FINAL TRANSCRIPT

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PRESENTATION

Operator

Good morning and welcome to the second quarter 2010 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, Treasurer and Director of Investor Relations of Dover Corporation. After the speakers' opening remarks there will be a question-and-answer period. (Operator instructions). As reminder, ladies and gentlemen, this conference call 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 Mr. Paul Goldberg. Mr. Goldberg, please go ahead, sir.

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

Thank you, Melissa. 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 some comments from

Bob and Brad on Dover's second quarter operating and financial performance and our updated outlook for the rest of 2010. We will then open the call up to questions.

In the interest of time, we kindly ask that you limit yourself to one question with a follow-up. Please note that our current earnings release, investor supplement and associated presentation can be found on our website, www.DoverCorporation.com.

This call will be available for playback through August 6, and the audio portion of this call will be archived on our website for three months. The replay telephone number is 800-642-1687. When accessing the playback, you will need to supply the following reservation code, 85791289.

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 statements. 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 Corporation - President and CEO*

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

I'm pleased to report Dover posted significant second-quarter gains in revenue, bookings, earnings and margin, reflecting improved volume across the majority of our companies and continuing benefits of our productivity initiatives. Revenue increased 29%, and orders were up 40%, both higher than we anticipated at the beginning of the quarter. Organic revenue growth was 24%, while acquisitions contributed 4 points and FX added 1. Positive trends continued in Electronic Technologies, energy, Fluid Solutions, refrigeration equipment and product ID.

Specifically, we saw better than anticipated gains in Electronic Technologies, driven by recent design wins at Knolls, growth in our electronic assembly markets and a growing solar equipment business at DEK. Energy's performance was driven by increased North America rig count and continued market share gains. At Fluid Solutions, broad end market improvement, especially in Asia and Latin America, helped boost results. At product ID, demand for product marking and coding equipment remains quite healthy. Lastly, the anticipated seasonal ramp-up at Hill PHOENIX was even stronger than expected in the second quarter, driven by strong remodel activity and leveraging our recent capacity expansion in Richmond.

With that, let me move to our second-quarter results, and Brad will discuss our 2010 guidance later in the call. Today, we reported a 69% increase in quarterly earnings per share to $0.91. Second-quarter revenue was $1.8 billion, an increase of 29%. Earnings increased 70% to $172 million as we exhibited strong earnings leverage in the quarter. On a sequential basis, revenue and net earnings increased 13% and 59%, respectively.

Bookings increased 40% over last year to $1.9 billion and were up 9% sequentially. For the third consecutive quarter, bookings improved in all segments on both a year-over-year and a sequential basis. Book-to-bill finished at 1.08.

Segment operating margin for the quarter was 16.9%, up 560 basis points. Year-over-year margins increased significantly at all segments, most notably at Electronic Technologies and Industrial Products. For the second consecutive quarter each segment posted sequential margin expansion. These results reflect strong conversion on volume and the benefits of our productivity initiatives. I'm gratified to see how well our companies have converted volume to earnings.

In the second quarter we generated free cash flow of $184 million, representing 12% of revenue. I remain confident that full-year free cash flow will be at least 10% of revenue. Our acquisition pipeline has become more active as we continue to look for opportunities which complement our strong positions and diversify our geographic footprint. We closed two small deals in the second quarter totaling $10 million. However, we remain confident we will complete some larger strategic add-ons as the year unfolds.

Before I turn the call over to Brad, I wanted to let you know that we moved to our new corporate headquarters in the Chicago suburbs in May. I'm excited to finally have our segment and corporate leadership under one roof. I am convinced that we will derive many benefits from being together, including better communication and collaboration.

With that, to Brad.

Brad Cerepak - *Dover Corporation - VP- Finance, CFO*

Thanks, Bob; good morning, everyone. I would like to cover our second-quarter segment performance and then discuss some additional financial information.

Starting on slide five, as Bob mentioned, sequential revenue increased 13% across Dover, reflecting solid demand on top of normal seasonality. This performance was strong across all our segments. Revenue grew 19% sequentially in both Engineered Systems and Electronic Technologies, while Industrial Products and Fluid Solutions' sequential revenue growth was 8% and 6%, respectively.

From a bookings perspective, we saw sequential gains at all four segments. Also of note, booking trends were relatively stable throughout the quarter. From a geographic revenue perspective, Asia was our fastest-growing region with a growth rate of 51%. North America grew at 29%, while Europe was up 14% and Latin America was up 20%.

Turning to slide six, Industrial Products posted revenue of $462 million and $62 million of earnings, an increase of 21% and 142%, respectively. This strong earnings performance was a result of increased volume, the benefits of our prior restructuring efforts and one-time gains of $4.1 million, including the sale of a facility. Bookings were $512 million, an increase of 38%, resulting from modestly improving trends in our Material Handling platform. Book-to-bill for the quarter was 1.11.

Industrial Products' quarterly operating margin was 13.3%, up 670 basis points from last year and 140 basis points sequentially. Adjusted segment margin was 12.2% excluding the one-time gains. Again, our earlier right-sizing actions continue to put this segment in a strong position to leverage any market recovery.

With respect to our Material Handling platform, sales increased 40% to $214 million. Earnings improved tenfold, driven by increased activity across most end markets with the notable exception of residential construction. Platform results were positively impacted by a $3.4 million gain on the previously mentioned facility sale. In total, Material Handling's margins were up 1300 basis points absent the one-time gain.

For the quarter, bookings were $224 million, an increase of 77% over last year and 10% sequentially, yielding a book-to-bill of 1.04. North American nonresidential construction trends continued to show modest improvement.

With respect to our Mobile Equipment platform, sales were $249 million, up 8% from last year, and earnings increased 22%. Margins increased 170 basis points, capitalizing on improving automotive service markets and restructuring actions and business integrations completed in 2009. Bookings were $289 million, an increase of 17% over the prior year. Sequentially, bookings increased 25%, aided by a large military order at Sargent. We still anticipate a slow recovery in the commercial aerospace, boat trailer and refuse vehicle markets, but expect our military and petroleum trailer markets to show improvement.

Turning to slide seven, at Engineered Systems sales were $577 million, an increase of 23%, and segment earnings increased 47% to $85 million. Bookings were $602 million, an increase of 29% over the prior year, resulting in a book-to-bill of 1.04. The year-over-year growth in revenue is largely attributable to strength from Product ID and Hill PHOENIX. For the quarter, operating margin was 14.7%, a 240-basis-point improvement over last year and a 340-basis-point improvement sequentially.

With respect to our Product Identification platform, Markham-Imaje continued to benefit from strong demand in Asia and Latin America, driven by fast-moving consumer goods and markets. Second-quarter sales were $220 million, an increase of 14%. Year-over-year earnings increased 50% and margins increased 470 basis points. Book-to-bill was 1.02. As we exit the quarter, we expect these end markets to remain healthy.

Moving to Engineered Products, this platform posted an increase of revenue of 30% to $358 million, and earnings increased 36%, resulting in margin expansion of 60 basis points over last year and 420 basis points sequentially. Excellent margin expansion at Hill PHOENIX was partially offset by material cost escalation and product mix at SWEP. Barker and Tyler provided acquisition revenue of $39 million in the quarter. Engineered Products bookings were $379 million, an increase of 46% over the prior-year period, for a book-to-bill of 1.06. This seasonal improvement is largely driven by strong remodel activity at Hill PHOENIX, which ended the quarter with a book-to-bill of 1.11. Although the fourth quarter will soften, as per its normal seasonal pattern, we expect Engineered Products to have a strong third quarter.

Moving to slide eight, at Fluid Management, revenue increased 37% to $404 million, while earnings increased 73% to $96 million. Bookings were $418 million, an increase of 43% from the prior year, resulting in a book-to-bill of 1.04. Second-quarter operating margin was 23.8%, a 500-basis-point expansion over last year and an increase of 100 basis points sequentially. End markets continue to be solid in this segment.

With respect to our Energy platform, revenue increased 56% to $216 million, while earnings doubled. Margin improved 700 basis points from the prior-year period on significantly higher volume, driven by an expanding North American rig count, continued penetration of horizontal drilling and the benefits of productivity. Quarterly bookings increased 70% year-over-year to $226 million. Book-to-bill was 1.05, reflecting solid dynamics in most served end markets. Looking forward to the next two quarters, we anticipate North American rig count will remain stable.

Moving to Fluid Solutions, this platform generated revenue of $188 million, an increase of 20%. Earnings increased 36%, resulting in a 260-basis-point margin improvement. Bookings increased to 20% year-over-year to $192 million. We are seeing the continuation of modest but broad improvement in most of this platform's served markets.

Now turning to slide nine, Electronic Technologies revenue was $346 million, an increase of 41% over 2009. The majority of end markets in this segment were up significantly year-over-year with continuing strong demand for electronic assembly equipment, solar equipment and MEMS microphones. Earnings were $60 million, three times better than the $18 million earned last year. Operating margin was 17.2%, driven by significantly higher volume and strong conversion on an improved cost base. Bookings were $394 million, up 62% over last year and 10% sequentially. Book-to-bill continues to be strong at 1.14.

Our electronic assembly equipment companies posted a 90% jump in revenue year-over-year and continue to see an improving order book for the fourth consecutive quarter. In fact, order rates increased 20% sequentially. Second-quarter book-to-bill for this group of companies was 1.32. We expect a favorable climate in electronic assembly markets to continue in the near-term.

Lastly, our communication component companies posted another solid quarter, primarily reflecting strength at Knowles and increased demand at telecom infrastructure markets. Bookings continued to be solid with a book-to-bill of 1.03.

Having reviewed the segments, I now would like to briefly provide some additional financial data. Moving to slide 10, second-quarter net interest expense of $27 million was up $2 million(Sic-see presentation slides) from last year, and in line with our full-year guidance. This result reflected low returns on invested balances. Our net debt to total capitalization was 18.1%, largely unchanged from year-end 2009.

Turning to taxes, our second-quarter tax rate was 29.2%, and our year-to-date rate is 30.1%. We still expect the normalized full-year rate to be in the range of 29% to 30%, excluding discrete tax items. Corporate expenses for the second quarter were $32 million, up $3 million from last year, primarily due to increased deal expenses.

Turning to slide 11, as we discussed, second-quarter revenue and bookings were quite strong for us. Accordingly, we have raised our full-year outlook. We now expect full-year revenue growth excluding acquisitions to be in the range of 13% to 15%. Let me take a minute to talk about the revenue range by segment.

We now expect Industrial Products and Engineered System revenue should increase 7% to 9%, and Fluid Management's revenue growth should be in the range of 17% to 20%. Lastly, Electronic Technologies should sharply grow revenue at the high 20% level. Further, we expect acquisition growth to be roughly 3%, bringing our full-year range to 16% to 18%. Based on these revised revenue expectations, we are now forecasting full-year 2010 EPS to be in the range of $3.05 to $3.25.

Now let's go to the full-year earnings bridge on slide 12. Volume is the primary driver of the increased earnings. Volume, product mix and pricing should improve earnings $0.98 to $1.15. This compares favorably to our previous range of $0.56 to $0.80. Restructuring and productivity continue to be a big driver of EPS growth in 2010. This is primarily due to the absence of restructuring costs, carryover benefits and savings from our supply chain initiatives.

Our acquisitions continue to perform at a high level and now will deliver $0.12. Lastly, compensation expense and the tax rate impact is a function of our improved revenue and earnings forecast.

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

Bob Livingston - *Dover Corporation - President and CEO*

Thanks, Brad. I'm pleased with our very strong performance in the first half of this year, especially with regard to revenue and bookings growth, conversion and operating margin. We expect to see a solid third quarter on the strength of our bookings and backlog. Although the fourth quarter should be seasonally softer than the third, we fully expect to finish the year in a strong form.

I am continually encouraged by the many positive developments around Dover, several of which are related to product innovation, market expansion activities and customer service. I am particularly excited about the rapidly growing solar equipment business at DEK and the recent design wins at Knowles. I've also taken note of several instances where our growth has significantly outpaced the growth rate of our end markets, especially at companies like Hill PHOENIX, US Synthetic, Heil Environmental, Markham-Imaje and SWEP. These companies have had great success expanding their share through strong customer focus and investing in the right products.

I've also been encouraged by the modest end market improvement seen in Industrial Products, which bode well for the future.

Lastly, our global supply chain initiative is slightly ahead of pace and is now forecasted to achieve $35 million of savings in 2010.

In closing, I'd like to commend everyone at Dover for all their efforts and contributions to a very solid first half of 2010. With that, I'll turn it back to Paul for questions.

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

Thanks, Bob. At this point I'll turn the call back over to Melissa. And I'd just like remind you before I do so that we would ask you to ask one question with a follow-up so we can take as many questions as possible. Thanks again for your cooperation, and Melissa, please compile the questions.

QUESTIONS AND ANSWERS

Operator

(Operator instructions) Jeff Sprague, Vertical Research Partners.

Jeff Sprague - *Vertical Research Partners - Analyst*

Thanks very much; just a couple quick questions, first on Hill PHOENIX. Can you give us a little bit more specific color on how that business performed in the quarter in terms of year-over-year revenue growth and orders?

Bob Livingston - *Dover Corporation - President and CEO*

Well, maybe Brad can comment on the orders. Our book-to-bill was, again, quite positive for the quarter, Jeff. Organic revenue growth at Hill PHOENIX was 15%, 15.5% -- very strong quarter for Hill PHOENIX. And I guess I would want to comment, as I -- as I comment on organic growth rate at Hill PHOENIX, part of that also reflects the ability we have to rapidly respond to some quick delivery needs of our customers in the second quarter, and, Jeff, that reflects the decision we made last year to actually expand some manufacturing capacity at Hill PHOENIX.

Jeff Sprague - *Vertical Research Partners - Analyst*

Great, thank you. And then, Bob, just on the purchasing initiative, the fact that you're running ahead -- is that indication just of good execution, or is the target looking bigger, therefore implying maybe there's more out in '11 and '12 than you thought?

Bob Livingston - *Dover Corporation - President and CEO*

We have not publicly changed our target run rate. We've said for the past four or five quarters now, Jeff, that we expect to exit this year at a run rate of savings of $75 million to $100 million. We will update you on a future look towards that at Dover Day in November. And, with respect to the increased savings, the guys -- the teams, the folks are executing very well.

Operator

Terry Darling, Goldman Sachs.

Terry Darling - *Goldman Sachs - Analyst*

Thanks; well done, gentlemen, quite possibly the best quarter across our coverage here relative to expectations, congratulations.

Bob Livingston - *Dover Corporation - President and CEO*

Thank you very much.

Brad Cerepak - *Dover Corporation - VP- Finance, CFO*

Thank you, Terry.

Terry Darling - *Goldman Sachs - Analyst*

I think one of the things that surprised me about the forward commentary is that you're really not looking for organic to tail off very much in the back half, and I'm wondering if you can talk about the pieces of the puzzle there. Presumably, Electronic Technologies does tail off. I was expecting Industrial and Engineered Systems to tail off as well. Maybe that's where your outlook is moving up the curve, but maybe you could just take us through the pieces there on the back half organic.

Bob Livingston - *Dover Corporation - President and CEO*

Let's start at the top line and look at our guidance numbers. If you look at the second half, the midpoint as we are looking at organic growth for the second half to be about 13%, when you do the math. That compares to organic growth in the first half of about 16%.

Terry Darling - *Goldman Sachs - Analyst*

Right, so not a lot of degradation there.

Bob Livingston - *Dover Corporation - President and CEO*

Not a lot -- well, not a lot of degradation, and a little bit more of a difficult comp, Terry.

Terry Darling - *Goldman Sachs - Analyst*

Yes, but obviously -- you should look at some of the other companies. You are coming down from low-double digits, upper singles, down into the mid to low. So --

Bob Livingston - *Dover Corporation - President and CEO*

And again, it's a little bit more of a difficult comp against the second half of last year. And, when you look across the business, and look at the four segments, your comment or assumption is right on Electronic Technologies. Sort of look at Electronic Technologies as being somewhat flat for the second half of the year. But, we do expect to continue to see some traction at Engineered Systems and Industrial Products. Within Fluid Management, we --

Terry Darling - *Goldman Sachs - Analyst*

I'm sorry, Bob. Your Electronic Technologies organic for the back half is flat year-over-year?

Bob Livingston - *Dover Corporation - President and CEO*

Second half revenue would be flat with the first half.

Terry Darling - *Goldman Sachs - Analyst*

With the first half? Okay. You're talking absolute dollars now?

Bob Livingston - *Dover Corporation - President and CEO*

Absolute dollars, yes. We don't have any acquisition activity within Electronic Technologies to speak about.

Within Fluid Management we do expect the Energy business to be somewhat flat, both revenue and earnings, in the second half of the year versus the first half. But we do expect to continue to see some growth in Fluid Solutions.

Terry Darling - *Goldman Sachs - Analyst*

On the segment margin for the Company overall, almost 17%, recognizing it's your seasonally strongest quarter there -- but I think you talked about a longer-term goal of trying to get to that level exiting 2011. And so, on the back of Jeff's question, maybe the bar is moving a little bit higher here. How should we think about structural margin opportunities as we look longer-term, relative to your prior comments of trying to get that to 17%? We're kind of already there.

Bob Livingston - *Dover Corporation - President and CEO*

Well, I wouldn't change the comment that I shared with you in April. I think, longer-term, we do expect our operating margins to be 17%-plus, 17% and a fraction. I think it's a product of three or four things that we are focused on. One is, the supply chain initiative will benefit that. The additional productivity initiatives will obviously help that. I think a continued focus and a growing focus on product development and geographic expansion is going to help the top line. That will flow eventually into margins, Terry. We are trying to expand the business.

Operator

Wendy Caplan, SunTrust.

Wendy Caplan - *SunTrust - Analyst*

Thanks, good morning. As we look at your working capital in the quarter and the first half, it looks fairly well-controlled in the face of this strong demand that we've been talking about. Could you talk about your metrics there, whether you're targeting specific improved metrics, and where is the focus at this point?

Bob Livingston - *Dover Corporation - President and CEO*

Well, we're -- like anything else, we're always striving for continuous improvement in working capital, not unlike any other part of the business. And the focus, as you know, Wendy, for the last four or five years has been to get working capital below 20%. I think in the first half we were in the 18% range, feel very positive about that. We think we have some additional opportunities to bring it down. We have not set a different formal target, and that's something we're looking at here over the next couple of months.

Wendy Caplan - *SunTrust - Analyst*

Okay, and the cash that that generates in terms of improving working capital -- can you talk about -- you mentioned acquisitions at your -- you have a high level of confidence in them going forward. Can you give us a little color in terms of what you're looking at relative to the characteristics in terms of size, location, segment and multiples that you're seeing at this point, please?

Bob Livingston - *Dover Corporation - President and CEO*

Whoa, do we have a half an hour? Let me comment -- you made a comment about the focus on working capital and cash that it generates. I just want to point out, Wendy, that in the first half, especially in the second quarter with our 12% cash flow, 12% of revenue, I'll tell you I think the benefit in the first half has come as much from margin expansion as it has from working capital focus. Not that we haven't made some strides in working capital, but the margin expansion has a significant impact on that number as well.

Our areas of focus have not changed from the message we shared with investors and analysts at Dover Day last November. The bulk of our capital deployment in M&A, we still believe, is going to be focused in the area of refrigeration equipment, Energy, Fluid Solutions, especially pumps, communication components and Product ID. And, again, I feel like I'm on a repeating needle here, but if we look at the acquisitions we made last year, they fall squarely into those five categories. The two small acquisitions we made in the second quarter fall directly into those five categories, and the areas that we are looking at that are in our current pipeline today are also in those five spaces.

Wendy Caplan - *SunTrust - Analyst*

And the ones that you have in the pipeline -- are they -- can you speak to the size of those and location as well as what multiples seem to be doing?

Bob Livingston - *Dover Corporation - President and CEO*

Multiples aren't that much different than what we were seeing in the first quarter, perhaps even in the fourth quarter of last year. You look at -- it depends on the business, it depends on the growth rate that you have with the opportunity. But I would say that EBITDA multiples are in the, let's call it the 7, plus or minus 1. If the earnings are depressed, you may end up seeing a little bit higher multiple on the earnings, but on an ongoing basis, the business [will performing], we are seeing EBITDA of 7, 7.5, plus or minus 1.

Operator

John Inch, Banc of America/Merrill Lynch.

John Inch - *Banc of America/Merrill Lynch - Analyst*

This year's, good morning, everyone. I just want to go back to the speaker prior to Wendy. I think his opening comments were, you guys were expecting to have very strong organic growth in the back half, and he thought it was going to taper off. I actually have a different view. It strikes me that 13% to 15% is calling for a fairly significant deceleration of back-half organic growth. I know, Bob, you've referenced seasonality. I guess I just don't --

If you look at your overall level of activity, right, since the recession of 2008, volumes are really depressed. Are comps really the way to look at this? Why shouldn't we begin to see a continuation of the improving trend that should lead into the second half, regardless of the comps?

Bob Livingston - *Dover Corporation - President and CEO*

Okay, I'm not sure even what the question was, John.

John Inch - *Banc of America/Merrill Lynch - Analyst*

Why are you being so conservative on your organic growth? You're referencing traditional seasonal, and I'm arguing volumes are really, really depressed, regardless of the comps. That's all I'm asking.

Bob Livingston - *Dover Corporation - President and CEO*

Number one, I'll tell you I don't think we are being conservative on the organic growth. If you look at the guidance that we're providing now for the year, and compare that to what we were looking at 90 days ago, or on the April call -- Brad has probably got a more specific number -- but we've actually increased our revenue outlook for the second half by about $300 million in revenue.

When you do your year-over-year comps and look at organic growth, the numbers change a bit because we started to see the pickup in the second half of last year. The second half -- our outlook right now for the second half is that the revenue is going to be a little bit higher than it was in the first half on a sequential basis.

Brad Cerepak - *Dover Corporation - VP- Finance, CFO*

John, if you recall, too, with this second half, when we were on the call last time, we were thinking about low, mid-single digits growth rate. And now, we've increased that quite substantially to this, as Bob indicated, a 13% organic growth rate. So again, from first have to second half, 16% in the first half to 13% in the second half, pretty sizable move in the second half from where we were.

Bob Livingston - *Dover Corporation - President and CEO*

And, John, sitting here today, we've got pretty good visibility for the third quarter. And I would share with you for everyone that the order rates in July continue to hold up quite well, not any different than what we saw or expected, anticipated, in the second quarter. The fourth quarter always is a little bit of a concern for me, just because of the seasonality pushes and pulls that we see, most notably at Hill PHOENIX, and some of the normal seasonality that we typically see within Electronic Technologies, especially the electronic assembly equipment.

Brad Cerepak - *Dover Corporation - VP- Finance, CFO*

One other way to think about it, John, would be, second quarter into third, we would expect that -- our third quarter to look a lot like the second quarter. And so, from a sequential point of view, if you just think sequentially for a second, we would expect our revenue and orders to maintain that pace of the second quarter into the third and then, as Bob said, seasonally adjusted in the fourth.

John Inch - *Banc of America/Merrill Lynch - Analyst*

That's actually helpful. The comp and benefit increase which you reference as a function of the improved revenue and earnings -- is that a headwind in the second half, or has that been absorbed as a run rate from the second quarter?

Brad Cerepak - *Dover Corporation - VP- Finance, CFO*

It has been absorbed at this point.

John Inch - *Banc of America/Merrill Lynch - Analyst*

Okay, that's all I have. Thanks much.

Operator

Nigel Coe, Deutsche Bank.

Nigel Coe - *Deutsche Bank - Analyst*

I just want to echo John's comments there about second-half revenues. If you take the high end of your guidance range, the sequential second half [is a] first half increase, it's about 2%. I think that's towards the lower end of where you've been historically. So it does appear that you are factoring -- you're not factoring in much additional momentum from second quarter, certainly. So, anyway --

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Bob Livingston - *Dover Corporation - President and CEO*

I don't disagree with the math.

Nigel Coe - *Deutsche Bank - Analyst*

Okay, great. So I think you mentioned $35 million of cost savings this year from the procurement program. Is that correct?

Bob Livingston - *Dover Corporation - President and CEO*

Yes.

Nigel Coe - *Deutsche Bank - Analyst*

What is the net number? Because, obviously, you've made some investments in the first half of the year. What is the net number? Where does that stand right now?

Bob Livingston - *Dover Corporation - President and CEO*

My goodness, do you have that answer, Brad? The net is positive --

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Brad Cerepak - *Dover Corporation - VP- Finance, CFO*

-- probably on the order of magnitude of $0.05.

Bob Livingston - *Dover Corporation - President and CEO*

-- $0.05, yes.

Nigel Coe - *Deutsche Bank - Analyst*

$0.05, okay. And, if I'm correct, you turned positive for the first time in 3Q?

Bob Livingston - *Dover Corporation - President and CEO*

I'm sorry, Nigel, repeat?

Nigel Coe - *Deutsche Bank - Analyst*

So, you go from a net investment to net benefits, from 2Q to 3Q, so 2Q is a net drag?

Bob Livingston - *Dover Corporation - President and CEO*

(multiple speakers) correct, yes.

Nigel Coe - *Deutsche Bank - Analyst*

Okay, great, just wanted to make sure that was the case. So basically, we are going from a net of 15 to 20 to somewhere in the region of 75 to 100 in 2011?

Bob Livingston - *Dover Corporation - President and CEO*

Correct.

Nigel Coe - *Deutsche Bank - Analyst*

Okay, great, just wanted to make sure that was the case. And, secondly, the strength in Fluid Management really surprised me to the upside. I think rig counts were q-over-q, which is normal as the Canadian rig count --

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Bob Livingston - *Dover Corporation - President and CEO*

No, no; let me correct that, Nigel. When you look at the average rig count, the average deployed rig count in the first quarter versus the second quarter, there's actually a slight increase in the second quarter. Second quarter was up 4% or 5% or 6% over the first quarter.

Nigel Coe - *Deutsche Bank - Analyst*

In the US, or North America?

Bob Livingston - *Dover Corporation - President and CEO*

No, this is North America.

Nigel Coe - *Deutsche Bank - Analyst*

North America, okay.

Bob Livingston - *Dover Corporation - President and CEO*

Now, if you look at March 31 to June 30, there is a decline, if you look at the quarter end number. But if you look at the average for the first quarter versus the second quarter, the second quarter was up slightly.

Nigel Coe - *Deutsche Bank - Analyst*

Okay, I'm getting bad data from my oil and gas guy. Okay, so any impact whatsoever, be it positive or negative, from what's gone on in the Gulf?

Bob Livingston - *Dover Corporation - President and CEO*

I would just say, no impact.

Nigel Coe - *Deutsche Bank - Analyst*

No impact whatsoever? Great. Can you maybe just make some comments on pricing, what you've seen in terms of pricing and what you're assuming for the rest of the year?

Bob Livingston - *Dover Corporation - President and CEO*

Well, we spent some time talking about this on the April call. And I will tell you that I think I expressed this and I know I felt it -- a little bit more concerned on the April call on commodity price spread pressure and the need to push through some price increases in the second and third quarters. As we wrap up the second quarter, our concerns on the price management spread is much less than it was 90 days ago. We've seen some declines in some of the base metal cost during the quarter. I think the -- Brad is going to correct me here if I'm wrong, but I think the number we shared with you in April was that we were looking at almost a 100-basis-point headwind on gross margin, on what we call the price/cost management spread. And that headwind today, I would say, is --

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Brad Cerepak - *Dover Corporation - VP- Finance, CFO*

About half.

Bob Livingston - *Dover Corporation - President and CEO*

-- is sub 50 points.

Brad Cerepak - *Dover Corporation - VP- Finance, CFO*

Yes, it's about half.

Bob Livingston - *Dover Corporation - President and CEO*

Actually, we feel that the pricing issue is being well-managed.

Brad Cerepak - *Dover Corporation - VP- Finance, CFO*

And that's really for the two reasons Bob mentioned. One is the stabilization on the commodities, especially steel, and then our teams are doing a much better job executing on our price, and so think about it as catching the curve faster than we anticipated last time as well.

Nigel Coe - *Deutsche Bank - Analyst*

And, Brad, that 50 BPS you're seeing on the price/cost, the management -- have you seen some of that already, or was that all to come through in the second half of the year?

Brad Cerepak - *Dover Corporation - VP- Finance, CFO*

It's actually mostly in the first half of the year.

Nigel Coe - *Deutsche Bank - Analyst*

Oh, great -- fantastic, thanks, guys.

Brad Cerepak - *Dover Corporation - VP- Finance, CFO*

I just want to correct one statement back to the supply chain. When you are thinking 15 to -- 15 net to 75 net, there is going to be some cost carry into next year. So -- but, Paul can get with you on that and make sure you have the cost numbers as we're thinking about it, again (inaudible) $75 million.

Operator

Scott Davis, Morgan Stanley.

Scott Davis - *Morgan Stanley - Analyst*

Hi, good morning, guys. I want to talk a little bit about a couple small issues. One, understanding the -- I think this is the second quarter in a row you've talked about [remote] remodel programs at Hill PHOENIX. What's the traditional trend here? Has this lasted a year? You have pent-up demand? Or 18 months and then it goes back to more normalized growth rates, or is there some -- any kind of historical precedence to this type of remodel program? How should we think about forward outlook?

Bob Livingston - *Dover Corporation - President and CEO*

I guess maybe I'd have to start first by sort of looking at a historical perspective here. If you look at the grocery store case and systems business, probably up until 2007 it was about 60% new store construction and about 40% remodel. So over the last two to three years, that ratio has flipped. It's now, I would say, roughly 60% remodel and 40% new store construction, primarily because the new store construction has flattened out and dropped so much over the last two or three years.

Cycles -- you have to -- you look at the product life of these cases, and it's, depending upon the retailer, they view the product life to be in the five, six or seven-year range. They may get moved out quicker than that if there's a strong shift in a merchandising change or whatever. But, the typical life of the case is five to seven years, and that's what we're dealing with.

Now, there was a little bit of deferred spending during maybe the second half of '08 and the first part of '09, and maybe there's a little bit of a catch-up in that area right now. I think the other thing you're seeing in this market space is a rather significant CapEx program at Target. I don't remember the exact numbers, but I think they're looking at remodeling 300 or 400 stores this year and a similar number next year.

Scott Davis - *Morgan Stanley - Analyst*

Okay, so there's actually some visibility into 2011?

Bob Livingston - *Dover Corporation - President and CEO*

That's a big number.

Scott Davis - *Morgan Stanley - Analyst*

Yes; I know, it's a huge number. That's kind of why I asked. I want to move over to Brad, and one of the things that -- it's been pretty clear some of the initiatives you've been working on have been yielding really nice results. But one of the areas that is not quite as clear is processes around M&A. Historically, Dover had a very good track record and then had -- did a couple of maybe ill-advised transactions. And then it's been a little bit slow in the last few years. Tyler was a fantastic deal, but there hasn't been a lot of other things I can think of, off the top of my head.

How -- has there been any changes, Brad, in how you guys are approaching M&A to filter targets and think about increasing the hit rate?

Brad Cerepak - *Dover Corporation - VP- Finance, CFO*

Well, I guess I'm actually going to turn it back to Bob, because I -- as you know, I've been here a year, so I can't really comment on what our processes were like with these, as you term, maybe less-than-desirable acquisitions in the past versus where we are today.

But my comment would be, our internal process is very robust in terms of how we look at it, our package, our thought process, our focus on where we want to invest our capital and the returns we are looking for from those businesses, both in terms of on a base core business as well as through our synergy activities.

Bob, do you want to comment?

Bob Livingston - *Dover Corporation - President and CEO*

I think -- number one, you said activity has been a bit lower of late, over the last couple years. And my sense is, that has probably been true across the board in the industrial space.

Scott Davis - *Morgan Stanley - Analyst*

Oh, it is, yes.

Bob Livingston - *Dover Corporation - President and CEO*

We clearly have made some changes over the last couple of years. And I'd start first by just pointing out the areas that we've shared with you that we're focused on, the five primary end markets that we have shared with you.

The second thing -- it is rather glaring that, when you look at the properties, the opportunities that have been in our pipeline over the past 12 to 18 months, less than 10% of them have been what I would call a marketing process or an auction. Nine out of ten have been direct, I call it proactive target opportunities where we've either gone to the owner or the owner has approached us after years of getting to know them. And that's rather different from what we were seeing in the '05, '06, '07 and '08 time frame, when it seemed like two thirds of the properties we were looking at in our pipeline were auction processes.

Scott Davis - *Morgan Stanley - Analyst*

Yes, for sure --

Bob Livingston - *Dover Corporation - President and CEO*

Now, I happen to think that's going to change a little bit here over the next 12 to 18 months. I think we will see a lot of companies, a lot of owners, whether they be private equity shops or corporate owners or private owners, start to move some of the opportunities through an auction process. But over the last 12 months, that has not been the case.

We clearly have been focused on add-ons, okay (multiple speakers)

Scott Davis - *Morgan Stanley - Analyst*

Well, I'll break the rules and add another follow-on question. I mean, it just appears -- I mean, it sounds encouraging when you talk to all of these private guys, how much of a catalyst is the eventual increase in capital gains tax? And I would just imagine that there could be a rush of transactions that could get done before tax increases eventually go through. Is that just me --

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Bob Livingston - *Dover Corporation - President and CEO*

I would agree (multiple speakers)

Scott Davis - *Morgan Stanley - Analyst*

Hoping, or is that real?

Bob Livingston - *Dover Corporation - President and CEO*

I would agree with you.

Scott Davis - *Morgan Stanley - Analyst*

Okay, all right, well that's it; thanks, guys.

Operator

Alex Blanton, Ingalls & Snyder.

Alex Blanton - *Ingalls & Snyder - Analyst*

I'd like to ask a general question, rather than focusing on individual units, although I do commend you, you provided an awful lot of detail in breaking down the Company. But looking forward at the end of this year -- and it does seem as if the total revenue is going to flatten out, according to your guidance, and then looking at 2011, what concerns you the most in the global outlook, global economic outlook? What bothers you? What are you worried about?

Bob Livingston - *Dover Corporation - President and CEO*

I suspect my response is very similar to what you are receiving from other folks that you ask that question of, Alex. It's, what is the GDP forecast and outlook for not only the US, but Europe, but the Asian economy, especially China? We think we are well positioned for some of the -- to participate and capture some business in the emerging economies, especially China and Latin America. But what's going to happen? 55%, 60% of our business is still here in North America (inaudible) and the US GDP forecast for next year, what we are actually going to see is a concern.

And, will the consumer return to the table, and is there eventually going to be some type of housing recovery that we'll start to see in 2011? I think those are the major questions that we wrestle with.

Alex Blanton - *Ingalls & Snyder - Analyst*

Okay. Do you have any comment on where you might be going in 2011 with your results, or is it too early to tell?

Bob Livingston - *Dover Corporation - President and CEO*

Well, we'll share some commentary around 2011 at Dover Day, like we did last year.

Alex Blanton - *Ingalls & Snyder - Analyst*

Okay, thank you.

Operator

Steve Tusa, JP Morgan.

Steve Tusa - *JP Morgan - Analyst*

I'm not going to ask you for 2011 guidance, but I just wanted to maybe clarify, I think Nigel was talking a little bit about this -- just some of the puts and takes into next year, so what you have as far as what you spent in restructuring this year or what kind of benefits you have from sourcing next year. If you could just walk through some of the what I would call non-fundamental items, not really giving us incremental guidance, but what just carries over into next year, compensation expense, anything like that that carries over into next year -- sourcing benefits or -- I don't know; I just wanted to get a clearer picture of the moving parts.

Bob Livingston - *Dover Corporation - President and CEO*

The only thing that I would label as incremental based upon what we've shared so far would be around the supply chain. And again, we've not updated, nor we -- we haven't changed the number we've been sharing for the last few quarters, is that we anticipate exiting the year with supply chain savings run rate of $75 million to $100 million. What we are telling you now is that, of that range of $75 million to $100 million, we're going to capture $35 million of that this year.

Compensation change next year -- it's going to be incremental, based upon volume and earnings.

Steve Tusa - *JP Morgan - Analyst*

Right, so in other words, in a flat kind of volume environment, maybe a little bit of forex headwind. But other than that, you have still a nice bump from supply chain benefits?

Bob Livingston - *Dover Corporation - President and CEO*

Yes. We continue to look for productivity opportunities, but they are going to be -- I think they're going to be measurable, but they're not going to be as significant as we would sit here and talk about supply chain right now.

Steve Tusa - *JP Morgan - Analyst*

Okay. In electronics, what gives you guys the confidence that this cycle is different than last few mini-cycles where things boom for a couple quarters and then they roll over? Are you booked in your cap equipment business, not necessarily Knowles, but in your cap equipment business? Are you booked through year end? What kind of visibility do you have, and how does that compare to prior cycles?

Bob Livingston - *Dover Corporation - President and CEO*

Well, as Brad shared with you in his commentary, for the electronic -- let's put the component companies aside, just refer to the electronic -- those three companies in electronics assembly -- DEK and Everett Charles and OK. Second quarter was the fourth consecutive quarter of a rising order book. That's important to note, Steve.

That one -- that is a little bit different than, I call it the past couple what I call short uptick cycles; four quarters in a row of a rising order book. Your question -- are we loaded, are we -- is our backlog -- is our production schedule filled now through year end? No, but there aren't a lot of open slots. It is, especially with DEK and Everett Charles, it is pretty loaded for the third quarter, and October looks pretty strong right now. But we are not yet taking orders where we have to tell the customer it's going to be a January and February delivery date. We may be taking orders for January and February to the customer request delivery then, but we are not forcing it to January and February.

Steve Tusa - *JP Morgan - Analyst*

And since Scott took another question, I'll take one more. Your portfolio has gone through a very positive facelift over the last few years. Is there anything -- you talked about ramping up the M&A a bit -- anything left to sell here? Are there any ongoing

-- is there an ongoing evaluation of the portfolio that you are willing to maybe take some cash off the table and redeploy elsewhere?

Bob Livingston - *Dover Corporation - President and CEO*

Yes, that's possible, over the next couple of years. And the evaluation of the portfolio is something -- we don't do it every day, but we sit and look at it two or three times a year. And I think there is a high likelihood that there will be a little bit of shaping over the next couple of years with respect to divestiture activity. There is nothing in process. We do not have a marketing process underway on any property in Dover, any of the operating companies. And I suspect you are going to see a -- most of the focus on M&A is going to be around the current strong market positions we have, and the next -- I think the shaping on the M&A is going to be around performance and not changing the outlook of the portfolio or the profile of the portfolio; it's going to be around performance.

Operator

Scott Gaffner, Barclays Capital.

Scott Gaffner - *Barclays Capital - Analyst*

Good morning, good quarter. Just looking at the organic growth guidance, I think the one thing that struck me as being the most favorable would be the Industrial Products change in organic guidance, up to 7% to 9% from 1% to 4% before. I thought maybe you could just give us a little bit more detail. I think you called out Heil Environmental in your comments, but maybe anything else that's changed to improve the guidance there?

Bob Livingston - *Dover Corporation - President and CEO*

Again, you look at the commentary around the second quarter, and you will see a fairly significant recovery in the second quarter in our material handling companies. We had a very solid performance in Mobile Equipment but a very strong recovery in Material Handling. And I think the markets that we are playing in with Industrial Products, with the exception, with the very notable exception of residential construction, are going to -- are going to be flat to positive during the next two quarters and over -- perhaps even -- maybe even two or three quarters.

You mentioned specifically Heil Environmental. Actually, we like what's going on at Heil with respect to business activity and how they are participating in their end market. But I do need to point out that that business is actually going to be one of the few businesses that's going to be down in 2010 versus 2009, and that it is a result of the end market. The end market activity in the refuse market is a little lighter this year than it was in 2009.

Scott Gaffner - *Barclays Capital - Analyst*

And then, just looking at the margins there, even if you exclude the gain that you had in the quarter, low 12% margin, you are starting to get back to 2008 levels. Can you just walk us back through the capacity that you took out in the segment in the downturn and where do you think margins could get to in a higher sales environment, this time around, with maybe lower capacity?

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Bob Livingston - *Dover Corporation - President and CEO*

Oh, gosh, my first response to your capacity question was that the takeout was significant. I cannot sit here and recall all of that, but the takeout of capacity across the board at Industrial Products is rather significant.

If you look at margin expansion at Industrial Products, the outlook for the balance of the year, we actually have raised not only their revenue outlook, their organic growth rate. What we have embedded in our outlook is a 1-point improvement in their operating margin from what we were looking at nine days ago. Nine days ago we were giving some guidance, it was around an 11-point operating margin at Industrial Products, and now we are looking at a very solid 12%.

Going forward, the way you could look at this is, as we get some volume increase through the Industrial Products product mix and portfolio, look at the follow-through. The conversion here should be 20%, 28%, 30%, 31%. Make your guesses on the revenue, but I think it's a safe number to use on conversion (multiple speakers) -- for Industrial Products, for Industrial Products.

Scott Gaffner - *Barclays Capital - Analyst*

Right, and then just lastly, any change on operating margin targets just for 2010 and on the rest of the segments?

Bob Livingston - *Dover Corporation - President and CEO*

No, no change.

Scott Gaffner - *Barclays Capital - Analyst*

Thanks, good quarter.

Operator

That was our final question.

Bob Livingston - *Dover Corporation - President and CEO*

Thank you very much -- go ahead.

Operator

I'm sorry; I was just turning it back to you all for closing remarks.

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

Yes, thank you very much. This concludes our conference call. With that, we thank you for your interest in Dover, and we look forward to speaking to you at the end of the third quarter. Thanks a lot.

Operator

Thank you' this concludes today's second quarter 2010 Dover Corporation earnings conference call. You may now disconnect your lines at this time, and have a wonderful day.