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PRESENTATION

Operator

Good morning, and welcome to the second-quarter 2011 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, Treasury and Director of Investor Relations of 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 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 Paul Goldberg. Mr. Goldberg, please go ahead, sir.

Paul Goldberg - *Dover Corp - Treasurer & Director of IR*

Thank you, Misty. Good morning, and welcome to Dover's second-quarter earnings call. With me today are Bob Livingston, Dover's President and Chief Executive Officer, and Brad Cerepak, our CFO. Today's call will begin with comments from Bob and

Brad on Dover's second quarter operating and financial performance, and follow with our outlook for the remainder of 2011. We will then open up the call to questions. As a courtesy, we kindly ask that your limit yourself to one question with a follow-up.

Please note that our current earnings release, investor supplement, Form 10-Q and associated presentation can be found on our website, www.DoverCorporation.com. This call will be available for playback through August 5th, and the audio portion of this call will be archived on our website for three months. The replay telephone number is 855-859-2056. When accessing the playback, you'll need to supply the following reservation code, 82478358.

Before we get started I'd 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 statement. 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.

And with that, I'd like to turn this call over to Bob.

Bob Livingston - *Dover Corp - President and CEO*

Thanks, Paul. Good morning, everyone, and thank you for joining us for this morning's conference call.

I am very pleased with our second-quarter performance, following a strong first quarter, we again saw growth in both revenue and earnings and a strong book-to-bill of 1.03. The strength in our orders was broad-based, and was largely driven by continuing strength in the energy and fluid solutions markets, mobile handsets, and global industrial production. These strong trends are continuing into the second half of the year, along with moderating trends in grocery retail remodeling, and solar equipment.

All segments achieved double-digit revenue and earnings growth in the quarter. Segment margin hit 17.4%, an all-time high for Dover. Orders were up 15%, and revenue increased 21%. This solid performance enabled Dover to post adjusted earnings per share of $1.19. I continue to feel positive about our businesses, and as a result we are increasing full-year revenue growth and earnings guidance.

We also continued to invest for growth. In addition to our Sound Solutions acquisition, which I'll discuss later, we're investing in international growth initiatives, product innovation, and additional capacity where appropriate. These investments are clearly paying off.

In the second quarter, revenue from China and Latin America increased 43% and 61% respectively. We continued to make in-roads into emerging economies and I expect our penetration to increase over time, further supported by our newly-expanded regional head quarter capabilities in Brazil and India.

I mentioned capacity investments. These additions are in process at many of our operations in China, including a new shared manufacturing facility in Suzhou, and expansion of our electronics campus in Shenzhen. In addition, we have recently added MEMS production to our Knowles facility in Malaysia.

Domestically, we had put more capacity into US synthetics, and we are expanding the Knowles R&D facility. These projects all have significant strategic value, and will help drive future growth.

While we were focused on growth, we continued to look for opportunities to take out cost and streamline our businesses. In fact, we worked on several selective minor restructurings and integrations in the second quarter.

In early July, we announced the completion of our Sound Solutions acquisition. This is a key addition for Dover, and enables us to serve the fast-growing handset market even better. We now become a more significant supplier to our customers, as we leverage technology and scale. Our post-merger integration team is already fully engaged, and I have the highest confidence they will create substantial value for their customers and for Dover.

Our pipeline has matured and developed nicely, and I believe we will complete additional deals before the end of the year. Our focus continues to be on our five growth spaces, and opportunities that provide synergies with existing businesses.

In summary, let me say I am very pleased with our performance in the first half of the year. We serve several end markets where growth continues to flourish, especially in the markets served by energy and fluid solutions, handset markets, and in developing economies. We will continue to deliver strong financial performance while keeping a close eye on cost and market developments.

With that, let me turn it over to Brad.

Brad Cerepak - *Dover Corp - VP of Finance and CFO*

Thanks, Bob. Good morning, everyone. Let's start by turning to slide three.

Today, we reported second-quarter revenue of $2.2 billion, an increase of 21%. Earnings per share increased 44% to $1.31. After adjusting for discrete tax benefits, EPS was $1.19, a 31% improvement.

Segment margin for the quarter was 17.4%, up 50 basis points over the prior year. Margin performance was led by Fluid Management and Electronic Technologies. Bookings increased 15% over last year to $2.2 billion, and were broad-based with continued strength in energy, Industrial Products and fluid solutions.

Book-to-bill finished at a solid 1.03. Backlog grew 28% to $1.8 billion. In the second quarter, we generated free cash flow of $136 million or 6.3% of revenue, impacted by the timing of CapEx investment and tax payments. We remain on target for full-year cash flow generation to be 10% to 11% of revenue.

Turning to slide four. Second quarter revenue growth of 21% was comprised of 14% organic growth, 4% from acquisitions, and 3% FX. Organic revenue growth was strong in all segments with Industrial Products leading the way at 20%. Electronic Technologies and Fluid Management posted organic growth of 17% and 16% respectively, while engineered systems grew 8%. For the quarter, the majority of our acquisition growth was at Fluid Management, where acquisitions contributed 14% of their growth.

Now, turning to slide five. Total revenue increased 10% over the first quarter. Engineered Systems grew sequential revenue 15%, driven by the normal seasonality of the retail refrigeration market. Electronic Technologies grew 11% from the seasonally-slower first quarter.

Industrial Products and Fluid Management increased 9% and 5% respectively. Bookings declined 2% from the first quarter of 2011. Of note, bookings were down 6% at Electronic Technologies and were heavily influenced by weaker solar equipment orders in the second quarter.

Now, turning to slide six. Industrial Products posted revenue of $566 million, and $73 million of earnings, an increase of 23% and 19% respectively. This marks the eighth consecutive quarter of sequential revenue gain. Industrial Products operating margin was 12.9%, a decrease of 40 basis points from the prior year. Benefits from volume increases were offset by product mix, the continued incremental investment in product and business development activities, and one-time gains on the sale of facilities in the second quarter of 2010.

Bookings were $628 million, an increase of 23%, resulting in a solid book-to-bill of 1.11. This growth was influenced by strong downstream energy orders and steady growth in our infrastructure-related businesses.

With respect to our material handling platform, sales increased 29% to $277 million, while earnings increased 22%. Strong top line results continue to be driven by increased activity across the majority of end markets, including energy and infrastructure. In total, material handling's margins declined 90 basis points, largely reflecting the one-time gain in the second quarter of 2010. Adjusting for this gain, second quarter margin would have increased 70 basis points.

For the quarter, bookings were $293 million, an increase of 31%, yielding a book-to-bill of 1.06. With respect to our mobile equipment platform, sales were $291 million, an increase of 17%. Earnings were up 15%. Margins decreased 30 basis points, primarily reflecting changes in product mix and production ramp-up costs. Bookings increased 16% to $336 million, and book-to-bill finished at 1.16.

Turning to slide seven. At Engineered Systems, sales were $646 million, an increase of 12% year-over-year, and earnings increased 11% to $94 million. These results were all-time records. Operating margin was 14.6%, essentially flat with last year, reflecting strong volume leverage in engineered products, offset by Product ID. Bookings were $640 million, an increase of 6% over the prior year. Book-to-bill ended at 0.99.

With respect to our Product Identification platform, second quarter sales were $239 million, an increase of 9% which included 6% FX. Year-over-year earnings were flat. Margins decreased 150 basis points, primarily due to new product launch costs early in the quarter, and increased sales activities. Bookings increased 7% to $239 million, resulting in a book-to-bill of 1. Bookings improved sequentially through the quarter and we continue to see significant opportunities in front of Product ID as we focus on product development and sales and marketing activities.

Moving to engineered products. Sales were $407 million, an increase of 14%, and earnings increased 24%, resulting in margin expansion of 140 basis points. This favorable margin performance was driven by volume gains and improvements in material price cost spread, especially at SWEP.

Engineered products bookings were $401 million, an increase of 6% over the prior year, resulting in a book-to-bill of 0.99. As previously mentioned, we anticipate weaker market conditions for Hill PHOENIX for the remainder of the year, primarily the result of softer remodel activity for most food retailers. However, we expect Hill PHOENIX's strong position will enable them to continue to outpace their markets.

Moving to slide eight. Fluid Management produced another tremendous quarter. Revenue increased 32% to $535 million, while earnings increased 37% to $131 million. Acquisitions accounted for 14% of the growth. Operating margin was 24.6%, an 80 basis point improvement from last year. This positive margin performance was largely driven by volume gains.

Bookings were $555 million, an increase of 33% from the prior year, resulting in a book-to-bill of 1.04. We expect this segment's strong performance to continue.

With respect to our Energy platform, revenue increased 49% to $321 million, while earnings increased 50% on rising US rig counts, stable energy prices, and our recent acquisitions. Margin increased 40 basis points. We continue to see strong fundamentals in our served markets. Quarterly bookings increased 48% to $336 million, with roughly one-third of the growth coming from acquisitions. Book-to-bill ended at 1.05.

Now, moving to Fluid Solutions. Revenue in this platform increased 14% to $214 million, and earnings improved 12%. Margins declined 40 basis points, driven by one-time costs associated with selective integration and restructuring activities. We continue to see broad-based growth, driven by strength in many of our served markets, including petrochemical and energy and our expansion efforts in emerging markets. Bookings increased 14% year-over-year to $219 million, and book-to-bill remained solid at 1.02.

Turning to slide nine. Electronic Technologies' revenue was $412 million, an increase of 19%. This result was driven by strong solar sales and solid results for electronic assembly and test equipment and MEMS microphones. Our companies serving the telecom markets continue to post more modest results. Earnings increased to $77 million, a 29% improvement over last year. Operating margin was very strong at 18.6%, 140 basis point expansion, reflecting good leverage on volume.

Bookings were $394 million, essentially flat with last year. Book-to-bill ended at 0.95, reflecting a significant drop in demand for solar products, greatly influenced by the lack of clarity on European solar subsidies. We expect this trend will likely continue in the near term. Adjusting for solar equipment revenue and orders, book-to-bill would have been 1.06.

Our electronic assembly equipment and test companies posted a 39% jump in revenue year-over-year and continued to expand margin. Growth was across all businesses, with solar being the biggest driver of revenue growth and margin expansion. Lastly, our communication components companies' revenue increased 7% on strength at Knowles, particularly in MEMS. We expect favorable performance at Knowles to continue.

Going to slide 10. Second-quarter net interest expense was $28 million, an increase of $1 million over last year and in line with our expectations. Corporate expense was up $3 million from the prior year to $35 million, and also in line with our expectations.

With respect to taxes, our second-quarter tax rate was 20.2%. The rate was positively impacted by a $0.12 EPS benefit from discrete federal tax settlements. Adjusting for this benefit, the second quarter rate would have been 27.4%. We now expect the full year normalized effective tax rate to be in the range of 27% to 27.5%.

Now, turning to slide 11. Given our strong second quarter and the addition of Sound Solutions, we are now forecasting full year revenue growth of 18% to 20%, an increase of 6 percentage points from our prior forecast. Organic growth increases 3 points to 12% to 14%, while acquisition growth including Sound Solutions is expected to contribute 6%.

Breaking down organic growth by segment. We now expect Engineered Systems will be in the range of 7% to 9%, up 1 percentage point. Electronic Technologies will be in the range of 12% to 14%, also, an increase of 1 point. Fluid Management's revenue growth is now forecasted to be in the range of 14% to 16%, up 4 percentage points. This significant increase is driven by broad-based growth in their end markets. Lastly, Industrial Products is now forecast to be in the range of 12% to 14%, also an increase of 4 points. This increase represents stronger than anticipated first-half revenue and the continued recovery in mid and late cycle businesses within this segment.

Now, with regard to acquisition growth. Fluid Management should increase 13%, largely driven by Harbison-Fischer. In total, Fluid Management's revenue will increase 27% to 29%. Electronic Technologies' acquisitions, primarily Knowles Sound Solutions, will add 14 points on top of their already strong organic growth, for full year growth of 26% to 28%. Lastly, Industrial Products acquisitions should add around 1%. Corporate expense, interest expense and CapEx are unchanged from our previous guidance, and as mentioned, we expect a slightly lower full-year normalized tax rate.

Now let's go to the full-year earnings bridge on slide 12. Volume, product mix and pricing should increase earnings $0.67 to $0.76. This reflects an improvement from our previous guidance, primarily reflecting strong organic growth. Net productivity is expected to yield $0.26 to $0.30. We expect completed acquisitions to deliver $0.06 to $0.07, down $0.04 from the midpoint of our previous guidance, driven by the Sound Solutions acquisition. Investments will impact EPS $0.16 to $0.20, and interest expense will have a $0.03 impact. Lastly, our normalized tax rate and discrete tax benefits will add a total of $0.23.

In total, we are now forecasting full-year EPS to be in the range of $4.50 to $4.60. In summary, we have increased guidance $0.17 from the previous midpoint. Breaking this down, $0.12 is from a discrete tax benefit and $0.02 from a lower tax rate. Sound Solutions will be $0.03 to $0.05 dilutive while improved performance adds $0.07 to our revised guidance.

Before I turn it back to Bob, I want to briefly review the performance of Sound Solutions in 2011 and our expectations for 2012 on slide 13. In 2011, we anticipate revenue of $190 million to $200 million. While second half revenue in total is consistent with our prior expectations, revenue will accelerate from the third to fourth quarter as we significantly ramp up new customers and products. This ramp is principally connected to the Nokia market share losses and significant business increases with other customers.

We expect Knowles Sound Solutions to be $0.03 to $0.05 dilutive in 2011, reflecting changes in customer mix, ramp-up costs for new customers, and the timing of one-time acquisition-related expenses. Of course, this estimate is subject to finalization of purchase accounting. The bulk of these acquisition expenses and ramp-up costs will be recognized in the third quarter, largely driving dilution of $0.06 to $0.08. In the fourth quarter, we expect this acquisition to be approximately $0.03 accretive.

Now, with regard to 2012. We anticipate Knowles Sound Solutions will generate full-year revenue of $400 million to $410 million, and be $0.18 to $0.22 accretive.

With that, I'd like to turn the call back over to Bob.

Bob Livingston - *Dover Corp - President and CEO*

Thank you, Brad. We had a very strong first half and I fully expect us to continue to post outstanding results.

We enter the second half of the year facing a few uncertainties in the macro environment. That said, Dover will continue to achieve meaningful growth with second-half revenue up 17%, including 9% organic. Product innovation and geographic expansion activities, our increasing penetration in the energy and handset markets, and our mid and late cycle businesses, especially Fluid Solutions, will give us many opportunities for growth. I am confident Dover will continue to win in its markets.

In closing, I'd like to acknowledge the fine award received by our US synthetics team. They recently won the Shingo award, a very prestigious recognition of operational excellence. US synthetics' achievement is a significant tribute to their employees and it also reflects the Dover-wide emphasis on lean practices and operational excellence. As always, I want to thank our employees, customers and suppliers around the world, our strong results are a testament to their tireless efforts and support.

Now, Paul, let's take some questions.

Paul Goldberg - *Dover Corp - Treasurer & Director of IR*

Thanks, Bob. At this point I'd like to turn it back to Misty. Misty, if you could please compile the questions?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Your first question comes from the line of Shannon O'Callaghan with Nomura Securities.

Shannon O'Callaghan - *Nomura Securities Intl - Analyst*

Good morning, guys. Could you just give us a little more color on product ID with the investment launch costs in the quarter, how big were they, when do they end and when do the products launch, how are you feeling about it?

Bob Livingston - *Dover Corp - President and CEO*

I would say that the bulk of the product launch costs are behind us and we I would say ate most of the one-time costs associated with that actually early in the quarter, Shannon. In fact, April was enough of a hit on some of these one-time costs that it did sort of distort the activity and results for the entire second quarter. I think in Brad's comments, we made the comment that their margins in the second quarter were down about 150 basis points, and all of that activity was actually in the month of April.

Our activity in May and June returned to a more normal and expected rate. I think if you look forward into the second half, we show continuing growth on Product ID. I think our internal forecast that we're executing to has organic growth in the second half of 11%. 4 points of that is FX, so about 7% core.

Shannon O'Callaghan - *Nomura Securities Intl - Analyst*

Okay. And the products hit the market when?

Bob Livingston - *Dover Corp - President and CEO*

I think we actually started shipping in late first quarter. I don't have an exact date but I know it was in the first quarter.

Shannon O'Callaghan - *Nomura Securities Intl - Analyst*

Okay. And then what was the growth in Knowles specifically for the quarter and where do you guys stand on capacity expansions there?

Bob Livingston - *Dover Corp - President and CEO*

The growth at Knowles was in the MEMS business. Capacity expansion, gosh, I don't have the exact numbers sitting here with me on the call but I think our target as we exit 2011 is to have production capability of approaching 90 million units a month. And that is supported by some CapEx and capacity expansion that we have been funding here in the first half of the year. Shannon, I will note, and I think I commented on this in my opening comments, very pleased to report that in the month of July, and I recognize the month's not over yet, so next week, we will actually produce and ship our first MEMS microphones out of the Malaysia facility.

Operator

Your next question comes from the line of John Inch with Bank of America-Merrill Lynch.

John Inch - *BofA Merrill Lynch - Analyst*

Thanks. Good morning, everyone.

Bob Livingston - *Dover Corp - President and CEO*

Hi, John.

Brad Cerepak - *Dover Corp - VP of Finance and CFO*

Good morning.

John Inch - *BofA Merrill Lynch - Analyst*

Hey, good morning. A couple questions on Sound Solutions. One of the other industrials talked about pretty substantial increases in the cost of rare earth magnets. If I'm not mistaken, I think Sound Solutions' speakers employ some of this technology. Have you guys seen comparable sort of component cost increases and I'm just wondering how you sort of manage around that. I may be wrong with that. I just wanted to ask what your perspective is.

Bob Livingston - *Dover Corp - President and CEO*

No, you're spot on, John. We do use magnets in the products at Sound Solutions. The increase over the last 12 to 15 months has been rather significant. We don't see that increase impacting our third quarter results, primarily, I'll confess going into the third quarter we've actually bought -- Sound Solutions have actually bought forward.

John Inch - *BofA Merrill Lynch - Analyst*

Okay.

Bob Livingston - *Dover Corp - President and CEO*

Enough that it pretty much covered their third quarter requirement. We do have a bit of that exposure going into the fourth quarter, but John, our attitude right now is we think we have a clear path to cover those increases with price increases.

John Inch - *BofA Merrill Lynch - Analyst*

Is that because, Bob, the magnets as a percent of the total, it's not that great, or there's other issues that allow you to kind of pass that through?

Bob Livingston - *Dover Corp - President and CEO*

I would say the bulk of the price increases that we may be looking at in the fourth quarter are going to be a direct result of the magnet increase.

Operator

Your next question comes from the line of Terry Darling with Goldman Sachs.

Terry Darling - *Goldman Sachs - Analyst*

Thanks. Hey, Brad, appreciate the color on the drivers of the weaker incrementals in Industrial Products and Engineered Systems. Just wondering if you could follow on as to what the expectations for the second half on incrementals are for both those businesses, back in the 20% to 25% range or are there some other things that we need to account for?

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Bob Livingston - *Dover Corp - President and CEO*

So you know that we have improved the incrementals from first quarter to second quarter. I would say we went from around 19%, 20% in the first quarter to about 21%, 22% in the second. We're expecting to get back to mid-20%s in the third quarter and complete the year at about the mid-20% range, which has been consistent with what we've been saying. I would point out, though, the incrementals that I'm talking about right now exclude the impact of Sound Solutions, which based upon the dilution and the discussion we just had, will have a significant impact in the second half. So our numbers of saying and standing to -- standing up to say our incrementals will increase in the second half to mid-20%s is before Sound Solutions.

Terry Darling - *Goldman Sachs - Analyst*

Okay. Bob, you sounded very encouraged about opportunities on the acquisition front in the second half of the year. And I just wonder if you put a little more color around platforms, and how accretion might look relative to some of the deals you've done over the past 12 to 18 months, given that presumably valuations have moved higher.

Bob Livingston - *Dover Corp - President and CEO*

Well, I think in my comments I did say that the acquisitions that we have in our pipeline, the bulk of them are in the five growth spaces that we've been focused on for the last two or two and-a-half years. Do not expect a large acquisition to be announced in the second half of this year, along the lines of a Sound Solutions or a Harbison-Fischer. I think the deals in our pipeline are in the more typical range that you saw us execute on in 2009 and 2010, and without -- I don't have an average, and I can't sit here and predict what exactly will close between now and year-end, but you should expect, even though prices in the market have moved up a bit over the past several months, we have some very interesting synergistic opportunities. They will be accretive.

Operator

Your next question comes from the line of Steve Tusa with JPMorgan.

Stephen Tusa - *JPMorgan Chase & Co. - Analyst*

Good morning.

Bob Livingston - *Dover Corp - President and CEO*

Good morning, Steve.

Stephen Tusa - *JPMorgan Chase & Co. - Analyst*

Just a lot of moving parts on the tech side. I just wanted to make sure that we were all on kind of the same page for the second half. So what is the actual operating profit, absolute operating profit that Sound Solutions will be kind of contributing or subtracting in the third quarter? Is it around like $10 million, $15 million?

Bob Livingston - *Dover Corp - President and CEO*

Okay. So in terms of the impact, I'll start with pre-tax, if that's--.

Stephen Tusa - *JPMorgan Chase & Co. - Analyst*

Yes, I'm just talking about -- I just want to make sure my Electronic Technologies margin, it will be helpful just to have the bar set appropriately.

Bob Livingston - *Dover Corp - President and CEO*

So the pre-tax or let's say at the segment income level, Steve, all-in, all-in with integration and remaining deal costs to be expensed is going to be between $12 million and $13 million of a loss. And we expect -- let's just say of that amount, a good part of that, about $16 million of costs are one-off in nature, related around integration, deal cost, and the amortization of the step-ups of inventory that go through in the first couple of months of the acquisition.

Stephen Tusa - *JPMorgan Chase & Co. - Analyst*

Okay. And then what comes back in the fourth quarter, basically that $16 million comes back in the fourth quarter?

Bob Livingston - *Dover Corp - President and CEO*

Okay. Wait a minute. I was talking the full second half.

Stephen Tusa - *JPMorgan Chase & Co. - Analyst*

You're talking full second half. Okay. Just maybe quarter-to-quarter.

Bob Livingston - *Dover Corp - President and CEO*

If you want to talk quarter-to-quarter, the way we kind of gave you some guidance on that and I would see $12 million to $13 million split basically $17 million, $18 million of a loss in the third quarter, and $5 million of profit in the fourth.

Stephen Tusa - *JPMorgan Chase & Co. - Analyst*

Okay. And thinking about the margin, that's very helpful. Thinking about the margin opportunity at Sound Solutions, I think the core OP is kind of right around where Knowles is. As you guys ramp up on Knowles, is there incremental opportunity or is this -- it's such a strong margin already that this kind of entire segment should kind of bounce around or with a little -- maybe a little bit of upward bias in the low 20s, is that kind of a good longer-term target for the combined entity, ex all the noise?

Bob Livingston - *Dover Corp - President and CEO*

Let me make a first cut at that, Steve and then Brad can add some detail. I want to step back and give you a little bit of color here on what we're seeing at Sound Solutions and I'm sure this has been widely published and discussed in some of the business journals, but as we -- as this business entered the third quarter, we clearly are dealing with some customer transition issues. They're centered around Nokia.

If you look back at 2010, Nokia probably represented about 65% of Sound Solutions' business. As Nokia has suffered over the last couple of quarters with market share loss, and as we have pretty quickly transitioned to bringing new customers on, as we enter the third quarter, going into the fourth quarter, our expectation for 2012 -- now, this is a transition over a two-year period, but our expectation for 2012 is that our business with Nokia actually may only represent about 35% to 40% of our total. This, the bulk of this transition to new customers is actually taking place here in the second half of this year.

So if you get beyond some of the ramp-up costs and customer conversion costs that we're going to eat mostly here in the third quarter, a little bit of it flowing into the fourth quarter, and you look at 2012 as a steady run rate, the EBITDA target that we shared with you folks about six or eight months ago on the initial call, high 20s, we fully expect to be -- have Sound Solutions at that high 20 EBITDA rate in the second half of next year. How early in the first half is going to depend upon some of the customer transitions that we make over the next couple of quarters. With respect to Knowles, I don't think you should model continuing margin expansion at Knowles. You may see a little bit of noise and derivation from quarter to quarter, but that's going to depend upon product mix and customer mix, but I -- this business operates at quite high operating margins today, and I would tell you that our focus here for the next couple of years is not to expand the margins but to expand the market.

Stephen Tusa - *JPMorgan Chase & Co. - Analyst*

And then the electronic components business grew 10% in the first quarter, 7% in the second quarter. I think you've guided, at least in your presentation that you gave at your investor -- recent investor event, you kind of guided Knowles up it looks like about 10% in revenues for the year. Is that the kind of -- when we look at the electronic components number, is that how we can think about Knowles growing at a 3% to 5% number. And then the other component businesses at a little bit the lower rate? Is that kind of the good way to think about it?

Bob Livingston - *Dover Corp - President and CEO*

Again, it actually does depend on what's going on in the markets a little bit. Longer term, it's probably a good way to look at it. On a shorter term, you're going to get some noise.

Stephen Tusa - *JPMorgan Chase & Co. - Analyst*

This is ex Sound Solutions, of course.

Bob Livingston - *Dover Corp - President and CEO*

The market area that may see the strongest growth in the second half of the -- of this year, organically, may actually be telecom infrastructure.

Stephen Tusa - *JPMorgan Chase & Co. - Analyst*

What's volume growing at Knowles? Last question. Sorry.

Bob Livingston - *Dover Corp - President and CEO*

Be more specific.

Stephen Tusa - *JPMorgan Chase & Co. - Analyst*

If you're going to 90 a month, volume must be just absolutely ripping with all the iPhone stuff and stuff like that; right?

Bob Livingston - *Dover Corp - President and CEO*

Steve, I will tell you that when you look at our production schedule for the balance of this year.

Stephen Tusa - *JPMorgan Chase & Co. - Analyst*

Yes.

Bob Livingston - *Dover Corp - President and CEO*

We're not building inventory.

Stephen Tusa - *JPMorgan Chase & Co. - Analyst*

Right. It's up really like more than 20%?

Bob Livingston - *Dover Corp - President and CEO*

Yes.

Stephen Tusa - *JPMorgan Chase & Co. - Analyst*

Okay. Thanks a lot. Appreciate all the details. Very helpful.

Bob Livingston - *Dover Corp - President and CEO*

Thanks.

Operator

Your next question comes from the line of Julian Mitchell with Credit Suisse.

Charlie Mills - *Credit Suisse - Analyst*

Hey, guys. It's actually Charlie for Julian.

Bob Livingston - *Dover Corp - President and CEO*

Hi, Charlie.

Brad Cerepak - *Dover Corp - VP of Finance and CFO*

Good morning.

Charlie Mills - *Credit Suisse - Analyst*

How are you guys? Just had a question, I know just a previous question about kind of magnets and pricing there, you guys had called out just some favorable -- a favorable price/cost spread in the engineered products business. I just didn't know if, looking at the back half of the year, there were any other places, obviously besides the magnets, that you guys would maybe want to call out, that we should keep an eye on.

Brad Cerepak - *Dover Corp - VP of Finance and CFO*

Let me try to answer that. I guess the call-out on engineered and SWEP in particular is we've been watching them very carefully with respect to copper and other commodity costs in their products and we came out of the first quarter with expectations that it will level off and would only impact us about $0.10 for the whole year. That still remains unchanged. And the good news is, SWEP has made a lot of progress in being able to pass that cost through. So actually quarter-to-quarter, we've seen an improvement in that price/materials spread. The numbers I'm giving is pre-Sound Solutions and the magnets -- the magnet impact that Bob was talking about is really something that's incremental to my discussion.

Charlie Mills - *Credit Suisse - Analyst*

Okay. And then just in electronics businesses, are you guys seeing any excess inventory in the channel at all?

Brad Cerepak - *Dover Corp - VP of Finance and CFO*

Is that a general question? Are you referring to equipment or components?

Charlie Mills - *Credit Suisse - Analyst*

Just either. Just commentary from other companies.

Brad Cerepak - *Dover Corp - VP of Finance and CFO*

Gosh, I'd have to say no.

Charlie Mills - *Credit Suisse - Analyst*

Solar is clearly a demand thing, but just in terms of book-to-bill of the other business.

Brad Cerepak - *Dover Corp - VP of Finance and CFO*

Solar's an issue. As we mentioned, we've seen some slowdown in order rates here in the second quarter and frankly, we're attributing the bulk of that slowdown to sort of the uncertainty around the continuing -- or what the continuing level of subsidies are going to be in Europe for solar roll-out.

Charlie Mills - *Credit Suisse - Analyst*

Yes. So you said 1.6 ex solar, right?

Brad Cerepak - *Dover Corp - VP of Finance and CFO*

Ex solar, the answer would be no.

Charlie Mills - *Credit Suisse - Analyst*

Okay. Cool. Thanks a lot, guys.

Operator

Your next question comes from the line of Jeffrey Sprague with Vertical Research.

Jeffrey Sprague - *Vertical Research Partners - Analyst*

Thank you, good morning, everyone.

Bob Livingston - *Dover Corp - President and CEO*

Hi, Jeff.

Brad Cerepak - *Dover Corp - VP of Finance and CFO*

Good morning.

Jeffrey Sprague - *Vertical Research Partners - Analyst*

Thank you for pushing this call back. You did us all a favor. Can you give us a little--.

Brad Cerepak - *Dover Corp - VP of Finance and CFO*

You're welcome.

Bob Livingston - *Dover Corp - President and CEO*

Busy day. Busy morning.

Jeffrey Sprague - *Vertical Research Partners - Analyst*

I know you want to get on with your weekend as soon as possible, so we all do. But thank you. On Product ID, Bob, just going back to that a little bit, can you give us -- you've kind of taken the costs. Are the products completely rolled out and commercially available at this point, and if not, how does that actually really roll out in the back half?

Bob Livingston - *Dover Corp - President and CEO*

Well, there are stages. So the products that were scheduled to roll out in the first quarter have been rolled out. But there are some upgrades and I would call them feature adds that are scheduled to be -- that are scheduled to hit commercially later this year and going into the early part of next year.

Brad Cerepak - *Dover Corp - VP of Finance and CFO*

That's normal.

Bob Livingston - *Dover Corp - President and CEO*

But that's sort of normal anyway.

Jeffrey Sprague - *Vertical Research Partners - Analyst*

Okay. And can you give us a little more color on Hill PHOENIX, specifically how it performed in the quarter and understanding the dynamic on the retrofits in the back half, but what kind of tailing off we should expect in the back half?

Bob Livingston - *Dover Corp - President and CEO*

Okay. So second quarter comments. Let's see. Sales were up 6%. They had a strong quarter. And I think that shouldn't be a surprise. We were probably signaling that with the strong order rates that Hill PHOENIX had in the first quarter. Interestingly enough, even with the sales increase and in this very competitive market, the team at Hill PHOENIX did an outstanding job on execution and they actually improved margins about 60 or 65 basis points.

We do see a little bit of a different profile in the second half of the year. I would label the bulk of that change between first half and second half to simply be around project move-ins and move-out between second and third quarter and vice versa. For the full year, and I know I don't usually provide this kind of color on an individual business, but for the full year when we account for some of the I call it quiet divestitures that we've made here at Hill PHOENIX over the last several months, and last year, we actually divested a couple branch activities. Revenue at Hill PHOENIX for the year is going to be up about 5%.

Jeffrey Sprague - *Vertical Research Partners - Analyst*

All right.

Bob Livingston - *Dover Corp - President and CEO*

In a down market.

Jeffrey Sprague - *Vertical Research Partners - Analyst*

One last one, if I could sneak it in. Sound Solutions' revenue for the full year 2011, if we think about it all-in, pro forma for the first half?

Bob Livingston - *Dover Corp - President and CEO*

Oh, gosh. Okay. I don't have first half here.

Brad Cerepak - *Dover Corp - VP of Finance and CFO*

370-ish, roughly speaking, if I recall properly, somewhere in that range.

Bob Livingston - *Dover Corp - President and CEO*

No, it's -- for 2011.

Jeffrey Sprague - *Vertical Research Partners - Analyst*

Yes.

Bob Livingston - *Dover Corp - President and CEO*

Okay. Yes. Okay.

Jeffrey Sprague - *Vertical Research Partners - Analyst*

370?

Brad Cerepak - *Dover Corp - VP of Finance and CFO*

Yes, roughly 370.

Jeffrey Sprague - *Vertical Research Partners - Analyst*

Thank you, guys.

Operator

Your next question comes from the line of Wendy Caplan from SunTrust.

Wendy Caplan - *SunTrust Robinson Humphrey - Analyst*

A couple things. Some of the other companies reporting, industrial companies reporting lately have been talking -- have been reporting higher inventory levels, issues of supply chain concerns. Your inventories are up kind of mid single digits, well below your revenue growth. Are you building inventory anywhere, in particular related to supply chain disruptions, and/or are there any that you're concerned about, any issues, other than what you've already talked about?

Bob Livingston - *Dover Corp - President and CEO*

A couple of very specific responses and I guess if you want more color, we'll see where this goes. But no, we're not building inventory. In fact, I actually think our -- you mentioned inventory dollars may have gone up a bit in the second quarter. Actually, I think our inventory turns in the second quarter sequentially improved slightly, Wendy.

Wendy Caplan - *SunTrust Robinson Humphrey - Analyst*

Yes.

Bob Livingston - *Dover Corp - President and CEO*

And is there any area where we're actually concerned about inventory? Well, as I responded to someone else's question earlier, with respect to the Knowles and our MEMS, we are shipping everything we can produce right now.

Brad Cerepak - *Dover Corp - VP of Finance and CFO*

We would like to have some inventory.

Wendy Caplan - *SunTrust Robinson Humphrey - Analyst*

Any issues in terms of particular supply chain issues for you?

Bob Livingston - *Dover Corp - President and CEO*

No.

Wendy Caplan - *SunTrust Robinson Humphrey - Analyst*

No. Okay. And anything on Hill PHOENIX, just to get the answer, any share gains that you can discuss and the same question, any kind of share shifts in Product ID?

Bob Livingston - *Dover Corp - President and CEO*

Well, it's much more difficult to talk about share at Product ID because we don't have industry data. On Hill PHOENIX, let me give you a response and it's around the case business, Wendy, not so much the systems business, but the case business, because we do see some fairly concrete and hard data on that activity. Last year, 2010, Hill PHOENIX had about 36%, maybe 37% market share here in North America for case units. Through May, that share is up maybe 3 points. That's through May. If you look at the second half, I don't see a forecast on share, but just knowing what's going on in the market and knowing what our forecast is, I'm not expecting Hill PHOENIX to be losing share in the second half.

Wendy Caplan - *SunTrust Robinson Humphrey - Analyst*

Okay. Thank you very much, Bob.

Operator

Your next question comes from the line of Scott Gaffner with Barclays Capital.

Scott Gaffner - *Barclays Capital - Analyst*

Good morning.

Bob Livingston - *Dover Corp - President and CEO*

Good morning, Scott.

Scott Gaffner - *Barclays Capital - Analyst*

Just wanted to follow up on the last couple of questions on Hill PHOENIX. I mean, obviously you're gaining share or your top competitor's having some issues currently. I just wonder, what does that do for the competitive landscape? Are you seeing more price competition? Are you worried about that maybe in the second half of the year or even as we go into 2012? I mean, what's your sort of sense of the industry right now?

Bob Livingston - *Dover Corp - President and CEO*

It's pretty competitive. Has been for -- I wouldn't label that as something that's unique to the first half of 2011. I would say that this market that HP, Hill PHOENIX plays in has been rather price competitive for the past 18 months. Expectations going forward, I would expect it to continue for a while before we would see anything different in that market. But it has been a rather competitive market for the last six quarters.

Scott Gaffner - *Barclays Capital - Analyst*

Okay. And then just moving over to the acquisition pipeline, you said it was nice and robust but if it doesn't--?

Bob Livingston - *Dover Corp - President and CEO*

No, I said mature and developing.

Scott Gaffner - *Barclays Capital - Analyst*

All right. Mature and developing. So if it doesn't develop fully into some acquisitions that you can close, because it sounds like maybe some of the targets are a little concerned on the price that they're getting, just from other commentary we have heard in the quarter, when do you decide to maybe redeploy that to share buyback or something else?

Bob Livingston - *Dover Corp - President and CEO*

I am fully expecting to close on some acquisitions between now and year-end.

Scott Gaffner - *Barclays Capital - Analyst*

Fair enough.

Bob Livingston - *Dover Corp - President and CEO*

A share repurchase is not on our discussion list for the second half of this year.

Scott Gaffner - *Barclays Capital - Analyst*

Okay. And then just lastly on the tax rate, you took down the guidance this year for -- to 27% to 27.5%. You had the -- last time you gave longer-term guidance you said the sustainable rate, you thought it would be 29% to 30%. Is there something that's changed or maybe you can work that sustainable tax rate down a little bit lower over time.

Bob Livingston - *Dover Corp - President and CEO*

Well, I guess at one point we were talking 29% to 30%. I think where we are today is more indicative of where we would expect to be longer-term. And what's happening is we're seeing a mix change to our international businesses, where our income stream is more moving towards international markets and obviously we have a pretty efficient tax structure.

Scott Gaffner - *Barclays Capital - Analyst*

Okay. Thanks a lot.

Operator

Your next question comes from the line of John Inch with Banc of America-Merrill Lynch.

John Inch - *BofA Merrill Lynch - Analyst*

Thanks.

Bob Livingston - *Dover Corp - President and CEO*

Hello again, John.

John Inch - *BofA Merrill Lynch - Analyst*

Yes, yes. Let's try this again. Better look over your shoulder, Paul. All right. Okay. So Electronic Technologies, if you were to ex out solar and Knowles, obviously the macro data has been very sloppy. What's been going on in those businesses and what do you believe -- like what's embedded in your outlook for the rest of the year?

Bob Livingston - *Dover Corp - President and CEO*

Wow, you're actually asking us to do some slicing and dicing here. So you're saying ex-solar and ex-Knowles?

John Inch - *BofA Merrill Lynch - Analyst*

Right. Kind of the old line businesses.

Bob Livingston - *Dover Corp - President and CEO*

Let me -- I'm not going to have exact numbers here. I'm not--.

John Inch - *BofA Merrill Lynch - Analyst*

Just roughly, Bob.

Bob Livingston - *Dover Corp - President and CEO*

Let's talk about the three equipment companies, ex-solar. First half revenue was up 15% or maybe even 20% over last year, John.

John Inch - *BofA Merrill Lynch - Analyst*

Okay.

Bob Livingston - *Dover Corp - President and CEO*

Let's see. I haven't done it this way. I'm not sure I can give you guidance here on what we would expect -- on how the second half would compare. But I do know just looking at those businesses, again, pulling out solar, we would expect a second half for those three companies to be rather flat with the first half. But I don't have last year's data so I'm not sure what the growth rates are.

Brad Cerepak - *Dover Corp - VP of Finance and CFO*

There is some tougher comps.

Bob Livingston - *Dover Corp - President and CEO*

I know we have tougher comps but I just don't know what the comparison would be. But I can tell you that the second half revenue we're looking at to be rather flat with the first half.

John Inch - *BofA Merrill Lynch - Analyst*

The reason I'm asking, Bob, people see this weak macro tech data and then there's -- some people forget about Knowles and immediately run to Dover, saying that should be tough. Is there some obvious reason -- flat would probably be pretty good performance relative to the macro.

Bob Livingston - *Dover Corp - President and CEO*

Let me explain something to you. We have gone through this the last couple of years, as we go into the second half of the year and we look at the three businesses that serve electronic assembly and semicon test, and we've always said historically, we expect to see a slowdown in the fourth quarter because that just sort of happens within this market. And John, in 2009 and 2010 it did not happen. In 2009 and 2010 we actually continued to ramp up into the fourth quarter.

I will tell you that when I say the second half of 2011 is flat with the first half, I am -- we are expecting a more normal profile. Third quarter tailing down a bit going into the fourth quarter to reflect some normal seasonality. But we are not, with the limited visibility we have right now, we're not seeing a fall-off. We are planning for some normal seasonality.

John Inch - *BofA Merrill Lynch - Analyst*

That's helpful. And then just lastly, Bob, you have made specific comments around the higher or elevated prospects of divesting construction businesses. I'm presuming the accounting's going to require you to put those into disc ops. What are your thoughts around, maybe this is a question for Brad, but how should we sort of be thinking about the timing of that and all else equal -- I'm assuming this is going to be dilutive, right, to margins, or I'm sorry, dilutive to earnings. Is there any way to help to frame that for us a little bit, when it happens?

Bob Livingston - *Dover Corp - President and CEO*

We will frame that for you when it happens. As I commented a few weeks ago, we are engaged with Lazard. They're working with us to look at our options and to help us with the evaluation and valuation. Right now, I would expect to be able to share something much more definitive with you by year-end, but at this point in time, John, I'm going to elect to not share more than I already have.

John Inch - *BofA Merrill Lynch - Analyst*

That's fine. In other words, we're probably not likely to see anything before year-end just based on what you said. What do you expect based on your guidance these construction businesses to contribute this year in terms of earnings?

Brad Cerepak - *Dover Corp - VP of Finance and CFO*

I think we can say it's around 6% or so of sales.

Bob Livingston - *Dover Corp - President and CEO*

6 to 7.

Brad Cerepak - *Dover Corp - VP of Finance and CFO*

6 to 7. And with we've said that they're low double digits EBIT margins.

John Inch - *BofA Merrill Lynch - Analyst*

Helpful. Okay. Thank you.

Operator

Thank you. This concludes our question and answer period. I would now like to turn the call back over to Mr. Goldberg for closing remarks.

Paul Goldberg - *Dover Corp - Treasurer & Director of IR*

Thanks, Misty. This concludes our conference call. Thank you for joining us this morning, and we look forward to speaking to you with results from our third quarter. Thanks and have a good weekend. Bye.

Operator

Thank you. That concludes today's second quarter 2011 Dover Corporation earnings conference call. You may now disconnect your lines at this time, and have a wonderful day.