



# Dover Corporation Fourth Quarter 2005 Conference Call Presentation

January 27, 2006

9:00 a.m. Eastern



# Forward Looking Statements

We want to remind everyone that our comments 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 10K for a list of factors that could cause our results to differ from those anticipated in any such forward looking statements.

We would also direct your attention to our internet site, [www.dovercorporation.com](http://www.dovercorporation.com), where considerably more information can be found.

# Dover Corporation Fourth Quarter 2005 Results from Continuing Operations

	<u>Q4 2005</u>	<u>Q4 2004</u>	<u>% Change</u>
Revenue	\$1,613.6	\$1,355.6	19%
EBT	\$166.4	\$116.2	43%
Net Earnings	\$125.1	\$96.3	30%
EPS	\$0.61	\$0.47	30%
Bookings	\$1,689.5	\$1,330.5	27%
Backlog	\$1,276.5	\$996.0	28%

- Record revenue, bookings and backlog
- Knowles and Colder acquisitions lowered EPS \$.02 for the quarter after purchase accounting charges and assumed interest.
- Restructuring of \$10 million in Electronics/Technologies segments.



# Dover Corporation 2005 Results from Continuing Operations

	<u>2005</u>	<u>2004</u>	<u>% Change</u>
Revenue	\$6,078.4	\$5,217.1	17%
EBT	\$643.6	\$528.7	22%
Net Earnings	\$474.5	\$394.2	20%
EPS	\$2.32	\$1.92	21%
Bookings	\$6,332.0	\$5,387.6	18%
Backlog	\$1,276.5	\$996.0	28%

- Record revenue, bookings and backlog
- Highest Income and EPS since 2000
- Restructuring of \$15 million, primarily in Technologies and Electronics segments.

(\$ in millions except per share figures)

# Dover Diversified

(\$ in millions)	<u>Q4 2005</u>	<u>Q4 2004</u>	<u>% Change</u>	<u>FY 2005</u>	<u>FY 2004</u>	<u>% Change</u>
<b>Revenue</b>	<b>\$182.0</b>	<b>\$152.4</b>	<b>19%</b>	<b>\$749.1</b>	<b>\$602.4</b>	<b>24%</b>
<b>Income</b>	<b>\$20.8</b>	<b>\$15.4</b>	<b>35%</b>	<b>\$87.3</b>	<b>\$69.4</b>	<b>26%</b>
<b>Op. Margin</b>	<b>11.4%</b>	<b>10.1%</b>		<b>11.7%</b>	<b>11.5%</b>	

## Quarter

- Industrial Equipment: Revenue +21%; Income + 19%
  - Revenues grew on strong aerospace and construction equipment markets
  - Earnings impact reduced by mixed performance in the automotive and powersports markets.
- Process Equipment: Revenue + 19%; Income +28%
  - Oil and Gas and HVAC markets drove revenue growth
  - Pricing adjustments, productivity gains, and higher volume resulted in positive leverage.

## Full Year

- Record sales, earnings and bookings
- Margins fell slightly due to material cost increases, a weak powersports market, and a less favorable product sales mix.

## 2006

- Record backlog and favorable sales comparisons in both groups, coupled with a focus on metric performance suggest that positive trends should continue in 2006.



# Dover Electronics

(\$ in millions)	<u>Q4 2005</u>	<u>Q4 2004</u>	<u>% Change</u>	<u>FY 2005</u>	<u>FY 2004</u>	<u>% Change</u>
<b>Revenue</b>	<b>\$212.2</b>	<b>\$134.7</b>	<b>57%</b>	<b>\$621.6</b>	<b>\$473.8</b>	<b>31%</b>
<b>Income</b>	<b>\$19.5</b>	<b>\$10.5</b>	<b>86%</b>	<b>\$49.3</b>	<b>\$41.1</b>	<b>20%</b>
<b>Op. Margin</b>	<b>9.2%</b>	<b>7.8%</b>		<b>7.9%</b>	<b>8.7%</b>	

## Quarter

- Components: Revenue + 89%; Income + 464%
  - Knowles and Colder acquisitions drove revenue and operating income growth
- Commercial Equipment: Revenue -10%; Income -17%
  - ATM business rebounded from the disruption caused by Hurricane Katrina in Q 3 2005, but revenue lagged last year.

## Full Year

- Margin improvement in core components businesses resulting from cost improvements and efficiency gains.
- Problem areas in 2004, MPG and CPG, saw significant improvement in 2005.
- Commercial Equipment margins down on flat sales due to higher costs for business development, product development, growth initiatives and the damage and disruption to the ATM business caused by Hurricane Katrina.

## 2006

- Strong order backlog, 2005 acquisitions and progress made in 2005 on cost rationalization and organic growth initiatives suggest further growth in 2006.

# Dover Industries

(\$ in millions)	<u>Q4 2005</u>	<u>Q4 2004</u>	<u>% Change</u>	<u>FY 2005</u>	<u>FY 2004</u>	<u>% Change</u>
<b>Revenue</b>	<b>\$214.2</b>	<b>\$203.4</b>	<b>5%</b>	<b>\$847.3</b>	<b>\$773.4</b>	<b>10%</b>
<b>Income</b>	<b>\$30.1</b>	<b>\$22.7</b>	<b>32%</b>	<b>\$106.1</b>	<b>\$88.7</b>	<b>20%</b>
<b>Op. Margin</b>	<b>14.0%</b>	<b>11.2%</b>		<b>12.5%</b>	<b>11.5%</b>	

## Quarter

- Mobile Equipment Group: Revenue +13%; Income +102%
  - Revenues increased driven by strong military shipments and continued strength in the oil field industry.
  - Earnings more than doubled driven by volume and reduced administrative costs.
  - Recognized a gain of \$1 million on the sale of retail facility.
- Service Equipment Group: Revenue -6%; Income -16%
  - Continued weakness in the automotive service industry contributed to the volume shortfall although market shares increased.
  - Earnings were negatively impacted by the revenue decline, poor product mix, and closing costs associated with a facility shutdown.

## Full Year

- Revenue increases across Industries were primarily driven by strong military shipments, along with pricing to cover material cost increases.
- Income grew sequentially all year.

## 2006

- Back log and overall market conditions point to revenue, earnings and margin growth.

# Dover Resources

(\$ in millions)	<u>Q4 2005</u>	<u>Q4 2004</u>	<u>% Change</u>	<u>FY 2005</u>	<u>FY 2004</u>	<u>% Change</u>
<b>Revenue</b>	<b>\$410.0</b>	<b>\$345.9</b>	<b>19%</b>	<b>\$1,579.3</b>	<b>\$1,287.6</b>	<b>23%</b>
<b>Income</b>	<b>\$67.8</b>	<b>\$51.0</b>	<b>33%</b>	<b>\$264.3</b>	<b>\$206.5</b>	<b>28%</b>
<b>Op. Margin</b>	<b>16.5%</b>	<b>14.7%</b>		<b>16.7%</b>	<b>16.0%</b>	

## Quarter

- Oil and Gas Equipment Group: Revenue + 43%; Income +53%
  - Positive impact of global energy demand, lagging effect of hurricanes, and world politics.
  - Capacity improvements added during 2005
- Material Handling Group: Revenue: +8%; Income + 4%
  - Lower margins reflect capacity expansions, and realignment costs.
  - Automotive market is slowing.
  - Strong construction, crane, aerial lift, military, and petroleum markets.
- Fluid Solutions Group: Revenue +13%; Income + 41%
  - Strong market conditions in refining, petrochemical, and transportation markets; especially rail transportation.
  - Retail fueling markets slowed in fourth quarter.

## Full Year

- Record sales, earnings, margins, bookings, backlog, inventory velocity, capital investment, and cash flow.
- Most markets served were strong the entire year with the exception of automotive and retail fueling markets, which slowed in the fourth quarter

## 2006

- Strength in energy markets and operational improvements should result in another strong year.



# Dover Systems

(\$ in millions)	<u>Q4 2005</u>	<u>Q4 2004</u>	<u>% Change</u>	<u>FY 2005</u>	<u>FY 2004</u>	<u>% Change</u>
<b>Revenue</b>	\$174.7	\$167.6	4%	\$705.4	\$619.4	14%
<b>Income</b>	\$21.9	\$22.9	-4%	\$100.1	\$73.5	36%
<b>Op. Margin</b>	12.5%	13.7%		14.2%	11.9%	

## Quarter

- Food Equipment: Revenue +6%; Income -3%
  - Margin decrease reflects infrastructure costs to support anticipated revenue growth.
  - Revenue down 20% sequentially due to seasonal downturn in Food Equipment.
- Packaging Equipment: Revenue +1%; Income -7%
  - Revenue were up slightly as a strong quarter in can necking and trimming equipment, up 9%, offset by lower sales of packaging closure equipment due to softness in their markets.
  - Packaging margins decreased by 200 basis points as a result of volume reductions in packaging closure business and product mix.
- Bookings were up 8% with an increase in year-end backlog of 40%.

## Full Year

- Double digit sales and earnings increases in both groups led by strong performances in supermarket equipment and can necking and trimming equipment.

## 2006

- Strong backlogs in both segments entering the year.

# Dover Technologies

(\$ in millions)	<u>Q4 2005</u>	<u>Q4 2004</u>	<u>% Change</u>	<u>FY 2005</u>	<u>FY 2004</u>	<u>% Change</u>
<b>Revenue</b>	<b>\$423.8</b>	<b>\$353.9</b>	<b>20%</b>	<b>\$1,586.6</b>	<b>\$1,469.9</b>	<b>8%</b>
<b>Income</b>	<b>\$42.5</b>	<b>\$22.1</b>	<b>92%</b>	<b>\$163.7</b>	<b>\$159.6</b>	<b>3%</b>
<b>Op. Margin</b>	<b>10.0 %</b>	<b>6.3%</b>		<b>10.3%</b>	<b>10.9%</b>	

## Quarter

- Circuit Assembly & Test (CAT): Revenue +21%; Income +80%
  - Strong fourth quarter when compared to prior year. Fourth quarter downturn of 2004 did not reoccur in 2005.
  - Strong bookings going into 2006 with a fourth quarter book to bill ratio of 1.05 and backlog at \$145 million.
  - Sequentially, revenue down 3% with earnings down 13% before one time restructuring charges of \$6.4 million. Sequential bookings growth of 13%.
- Product Identification & Printing (PIP): Revenue + 18%; Income +16%
  - Datamax accounted for a substantial portion of the revenue and earnings growth.
  - New product roll outs continue to gain traction as all regions reported above market growth.
  - Printing products results reflect uneven market demands.

## Full Year

- Revenue, income and margins trended upward sequentially during the year for both groups, with a modest, seasonal fourth quarter decline.
- End-market challenges and restructuring charges impacted results.

## 2006

- Backend semiconductor market outlook and strong bookings and backlog suggest a positive first quarter.



# Acquisitions & Divestitures

## ■ Acquisitions

- 10 companies acquired for \$1.1 billion
- Expected to add approximately \$500 million of annualized sales at 20% operating margins
- Added \$209.3 million in revenue for the year and \$123.7 million for the quarter. Net EPS impact was neutral for the year and (\$0.03) for the quarter.

## ■ Divestitures

- Sold 4 companies for \$159.3 million with a net gain of \$0.31EPS
- Aggregate annualized revenue from all discontinued operations, including the 4 sold, was \$271.5 million which reduced continuing operations EPS by \$0.04

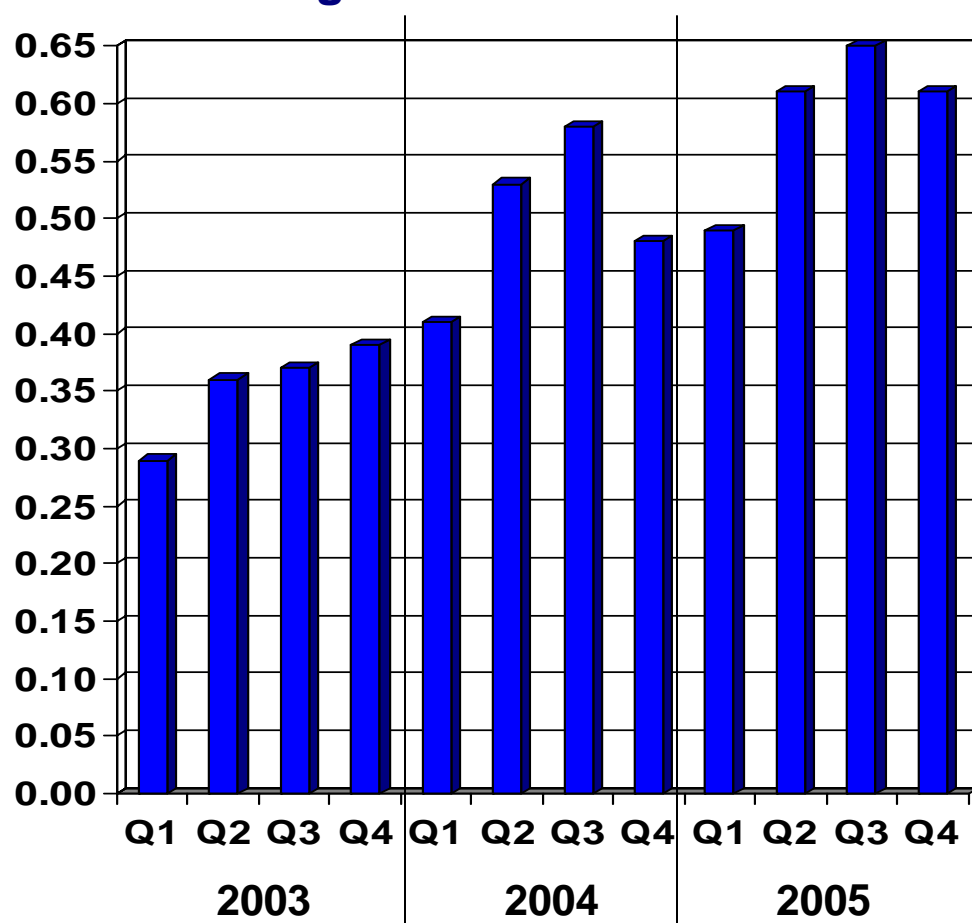
# Fourth Quarter Overview

- **Revenue Growth**

	<u>Current Quarter</u>	<u>Full Year</u>
□ Organic Growth	10.5%	8.2%
□ Acquisitions	10.6%	8.1%
□ Currency Translation	-2.1%	.2%
Total	19%	16.5%
  
- **Free Cash Flow (defined as Cash from operations less Capex)**
  - Full year: 8.4% of revenue
  - YTD Capital Expenditures: up \$49.6 million (+48%) over prior year
  - Pension Plan Contributions: \$18 million (Knowles Plan)
  
- **Net Debt to Capital Ratio**
  - Currently 28.8%, up from prior year at 19.7%
  - Increase reflects level of acquisition spending
  
- **Effective Tax Rate (ETR)**
  - Fourth quarter: 24.8% vs. 17.1% prior year due to prior year retroactive R&D credit and current year tax issue settlement benefits.
  - Full Year: 26.3% vs. 25.4% prior year
  - Full Year reflected \$25.5 million of benefits related to favorable conclusion of tax issues, offset by \$12.6 million provision related to the repatriation of \$373.7 million of foreign dividends.
  - Before repatriation, full year ETR was 24.3%.
  - 2006 rate expected to be between 28% and 30%.
  
- In October, Dover issued \$300 million of 10 year notes at 4.875% and \$300 million of 30 year debentures at 5.375% to pay down CP outstanding.

# Dover's 2005 Performance

## Earnings Per Share Performance



## 2005 Highlights

- Sales of \$6.1B; +17%  
Record Revenue
- EPS of \$2.32; +21%  
2nd Highest in History
- Acquisitions - \$1.1 B  
New Markets - Higher Growth
- Solid Organic Growth of 8%
- Margins Improving

## Performance Counts

