

**Dover Corporation**  
**Non-GAAP Reconciliation**  
**2016 Company Review**

This document defines, reconciles to GAAP and discloses the relevance to investors of the non-GAAP measures included in the 2016 Company Review book.

**Adjusted Earnings Per Share**

Earnings from continuing operations are adjusted by gains (losses) from discrete and other tax items as well as other one-time gains (charges) to derive at adjusted earnings from continuing operations and adjusted diluted earnings per common share as follows:

(in thousands, except per share data)	2016	2015	2014	2013	2012
<b>Adjusted earnings from continuing operations:</b>					
Earnings from continuing operations	\$ 508,892	\$ 595,881	\$ 778,140	\$ 797,527	\$ 650,075
Gains (losses) from discrete and other tax items	13,575	17,513	11,290	75,459	17,800
One-time gains (charges)	53,966	-	-	2,866	-
<b>Adjusted earnings from continuing operations</b>	<b>\$ 441,351</b>	<b>\$ 578,368</b>	<b>\$ 766,850</b>	<b>\$ 719,202</b>	<b>\$ 632,275</b>
<b>Diluted average shares outstanding</b>	<b>156,636</b>	<b>159,172</b>	<b>168,842</b>	<b>173,547</b>	<b>183,993</b>
<b>Adjusted diluted earnings per common share:</b>					
Earnings from continuing operations	\$ 3.25	\$ 3.74	\$ 4.61	\$ 4.60	\$ 3.53
Gains (losses) from discrete and other tax items	0.09	0.11	0.07	0.43	0.10
One-time gains (charges)	0.34	-	-	0.02	-
<b>Adjusted earnings from continuing operations</b>	<b>\$ 2.82</b>	<b>\$ 3.63</b>	<b>\$ 4.54</b>	<b>\$ 4.14</b>	<b>\$ 3.44</b>

\* Per share data may not add due to rounding.

**Free Cash Flow**

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

(in thousands)	2016	2015	2014	2013	2012
Cash flow from operating activities	\$ 861,975	\$ 949,059	\$ 950,164	\$ 979,612	\$ 968,369
Less: Capital expenditures	(165,205)	(154,251)	(166,033)	(141,694)	(146,502)
<b>Free cash flow</b>	<b>\$ 696,770</b>	<b>\$ 794,808</b>	<b>\$ 784,131</b>	<b>\$ 837,918</b>	<b>\$ 821,867</b>
Revenue	\$ 6,794,342	\$ 6,956,311	\$ 7,752,728	\$ 7,155,096	\$ 6,626,648
<b>Free cash flow as a percentage of revenue</b>	<b>10.3%</b>	<b>11.4%</b>	<b>10.1%</b>	<b>11.7%</b>	<b>12.4%</b>

**Adjusted Working Capital**

Adjusted working capital is calculated as accounts receivable plus inventory minus accounts payable as follows:

(in thousands)	2016	2015	2014	2013	2012
Accounts receivable	\$ 1,265,201	\$ 1,120,490	\$ 1,186,746	\$ 1,076,641	\$ 952,720
Inventory	870,487	802,895	863,738	715,311	682,390
Accounts payable	(830,318)	(650,880)	(615,332)	(522,713)	(455,783)
<b>Adjusted working capital</b>	<b>\$ 1,305,370</b>	<b>\$ 1,272,505</b>	<b>\$ 1,435,152</b>	<b>\$ 1,269,239</b>	<b>\$ 1,179,327</b>

**Non-GAAP Disclosures**

Adjusted earnings from continuing operations represents earnings from continuing operations adjusted for gains or losses from discrete and other tax items as well as other one-time gains (charges). Adjusted diluted earnings per common share represents adjusted earnings from continuing operations divided by average diluted shares. Management believes this information is useful to investors to better understand the company's ongoing profitability and facilitates easier comparisons of the company's profitability to prior and future periods and to its peers. Free cash flow represents net cash provided by operating activities minus capital expenditures. Management believes that free cash flow is an important measure of operating performance because it provides management and investors a measurement of cash generated from operations that is available for mandatory payment obligations and investment opportunities, such as funding acquisitions, paying dividends, repaying debt and repurchasing our common stock. Management believes adjusted working capital (calculated as accounts receivable, plus inventory, minus accounts payable) provides a meaningful measure of our operational results by showing changes caused solely by revenue.