Dover Corporation
Non-GAAP Reconciliation
2019 Annual Report

This document defines, reconciles to GAAP and discloses the relevance to investors of the non-GAAP measures included in the 2019 Annual Report.

Adjusted Earnings Per Share

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

(in thousands, except per share data)	2019	2018	2017
Adjusted earnings from continuing operations:			
Earnings from continuing operations	$ 677,918	$ 591,145	$ 746,663
Acquisition-related amortization, pre-tax [1]	138,336	146,297	151,277
Acquisition-related amortization, tax impact [2]	(34,768)	(37,001)	(48,881)
Rightsizing and other costs, pre-tax [3]	32,153	72,828	49,379
Rightsizing and other costs, tax impact [2]	(6,789)	(14,531)	(14,746)
Loss on extinguishment of debt, pre-tax [4]	23,543	-	-
Loss on extinguishment of debt, tax impact [2]	(5,163)	-	-
Loss on assets held for sale [5]	46,946	-	-
Tax Cuts and Jobs Act [6]	-	(2,832)	(54,908)
Gain on dispositions, pre-tax [7]	-	-	(205,334)
Gain on dispositions, tax impact [2]	-	-	32,753
Disposition costs, pre-tax [8]	-	-	5,245
Disposition costs, tax impact [2]	-	-	(2,015)
Product recall reversal, pre-tax	-	-	(7,200)
Product recall reversal, tax impact [2]	-	-	2,614
Adjusted earnings from continuing operations	$ 872,176	$ 755,906	$ 654,847
Diluted average shares outstanding	146,992	152,133	157,744
Adjusted diluted earnings per common share*:			
Earnings from continuing operations	$ 4.61	$ 3.89	$ 4.73
Acquisition-related amortization, pre-tax [1]	0.94	0.96	0.96
Acquisition-related amortization, tax impact [2]	(0.24)	(0.24)	(0.31)
Rightsizing and other costs, pre-tax [3]	0.22	0.48	0.31
Rightsizing and other costs, tax impact [2]	(0.06)	(0.10)	(0.09)
Loss on extinguishment of debt, pre-tax [4]	0.16	-	-
Loss on extinguishment of debt, tax impact [2]	(0.04)	-	-
Loss on assets held for sale [5]	0.32	-	-
Tax Cuts and Jobs Act [6]	-	(0.02)	(0.35)
Gain on dispositions, pre-tax [7]	-	-	(1.30)
Gain on dispositions, tax impact [2]	-	-	0.21
Disposition costs, pre-tax [8]	-	-	0.03
Disposition costs, tax impact [2]	-	-	(0.02)
Product recall reversal, pre-tax	-	-	(0.05)
Product recall reversal, tax impact [2]	-	-	0.02
Adjusted diluted earnings per common share	$ 5.93	$ 4.97	$ 4.15

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

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

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

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

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

[6] 2017 Tax impact primarily related to the enactment of the Tax Cuts and Jobs Act ("Tax Reform Act"). This benefit also includes decreases in statutory tax rates of foreign jurisdictions. 2018 adjustment represents tax benefits related to additional Tax Reform Act regulatory guidance covered by SAB 118.

[7] Includes gains from the sales of Performance Motorsports International (PMI) and Warn Industries, Inc. (Warn) in the first and fourth quarters of 2017.

[8] Disposition costs include costs related to the fourth quarter 2017 sale of Warn.

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

Adjusted Return on Average Equity

Adjusted return on average equity is calculated by dividing adjusted earnings from continuing operations by average stockholders' equity (the sum of the stockholders' equity at the beginning and end of the year, divided by 2) as follows:

(in thousands)	2019	2018	2017
Adjusted earnings from continuing operations	$ 872,176	$ 755,906	$ 654,847
Beginning stockholders' equity	$ 2,768,666	$ 4,383,180	$ 3,799,746
Ending stockholders' equity	3,032,660	2,768,666	4,383,180
Average stockholders' equity	$ 2,900,663	$ 3,575,923	$ 4,091,463
Adjusted Return on Average Equity	30.1%	21.1%	16.0%

Free Cash Flow

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

(in thousands)	2019	2018	2017
Cash flow from operating activities	$ 945,306	$ 789,193	$ 739,409
Less: Capital expenditures	(186,804)	(170,994)	(170,068)
Free cash flow	$ 758,502	$ 618,199	$ 569,341
Revenue	$ 7,136,397	$ 6,992,118	$ 6,820,886
Free cash flow as a percentage of revenue	10.6%	8.8%	8.3%

Non-GAAP Disclosures

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

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

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

Adjusted return on average equity represents adjusted earnings from continuing operations divided by average stockholders' equity (the sum of the stockholders' equity at the beginning and end of the year, divided by 2). Management believes that adjusted return on average equity is an important measure of profitablility and operating effiency.

Free cash flow represents net cash provided by operating activities minus capital expenditures. Free cash flow as a percentage of revenue equals free cash flow divided by revenue. Management believes that free cash flow and free cash flow as a percent of revenue are important measures of operating performance because it provides management and investors a measurement of cash generated from operations that is available for mandatory payment obligations and investment opportunities, such as funding acquisitions, paying dividends, repaying debt and repurchasing our common stock.