulated depreciation | (1,346,420) | (1,329,533) |
| Net amount per balance sheet | $ 750,119 | $ 756,680 |

The Company changed its method of depreciation for assets acquired on or after January 1, 2004 from primarily accelerated methods to the straight-line method of depreciation. Management's decision to change was based on the fact that straight-line depreciation has become a better method of matching revenue and expenses over the estimated useful life of capitalized assets given their characteristics and usage patterns. The Company has determined that the design and durability of these assets does not diminish to any significant degree over time and it is therefore preferable to recognize the related cost uniformly over their estimated useful lives.

**NOTE F — Goodwill and Other Intangible Assets**

Dover is continuing to evaluate the initial purchase price allocations of certain acquisitions and will adjust the allocations as additional information relative to the fair values of the assets and liabilities of the businesses becomes known. The Company is also in the process of obtaining appraisals of tangible and intangible assets for acquisitions. The following table provides the changes in carrying value of goodwill by market segment through the three months ended March 31, 2005:

| (in thousands) | Diversified | Electronics | Industires | Resources | Systems | Technologies | Total |
|---|---|---|---|---|---|---|---|
| Balance as of December 31, 2004 | $248,476 | $161,118 | $264,051 | $626,909 | $164,333 | $ 684,893 | $2,149,780 |
| Goodwill from acquisitions | 73,539 | (577) | — | 77 | — | 3,535 | 76,574 |
| Other (primarily currency translation) | (1,438) | (778) | (954) | (2,629) | (884) | (9,758) | (16,441) |
| Balance as of March 31, 2005 | $320,577 | $159,763 | $263,097 | $624,357 | $163,449 | $ 678,670 | $2,209,913 |

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

| (in thousands) | March 31, 2005 Gross Carrying Amount | March 31, 2005 Accumulated Amortization | Average Life | December 31, 2004 Gross Carrying Amount | December 31, 2004 Accumulated Amortization |
|---|---|---|---|---|---|
| Trademarks | $ 31,227 | $ 11,816 | 29 | $ 30,960 | $ 11,508 |
| Patents | 98,828 | 64,022 | 13 | 98,193 | 62,199 |
| Customer Intangibles | 176,372 | 18,938 | 9 | 150,784 | 15,219 |
| Unpatented Technologies | 106,663 | 30,113 | 9 | 127,428 | 28,521 |
| Non-Compete Agreements | 7,838 | 6,559 | 5 | 9,395 | 7,853 |
| Drawings & Manuals | 5,979 | 3,289 | 5 | 5,989 | 2,722 |
| Distributor Relationships | 39,500 | 3,498 | 25 | 38,300 | 1,915 |
| Other (primarily minimum pension liability)* | 51,460 | 4,228 | 14 | 55,269 | 5,944 |
| Total Amortizable Intangible Assets | 517,867 | 142,463 | 13 | 516,318 | 135,881 |
| Total Indefinite-Lived Trademarks | 148,300 | — | | 148,840 | — |
| Total | $ 666,167 | $ 142,463 | | $ 665,158 | $ 135,881 |

* Intangible asset balance related to minimum pension liability requirements related to the Company's Supplemental Executive Retirement Plan Liability.

**NOTE G — Discontinued Operations**

During the first quarter of 2005, Dover discontinued one business from the Industries segment which was subsequently sold on April 1, 2005. The write-down of the carrying value of the entity to fair market value was partially offset by a small gain for a business discontinued in a previous period and resulted in a net loss on discontinued operations of $2.1 million.

During the first quarter of 2004, Dover disposed of a small business in the Technologies segment resulting in a gain on sale of $6.5 million, net of tax, which was offset by an adjustment to the fair value of two discontinued businesses from the Diversified segment, resulting in a charge of $6.9 million, net of tax.

**NOTE H — Debt**

Dover's long-term notes with a book value of $1,006.7 million, of which $251.2 million matures in the current year, had a fair value of approximately $1,077.0 million at March 31, 2005. The estimated fair value of the Company's long-term notes is based on quoted market prices for similar issues.

There are presently three interest rate swap agreements outstanding for a total notional amount of $150.0 million, designated as fair value hedges of part of the $150.0 million 6.25% Notes due on June 1, 2008, to exchange fixed-rate interest for variable-rate. The swap agreements have reduced the effective interest rate on the notes to 5.19%.

**NOTE I — Commitments and Contingent Liabilities**

A few of the Company's subsidiaries are involved in legal proceedings relating to the cleanup of waste disposal sites 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, a few of the Company's subsidiaries are involved in ongoing remedial activities at certain plant sites in cooperation with regulatory agencies, and appropriate reserves have been established.

The Company and certain of its subsidiaries are also parties to a number of other legal proceedings incidental to their businesses. Management and legal counsel periodically review the probable outcome of such proceedings, the costs and expenses reasonably expected to be incurred, the availability and extent of insurance coverage, and established reserves. While it is not possible at this time to predict the outcome of these legal actions, in the opinion of management, based on these reviews, it is remote that the disposition of the lawsuits and the other matters mentioned above will have a material adverse effect on the financial position, results of operations or cash flows of the Company.

Estimated warranty program claims are provided for at the time of sale. Amounts provided for are based on historical costs and adjusted new claims. The changes in carrying amount of product warranties through March 31, 2005 and March 31, 2004, are as follows:

| (in thousands) | March 31, 2005 | March 31, 2004 |
|---|---|---|
| Beginning Balance | $ 46,828 | $ 36,235 |
| Provision for warranties | 5,809 | 6,059 |
| Settlements made | (7,452) | (5,439) |
| Other adjustments | (86) | 34 |
| Ending Balance | $ 45,099 | 36,889 |

**NOTE J — Employee Benefit Plans**

The following table sets forth the components of the Company's net periodic expense for the three months ended March 31, 2005:

| | Retirement Plan Benefits Three Months Ended March 31, | | Post Retirement Benefits Three Months Ended March 31, | |
|---|---|---|---|---|
| (in thousands) | 2005 | 2004 | 2005 | 2004 |
| Expected return on plan assets | $ 6,408 | $ 6,877 | $ — | $ — |
| Benefits earned during period | (3,897) | (3,358) | (98) | (229) |
| Interest accrued on benefit obligation | (5,866) | (5,654) | (341) | (559) |
| Amortization Prior service cost | (1,769) | (1,223) | 21 | (228) |
| Unrecognized actuarial (losses) | (1,334) | (936) | (25) | (39) |
| Transition | 260 | 268 | — | — |
| Net periodic (expense)/income | $ (6,198) | $ (4,026) | $ (443) | $ (1,055) |

The Company anticipates making employer discretionary contributions to defined benefit plan assets during the year ending December 31, 2005 in the range of $0 to $15 million.

**NOTE K — New Accounting Standards**

In November of 2004, the FASB issued SFAS No. 151, "Inventory Costs," an amendment of ARB No. 43, Chapter 4 "Inventory Pricing." SFAS No. 151 requires that abnormal amounts of idle capacity and spoilage costs should be excluded from the cost of inventory and expensed when incurred. The provisions of SFAS No. 151 are applicable to inventory costs incurred during fiscal years beginning after June 15, 2005. The effect of the adoption of SFAS No. 151 will be immaterial to the Company's consolidated results of operations, cash flow or financial position.

In December of 2004, the FASB issued SFAS No. 123R, "Share-Based Payment." SFAS No. 123R revises previously issued SFAS 123 "Accounting for Stock-Based Compensation," supersedes Accounting Principles Board (APB) Opinion No.25 "Accounting for Stock Issued to Employees," and amends SFAS Statement No.95 "Statement of Cash Flows." SFAS No. 123R requires the Company to expense the fair value of employee stock options and other forms of stock-based compensation for the annual periods beginning after June 15, 2005. The cost will be recognized over the period during which an employee is required to provide services in exchange for the award. The share-based award must be classified as equity or as a liability and the compensation cost is measured based on the fair value of the award at the date of the grant. In addition, liability awards will be re-measured at fair value each reporting period. Based on current guidance the Company will begin to expense the fair value of employee stock options and other forms of stock-based compensation in the first quarter of 2006. The effect of the adoption of SFAS No. 123R will not be materially different from the pro-forma results included in Note B Stock-Based Compensation.

Item 2. **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

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

(1) MATERIAL CHANGES IN CONSOLIDATED FINANCIAL CONDITION:

Management assesses the Company's liquidity in terms of its ability to generate cash to fund its operating, investing and financing activities. Significant factors affecting liquidity are: cash flows generated from operating activities, capital expenditures, acquisitions, dispositions, dividends, adequacy of available bank lines of credit and the ability to attract long-term capital with satisfactory terms.

The Company's cash and cash equivalents of $411.8 million at March 31, 2005 increased from the December 31, 2004 balance of $357.6 million. Cash and cash equivalents were invested in highly liquid investment grade money market instruments with a maturity of 90 days or less.

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

| Cash flows from Operations (in thousands, unaudited) | Three Months Ended March 31, 2005 | 2004 |
|---|---|---|
| Cash flows provided by operating activities | $ 46,244 | $ 131,283 |
| Cash flows (used in) investing activities | (127,332) | (4,507) |
| Cash flows (used in) financing activities | 148,008 | (63,807) |

Cash flow provided from operating activities for the first three months of 2005 decreased $85.0 million from $131.3 million in the prior year period. Decreases in cash flows from operations were primarily driven by changes in net tax payments of $51.7 million over the same period last year and higher benefits and compensation payouts in 2005.

The level of cash used in investing activities for the first three months of 2005 increased $122.8 million compared to the prior year period, largely reflecting an increase in acquisition activity. Acquisition expenditures for the first three months of 2005 increased to $100.7 million compared to the prior year period when no acquisitions were made. Capital expenditures in the first three months of 2005 increased $6.9 million to $27.8 million as compared to $20.9 million in the prior year period. There were no sales of discontinued businesses in the first three months of 2005 compared to $15.0 million of proceeds in the prior year period from such sales. The Company currently anticipates that any additional acquisitions made during 2005 will be funded from available cash and internally generated funds and, if necessary, through the issuance of commercial paper, established lines of credit or public debt markets.

Cash from financing activities for the first three months of 2005 increased $211.8 million to $148.0 million. Net cash from financing activities during the first three months of 2005 primarily reflected a net $215.5 million increase due to borrowings of commercial paper.

Operational working capital (calculated as accounts receivable, plus inventory, less accounts payable) increased from the prior year period by $44.7 million or 3% to $1,368.8 million, primarily driven by increases in receivables of $51.9 million and increases in inventory of $37.5 million, offset by increases in payables of $44.7 million. Excluding the impact of changes in foreign currency of $17.2 million and acquisitions of $22.1 million, operational working capital would have increased $49.6 million or 3.7% from the prior year period. The increase in accounts receivable and inventory needed to support the Company's increased sales was partially mitigated by an increase in accounts payable, as the Company continues to focus on working capital management.

In addition to measuring its cash flow generation and usage based upon the operating, investing and financing classifications included in the Condensed Consolidated Statement of Cash Flow, the Company also measures free cash flow. Management believes that free cash flow is an important measure of operating performance because it provides both management and investors a measurement of cash generated from operations that is available to fund acquisitions and repay debt. Dover's free cash flow for the three months ended March 31, 2005, decreased significantly by $94.0 million from the prior year

period, driven primarily by the increase of net tax funding of $51.7 million and higher benefits and compensation payouts in 2005.

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

| Free Cash Flow (in thousands, unaudited) | | Three Months Ended March 31, 2005 | 2004 |
|---|---|---|---|
| Cash flow provided by operating activities | | $ 46,244 | $ 131,283 |
| Less: | Capital expenditures | (27,820) | (20,931) |
| | Dividends to stockholders | (32,592) | (30,479) |
| Free cash flow | | $ (14,168) | $ 79,873 |

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

| Net Debt to Total Capitalization Ratio (in thousands, unaudited) | March 31, 2005 | December 31, 2004 |
|---|---|---|
| Current maturities of long-term debt | $ 251,227 | $ 252,677 |
| Commercial paper and other short-term debt | 263,902 | 86,588 |
| Long-term debt | 755,443 | 753,063 |
| Total debt | 1,270,572 | 1,092,328 |
| Less: Cash and cash equivalents | 411,960 | 357,803 |
| Net debt | 858,612 | 734,525 |
| Add: Stockholders' equity | 3,139,013 | 3,118,682 |
| Total capitalization | $ 3,997,625 | $ 3,853,207 |
| Net debt to total capitalization | 21.5% | 19.1% |

The total debt level of $1,270.6 million as of March 31, 2005 increased from December 31, 2004 as a result of an increase of $178.2 million in borrowings of short-term commercial paper. Net debt as of March 31, 2005, increased $124.1 million primarily as a result of increased borrowings of commercial paper for acquisitions, offset by increased cash balances in Europe and Asia. The net debt-to-total capitalization ratio increased to 21.5% during the period.

Dover's long-term notes with a book value of $1,006.7 million of which $251.2 million matures in the current year, had a fair value of approximately $1,077.0 million at March 31, 2005. The estimated fair value of the Company's long-term notes is based on quoted market prices for similar issues.

There are presently three interest rate swap agreements outstanding for a total notional amount of $150.0 million, designated as fair value hedges of part of the $150.0 million 6.25% Notes due on June 1, 2008, to exchange fixed-rate interest for variable-rate. The swap agreements have reduced the effective interest rate on the notes to 5.19%.

There is no hedge ineffectiveness, and the fair value of the interest rate swaps outstanding as of March 31, 2005 was determined through market quotation.

(2) MATERIAL CHANGES IN RESULTS OF OPERATIONS:

Three Months Ended March 31, 2005, Compared with Three Months Ended March 31, 2004

## Gross Profit

| (in thousands, unaudited) | Three Months Ended March 31, 2005 | 2004 | % Change |
|---|---|---|---|
| Net sales | $1,449,034 | $1,242,380 | 17% |
| Cost of sales | 951,543 | 806,515 | 18% |
| Gross profit | 497,491 | 435,865 | 14% |
| Gross profit margin | 34.3% | 35.1% | |

Sales in the first quarter of 2005 increased 17% or $206.7 million from the comparable 2004 period, driven by increases of $80.9 million at Resources, $38.0 million at Diversified, $25.2 million at Electronics, $24.1 million at Industries, $20.8 million at Technologies, and $18.0 million at Systems. Sales would have decreased 2% to $1,430.6 million if 2004 foreign currency translation rates were applied to 2005 results. Acquisitions completed subsequent to the first quarter of 2004 contributed $98.6 million to consolidated sales during the quarter ended March 31, 2005. Gross profit margin decreased slightly from the comparable 2004 period primarily as a result of an increase in average raw material costs.

## Operating Profit

| (in thousands, unaudited) | Three Months Ended March 31, 2005 | 2004 | % Change |
|---|---|---|---|
| Selling and administrative expenses | $351,437 | $303,177 | 16% |
| S&A as a % of sales | 24% | 24% | |
| Operating profit | 146,054 | 132,688 | 10% |
| Operating profit as a % of sales | 10.1% | 10.7% | |

Selling and administrative expenses for the first quarter of 2005 increased $48.3 million from the comparable 2004 period, primarily due to increased sales activity, while selling and administrative expenses as a percentage of sales remained essentially flat.

## Interest and Other (Income) Expense

| (in thousands, unaudited) | Three Months Ended March 31, 2005 | 2004 | % Change |
|---|---|---|---|
| Interest expense, net | $16,147 | $14,680 | 10% |
| Other (income) expense | (4,479) | 313 | — |

Net interest expense for the first quarter of 2005 increased $1.47 million, primarily due to an increase in commercial paper borrowings. Other Income of $4.5 million for the first quarter of 2005 is primarily due to foreign exchange gains and royalty income.

## Income Taxes

The effective tax rate for continuing operations for the first quarter of 2005 was 25.4%, compared to last year's first quarter tax rate of 28.8%. A $5.5 million tax benefit, or a 4.1% tax rate reduction, was recognized during the first quarter of 2005 as a result of a favorable United States Tax Court decision related to a 1997 income tax return position. The tax reserve related to this transaction was no longer required since the Tax Court decision became final during the quarter and can no longer be appealed. Excluding the benefit of this discrete item, the slight increase in the 2005 first quarter rate is primarily attributable to the 20% reduction in tax benefits relating to U.S. export sales caused by the American Jobs Creation Act of 2004.

Table of Contents

## Net Earnings

Net earnings from continuing operations for the first quarter of 2005 were $100.3 million or $.49 per diluted share compared to $83.8 million or $.41 per diluted share from continuing operations in the comparable 2004 period.

## Discontinued Operations

Discontinued operations losses for first three months of 2005 and 2004 were primarily from write-downs to fair market values in 2005 and tax benefits related to losses on sales of discontinued businesses in 2004.

Table of Contents

## MARKET SEGEMENTS INFORMATION

### Diversified

| (in thousands, unaudited) | Three Months Ended March 31, 2005 | 2004 | % Change |
|---|---|---|---|
| Net sales | $222,927 | $184,907 | 21% |
| Earnings | 24,303 | 22,265 | 9% |
| Operating margins | 10.9% | 12.0% | |
| Bookings | 272,072 | 218,092 | 25% |
| Book-to-Bill | 1.22 | 1.18 | |
| Backlog | 342,758 | 264,098 | 30% |

Diversified achieved a 9% earnings improvement over the prior year, with favorable year-over-year comparisons in both the Industrial Equipment and Process Equipment groups. Bookings were up 25%, producing a 1.22 book-to-bill and a record backlog. The bookings increase was driven by military orders and a robust construction market in the Industrial Equipment Group. Diversified expects to achieve better results in the second quarter as a result of its recent acquisition and continued focus on operational improvements.

The Industrial Equipment group's sales were up 30%, driven mainly by the companies serving the commercial aerospace and construction markets, although earnings rose only 5%. The January 2005 acquisition of Avborne, an aircraft maintenance, repair and overhaul business, provided nearly half of the sales growth, but lowered margins due to initial acquisition and integration costs as well as lower overall margin levels. As the year progresses, this strategic acquisition is expected to produce improved results as synergies and cost efficiencies are realized. The group's margins were further reduced by a one-time labor contract renewal expense and steel cost increases passed through to customers at no markup. The automotive and powersports businesses were flat, as strong North American markets were offset by softness in Europe. Bookings rose 39% and backlog grew 20%, generating a book-to-bill ratio of 1.29.

The Process Equipment group achieved a 14% earnings improvement on a 10% increase in sales. The group's color control product sales to the printing industry were at record levels, resulting in significant earnings and margin improvement. Though sales and earnings were flat in the power generation and oil & gas markets, bookings remain on a positive trend. Results in the heat exchanger market were negatively impacted by continued raw material price increases and lower volumes in Europe. Bookings increased 6%, backlog grew 8% and book-to-bill was 1.12.

**Electronics**

| | Three Months Ended March 31, | | |
|---|---|---|---|
| (in thousands, unaudited) | 2005 | 2004 | % Change |
| Net sales | $135,599 | $110,372 | 23% |
| Earnings | 10,334 | 11,103 | -7% |
| Operating margins | 7.6% | 10.1% | |
| Bookings | 147,154 | 122,874 | 20% |
| Book-to-Bill | 1.09 | 1.11 | |
| Backlog | 110,361 | 84,012 | 31% |

First quarter sales were 23% higher than the prior year period, reflecting gains at both the Components and Commercial Equipment groups. Electronics' earnings for the quarter included $2.4 million of special restructuring/severance charges in the Components businesses that caused earnings to decline by 7% compared to the prior-year quarter. Electronics' sequential quarterly sales and earnings were basically flat, inclusive of the restructuring/severance charges. Quarterly bookings increased 15% over the prior quarter resulting in a quarter end backlog of $110 million, up $12 million from year-end. The companies serving the electronics industry continue to face challenges in the difficult market conditions. Electronics expects the second quarter to show improvement, although further restructuring and integration efforts in the Components group will continue to impact results during the balance of the year.

The Components group reported a 28% increase in sales over the prior-year quarter largely due to the impact of the CFC and Voltronics acquisitions in 2004. Excluding the impact of acquisitions, sales were up 1% as weaker telecom activity was offset by modest growth in military and heavy truck markets. Compared to the previous quarter, Components' sales were 5% higher as a result of improvements in most markets. Bookings advanced in the current quarter as compared to the fourth quarter, and yielded a book-to-bill of 1.13. The strength in the first quarter book-to-bill is attributed to strong 2004 orders in the heavy truck business, which is typical of the first quarter, and generally improved orders in other markets. Components' first quarter 2005 earnings were down 13% compared to the same period last year, and were negatively impacted by special charges for plant consolidation and severance costs, most of which were associated with Vectron's announced plans to consolidate its North American manufacturing operations. Excluding these charges, earnings rose by 22%, approximately two-thirds of which was due to cost and process improvements and one-third of which was due to acquisitions. Operating margins, excluding the special charges, were flat compared to the same period last year as the margin improvements at the core business were offset by weak results at Vectron's CFC acquisition. Sequential quarterly earnings in Components rose 16%, inclusive of restructuring/severance charges. Aside from blanket orders received in the heavy truck business, order activity accelerated during the quarter, with total quarter- end backlog up 15% from year-end.

Sales in the Commercial Equipment group rose 11% compared to the prior-year first quarter, driven by stronger ATM sales, but partly offset by weaker shipments in the chemical concentration dispensing business. Sales declined 9% from the previous record quarter, which benefited from very strong activity in the ATM business. Earnings were flat compared to the prior-year quarter as higher infrastructure costs

and incremental spending on sales and marketing and product development activities offset the impact of higher sales volumes. Sequential quarterly earnings declined by 21% as a result of the spending on growth initiatives as well as the impact from lower sales volumes. Book-to-bill for the quarter was 0.97, and while order rates early in the quarter were soft, the group ended the quarter on a strong footing.

**Industries**

| (in thousands, unaudited) | Three Months Ended March 31, 2005 | 2004 | % Change |
|---|---|---|---|
| Net sales | $219,679 | $195,603 | 12% |
| Earnings | 25,220 | 21,060 | 20% |
| Operating margins | 11.5% | 10.8% | |
| Bookings | 223,159 | 228,559 | -2% |
| Book-to-Bill | 1.02 | 1.17 | |
| Backlog | 206,258 | 201,213 | 3% |

Industries' first quarter results exceeded the prior year's first quarter performance with positive earnings comparisons in both the Mobile Equipment and Service Equipment groups. Segment revenues increased for the eighth consecutive quarter, driven by market strength, share gains and improved pricing. Although earnings continued to be negatively impacted by rising steel costs, their impact on the first quarter results was largely mitigated by pricing increases made in 2004 and early 2005. Industries expects continued improvement in sales, earnings and margins in the second quarter of 2005.

The Mobile Equipment group saw sales increase 15% while earnings grew over 30%. Strength in the transportation markets coupled with strong sales to the military drove North American segment revenues. Growth in the commercial construction market, along with a strong replacement market, drove higher screed sales. Although the waste management equipment market got off to a slow start, revenues did grow slightly as compared to the first quarter of 2004. Earnings growth across the group was driven by higher volume, pricing and productivity gains.

Revenues in the Service Equipment group grew 9%, and earnings increased 2%. Earnings across the group were again affected by high steel costs. Although pricing increases made in 2004 and early 2005 helped to contain the negative impact of the majority of steel price increases, price increases on market-sensitive products have been modest. Despite a soft automotive industry, Service Equipment revenues increased, as a result of pricing and market share gains. Carryover strength in the laser and machine tool markets resulted in a double-digit gain in chiller sales. Although bookings and backlog were down slightly from 2004 levels, the book-to-bill ratio was positive at 1.01.

**Resources**

| (in thousands, unaudited) | Three Months Ended March 31, 2005 | 2004 | % Change |
|---|---|---|---|
| Net sales | $371,655 | $290,792 | 28% |
| Earnings | 63,768 | 47,248 | 35% |
| Operating margins | 17.2% | 16.2% | |
| Bookings | 405,088 | 336,105 | 21% |
| Book-to-Bill | 1.09 | 1.16 | |
| Backlog | 194,310 | 146,811 | 32% |

Resources generated record sales, earnings, and bookings in the first quarter of 2005. All three groups within Resources realized positive comparisons to the prior year first quarter with positive leverage on increased sales in the Oil and Gas and Fluid Solutions groups. Based on robust market conditions, relatively strong backlog as well as the continuing benefit of 2004 acquisitions, Resources expects the second quarter to show further improvement.

The Oil and Gas Equipment group is experiencing the strongest market dynamics since the early 1990's, and the businesses within the group have done an excellent job of managing capacity, material costs, material availability, and pricing. Earnings rose over 80% on a 57% sales increase, reflecting positive margin improvement. This group has also benefited from incremental revenue and earnings improvements associated with the acquisition of US Synthetic in the third quarter of 2004. Bookings for the

Oil and Gas group were up 39% compared to the prior year first quarter and backlog grew 26% with a 1.01 book-to-bill ratio.

The Fluid Solutions group had 22% higher sales and 28% earnings growth, producing positive leverage, resulting from strong rail and truck transportation markets, increasing expenditures in hydrocarbon and chemical processing, high utilization at refineries, and strong material commodity prices. The companies in this group have a strong global presence and are leveraging their position to increase their global sourcing activities, as well as their sales and marketing presence in key international markets. Additionally, all of the businesses in this group are reaping the benefits of their well-structured lean initiatives. The acquisition of Almatec in the fourth quarter of 2004 also had a positive impact on group results. Bookings were up 21%, backlog increased 34% and book to bill was 1.06.

The Material Handling group was the most challenged in Resources, but was still able to generate a 3% earnings increase on a 17% sales increase. Those companies serving the automotive industry were negatively impacted by pricing pressures. The balance of the businesses in this group experienced strong market conditions in their construction equipment, military, mobile crane, and aerial lift markets. Ongoing cost reductions, as well as some pricing improvements had a positive impact, but could not fully offset the effect of steel and energy price increases. Bookings rose 11%, backlog grew 33% and the book-to-bill in Material Handling was 1.18.

**Systems**

| | Three Months Ended March 31, | | |
|---|---|---|---|
| (in thousands, unaudited) | 2005 | 2004 | % Change |
| Net sales | $165,602 | $147,631 | 12% |
| Earnings | 21,223 | 15,579 | 36% |
| Operating margins | 12.8% | 10.6% | |
| Bookings | 168,696 | 161,214 | 5% |
| Book-to-Bill | 1.02 | 1.09 | |
| Backlog | 139,038 | 112,500 | 24% |

Systems' earnings improved by 36% over the same quarter in the prior year and 3% sequentially. Favorable year-over-year earnings improvements of 29% and 32%, respectively, were achieved by both the Food Equipment group and the Packaging Equipment group. Segment margins improved by 2.2 percentage points over the prior year's first quarter and by 1.1 percentage points over the preceding quarter due to well-executed pricing initiatives and productivity programs. Sales were up 12% year-over-year, reflecting increases in both groups, but down 6% sequentially due to normal quarterly fluctuations. The book-to-bill ratio for the quarter was 1.02 and bookings were up 5% over the prior-year quarter, reflecting increases in both the Food Equipment and Packaging Equipment groups. Backlog was up substantially compared to last year in all operations. Some further improvements in operating performance are expected in the second quarter.

The Food Equipment group had a strong first quarter, with earnings up 29% on a 14% sales increase. Margins improved by 13% over the prior-year first quarter and 21% over the preceding quarter. Supermarket equipment sales and earnings were also up over the prior-year quarter, reflecting strong backlog entering 2005 and the continued strong capital programs of several major customers. Foodservice equipment sales were flat as compared to the previous year, but rose 6% sequentially. Margins on foodservice equipment also improved sequentially, but were below the prior-year level due to material cost increases and increased discounting and rebates. Group bookings were up 6% over the prior year first quarter, backlog grew 23%, primarily as a result of increases in supermarket equipment bookings, and book-to-bill was 1.04.

The Packaging Equipment group's sales were up 9% compared to the first quarter of 2004 due to increased sales of can necking and trimming equipment, which rose 70%. This increase was partially offset by lower sales of packaging closures and automated packaging systems. Closure systems revenue was down due to slower demand in Europe, but bookings picked up in the last two months of the quarter. Bookings and backlog for automated packaging equipment continued to be slow. Packaging Equipment group earnings were up 32% over the prior year first quarter, but down 12% sequentially. The year-over-year increase was due to strong shipments at the can necking and trimming division. Bookings were up 2%, backlog increased 24% and the book-to-bill ratio for the quarter was .97.

Table of Contents

**Technologies**

| (in thousands, unaudited) | Three Months Ended March 31, 2005 | 2004 | % Change |
|---|---|---|---|
| Net sales | $336,036 | $315,244 | 7% |
| Earnings | 20,941 | 26,583 | -21% |
| Operating margins | 6.2% | 8.4% | |
| Bookings | 378,448 | 363,737 | 4% |
| Book-to-Bill | 1.13 | 1.15 | |
| Backlog | 205,430 | 195,393 | 5% |

Technologies' results reflect sales, earnings and margin improvements in the Product Identification and Printing group (PIP), which were offset by sales and significant earnings declines in the Circuit Assembly and Test (CAT) group. Based on modest improvements in bookings and backlog, and positive book-to-bill ratios, Technologies is optimistic that the market for production equipment is showing some positive signs of improvement. The markets served by the PIP companies have also seen some favorable indicators in the printing equipment markets, and the acquisition of Datamax late last year is contributing to improving comparisons.

The CAT companies experienced a 7% sales and a 61% earnings decline versus the prior-year period, and a 10% sales and 36% earnings decline compared to the prior quarter, largely due to the significant fall-off in activity in companies serving the back end semiconductor industry. The semiconductor sector experienced strong growth going into 2004, a trend that reversed itself in the third quarter of last year. Given a 13% improvement in bookings over the prior quarter, which were the highest since the second quarter of 2004, a book-to-bill of 1.16, and a 28% increase in backlog over the end of the prior quarter, most of the CAT companies are cautiously optimistic that the second quarter's results will show improvement, although not to the levels achieved in the second quarter of 2004.

The PIP companies had sales and earnings gains of 43% and 47%, respectively, over the prior year period, largely driven by the impact of the Datamax acquisition completed late in 2004. Compared to the prior year first quarter, bookings were up 34%, backlog grew 21% and the book-to-bill was 1.07, driven both by the Datamax acquisition as well as core growth. For the quarter, the product identification companies showed strong activity in the Americas and Asia, which was somewhat offset by weakness in western European countries. The economic slowdown in key markets, as well as announcements of new product releases and product mix, contributed to lower than expected sales, profits and margins. The package printing equipment companies, however, achieved their best first quarter performance in five years, reflecting strong activity in eastern European markets and specialty printing applications. The PIP group expects improvements in sales, earnings and margins in the second quarter.

**Outlook**

The strength of the general industrial market and current booking rates should carry into the second quarter. Even though high-energy prices continue to adversely impact a number of our businesses, our companies that serve the oil patch posted substantial gains during the period. The Company is optimistic that the rapid pace of steel price increases may be moderating and that recent price increases by our operating companies are capturing a significant portion of these increased material costs. Global sourcing efforts and relocating resources to lower cost operating locations, which provide the cost improvements needed to drive future growth, continue to be pursued by the majority of our companies. The companies serving the electronics industry continue to make progress in challenging markets.

**New Accounting Standards**

In November of 2004, the FASB issued SFAS No. 151, "Inventory Costs," an amendment of ARB No. 43, Chapter 4 "Inventory Pricing." SFAS No. 151 adopts the IASB view related to inventories that abnormal amounts of idle capacity and spoilage costs should be excluded from the cost of inventory and expensed when incurred. The provisions of SFAS No. 151 are applicable to inventory costs incurred during fiscal years beginning after June 15, 2005. The effect of the adoption of SFAS No. 151 will be immaterial to the Company's consolidated results of operations, cash flow or financial position.

In December of 2004, the FASB issued SFAS No. 123R, "Share-Based Payment." SFAS No. 123R revises previously issued SFAS 123 "Accounting for Stock-Based Compensation," supersedes Accounting Principles Board (APB) Opinion No.25 "Accounting for Stock Issued to Employees," and amends SFAS Statement No.95 "Statement of Cash Flows." SFAS No. 123R requires the Company to expense the fair value of employee stock options and other forms of stock-based compensation for the annual periods beginning after June 15, 2005. The cost will be recognized over the period during which an employee is required to provide services in exchange for the award. The share-based award must be classified as equity or as a liability and the compensation cost is measured based on the fair value of the award at the date of the grant. In addition, liability awards will be re-measured at fair value each reporting period. Based on current guidance the Company will begin to expense the fair value of employee stock options and other forms of stock-based compensation in the first quarter of 2006. The effect of the adoption of SFAS No. 123R will not be materially different from the pro-forma results included in Note B Stock-Based Compensation.

**Special Notes Regarding Forward Looking Statements**

This Quarterly Report on Form 10-Q, particularly "Management's Discussion and Analysis," contains forward-looking statements within the meaning of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Such statements relate to, among other things, the U.S. and global economies, earnings, cash flow, operating improvements, and industries in which the Company operates, and may be indicated by words or phrases such as "anticipates," "supports," "plans," "projects," "expects," "believes", "should," "would," "could," "hope," "forecast," "management is of the opinion," use of the future tense and similar words or phrases. Such statements may also be made by management orally. Forward-looking statements are subject to inherent uncertainties and risks, including among others: continued events in the Middle East and possible future terrorist threats and their effect on the worldwide economy; economic conditions; increasing price and product/service competition by foreign and domestic competitors including new entrants; technological developments and change which can impact the Company's Electronics and Technologies segments significantly; the ability to continue to introduce competitive new products and services on a timely, cost-effective basis; changes in the cost or availability of raw materials or energy, particularly steel and other raw materials; changes in customer demand; the extent to which the Company is successful in expanding into new geographic markets, particularly outside of North America; the extent to which the Company is successful in integrating acquired businesses; the relative mix of products and services which impacts margins and operating efficiencies; the achievement of lower costs and expenses; domestic and foreign governmental and public policy changes including environmental regulations and tax policies (including domestic and foreign export subsidy programs, R&E credits and other similar programs, some of which were changed in 2004); unforeseen developments in contingencies such as litigation; protection and validity of patent and other intellectual property rights; the success of the Company's acquisition program; and the cyclical nature of some of the Company's businesses. In addition, such statements could be affected by general industry and market conditions and growth rates, and general domestic and international economic conditions including interest rate and currency exchange rate fluctuations. In light of these risks and uncertainties, actual events and results may vary significantly from those included in or contemplated or implied by such statements. Readers are cautioned not to place undue reliance on such forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

The Company may, from time to time, post financial or other information on its Internet website, www.dovercorporation.com. Such information will be found in the "What's New" section of the website's home page. It will be accessible from the home page for approximately one month after release, after which time it will be archived on the website for a period of time. The Internet address is for informational purposes only and is not intended for use as a hyperlink. The Company is not incorporating any material on its website into this report.

**Non-GAAP Information**

In an effort to provide investors with additional information regarding the Company's results as determined by generally accepted accounting principles (GAAP), the Company also discloses non-GAAP information which management believes provides useful information to investors. Free cash flow, net debt, total capitalization, operational working capital, revenues excluding the impact of changes in foreign currency exchange rates and organic sales growth are not financial measures under GAAP and should not be

considered as a substitute for cash flows from operating activities, debt or equity, sales and working capital as determined in accordance with GAAP, and they may not be comparable to similarly titled measures reported by other companies. Management believes the (1) net debt to total capitalization ratio and (2) free cash flow are important measures of operating performance and liquidity. Net debt to total capitalization is helpful in evaluating the Company's capital structure and the amount of leverage it employs. Free cash flow provides both management and investors a measurement of cash generated from operations that is available to fund acquisitions and repay debt. Reconciliations of free cash flow, total debt and net debt can be found in item 2(1) of Management's Discussion and Analysis. Management believes that reporting operational working capital (also sometimes called "working capital"), which is calculated as accounts receivable, plus inventory, less accounts payable, provides a meaningful measure of the Company's operational results by showing the changes caused solely by sales. Management believes that reporting operational working capital and revenues at constant currency, which excludes the positive or negative impact of fluctuations in foreign currency exchange rates, provides a meaningful measure of the Company's operational changes, given the global nature of Dover's businesses. Management believes that reporting organic sales growth, which excludes the impact of foreign currency exchange rates and the impact of acquisitions, provides a better comparison of the Company's revenue performance and trends between periods.

Item 3. **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There has been no significant change in the Company's exposure to market risk during the first three months of 2005. For discussion of the Company's exposure to market risk, refer to Item 7A, Quantitative and Qualitative Disclosures about Market Risk, contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004.

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 are effective. During the first quarter of 2005, there were no changes in the Company's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. In making its assessment of changes in internal control over financial reporting as of March 31, 2005, management has excluded SSE GmbH, Flexbar, Rasco, Voltronics, US Synthetics, Corning Frequency Control, Almatec, Datamax, Avborne Accessory Group, Rostone, Fas-Co Coders and APG because these companies were acquired in purchase business combinations during the twelve months ended March 31, 2005. These companies are wholly-owned by the Company and their total revenues and assets represent approximately 6.8% and 12.4% of the Company's consolidated total revenues and assets, respectively, as reflected in its financial statements for the period ended March 31, 2005.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

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

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

(a) Not applicable.

(b) Not applicable.

(c) Dover did not purchase any shares of its stock in the open market in the first quarter of 2005. The shares listed below were acquired by Dover from the holders of its employee stock options when they tendered previously owned shares as full or partial payment of the exercise price of such stock options. These shares are applied against the exercise price at market price on the date of exercise. The following table depicts the purchase of these shares:

| Period | (a) Total Number of Shares Purchased | (b) Average Price Paid per Share | (c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased under the Plans or Programs |
|---|---|---|---|---|
| January 1 to January 31, 2005 | 33,469 | $ 38.74 | Not applicable | Not applicable |
| February 1 to February 28, 2005 | 1,339 | $ 38.23 | Not applicable | Not applicable |
| March 1 to March 31, 2005 | 98,304 | $ 37.97 | Not applicable | Not applicable |
| For First Quarter 2005 | 133,112 | $ 38.17 | Not applicable | Not applicable |

Item 3. Defaults Upon Senior Securities

Not applicable.

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

There were no matters submitted to a vote of security holders during the quarter ended March 31, 2005. At the Annual Meeting of Stockholders of Dover Corporation held on April 19, 2005, the following matter set forth in the Company’s Proxy Statement dated March 14, 2005, which was filed with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934, was voted upon with the results indicated below.

The nominees listed below were elected directors for a one-year term ending at the 2006 Annual Meeting with the respective votes set forth opposite their names:

| | Votes For | Votes Withheld |
|---|---|---|
| David H. Benson | 152,780,693 | 21,167,559 |
| Robert W. Cremin | 172,073,680 | 1,874,572 |
| Jean-Pierre M. Ergas | 171,550,600 | 2,397,652 |
| Kristiane C. Graham | 172,086,055 | 1,862,197 |
| Ronald L. Hoffman | 171,785,566 | 2,162,686 |
| James L. Koley | 170,350,726 | 3,597,526 |
| Richard K. Lochridge | 171,314,534 | 2,633,718 |
| Thomas L. Reece | 171,723,415 | 2,224,837 |
| Bernard G. Rethore | 170,355,516 | 3,592,736 |
| Michael B. Stubbs | 164,500,022 | 9,448,230 |
| Mary A. Winston | 170,961,804 | 2,986,448 |

Item 5. Other Information

(a) None.

(b) None.

Table of Contents

Item 6. Exhibits

| | |
|---|---|
| 10.1 | Summary of 2005 Named Executive Officer Salaries |
| 31.1 | Certificate pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, signed and dated by Robert G. Kuhbach. |
| 31.2 | Certificate pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, signed and dated by Ronald L. Hoffman. |
| 32 | Certificate pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed and dated by Ronald L. Hoffman and Robert G. Kuhbach. |

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: April 29, 2005 | /s/ Robert G. Kuhbach |
| | Robert G. Kuhbach, Vice President, Finance, Chief Financial Officer & Treasurer<br>(Principal Financial Officer) |
| Date: April 29, 2005 | /s/ Raymond T. McKay |
| | Raymond T. McKay, Jr., Vice President, Controller<br>(Principal Accounting Officer) |

**EXHIBIT INDEX**

10.1 Summary of 2005 Named Executive Officer Salaries

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**Exhibit 10.1**

## Summary of 2005 Named Executive Officer Salaries

On February 10, 2005, the Compensation Committee of the Board of Directors approved the annual base salaries (effective as of January 1, 2005) of the Company's executive officers after reviewing their performance and competitive market compensation data. The following table sets forth the 2005 base salaries of the five executive officers with the highest 2005 base salaries.

| Name and Position | Year | Salary |
| --- | --- | --- |
| Ronald L. Hoffman*<br>President and Chief Executive Officer | 2005 | $1,000,000 |
| John E. Pomeroy<br>Vice President of Dover Corporation;<br>Director and President of Dover Technologies, Inc. | 2005 | $ 685,000 |
| David J. Ropp<br>Vice President of Dover Corporation;<br>Director and President of Dover Resources, Inc. | 2005 | $ 660,000 |
| Timothy J. Sandker<br>Vice President of Dover Corporation;<br>Director and President of Dover Industries, Inc. | 2005 | $ 635,000 |
| Ralph S. Coppola<br>Vice President of Dover Corporation;<br>Director and President of Dover Systems, Inc. | 2005 | $ 550,000 |

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* Mr. Hoffman became Chief Executive Officer effective January 1, 2005. CEO compensation is determined by the Compensation Committee together with the other independent directors.

**Exhibit 31.1**

## Certification

I, Robert G. Kuhbach, 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: April 29, 2005

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

**Exhibit 31.2**

**Certification**

I, Ronald L. Hoffman, 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):

   (d) 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

   (e) 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: April 29, 2005

/s/ Ronald L. Hoffman
Ronald. L. Hoffman
Chief Executive Officer and President

**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 March 31, 2005**
**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 March 31, 2005, (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: April 29, 2005

/s/ Ronald L. Hoffman
Ronald L. Hoffman
Chief Executive Officer and President

Dated: April 29, 2005

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

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.