DOVER CORP
Form 10-K
February 28, 2007

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

þ	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the fiscal year ended December 31, 2006**
	OR
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the transition period from to**

Commission File No. 1-4018

Dover Corporation
(Exact name of Registrant as specified in its charter)

Delaware *(State of Incorporation)*	**53-0257888** *(I.R.S. Employer Identification)*
280 Park Avenue, **New York, NY** *(Address of principal executive offices)*	**10017** *(Zip Code)*

(Registrant s telephone number)
(212) 922-1640

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, par value $1	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12-b-2 of the Securities Exchange Act.

Large accelerated filer þ Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Securities Exchange Act). Yes o No þ

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The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant as of the close of business June 30, 2006 was $10,010,284,222. The registrant s closing price as reported on the New York Stock Exchange-Composite Transactions for June 30, 2006 was $49.43 per share.

The number of outstanding shares of the registrant s common stock as of February 22, 2007 was 204,703,863.

Documents Incorporated by Reference:

Part III Certain Portions of the Proxy Statement for Annual Meeting of Stockholders to be Held on April 17, 2007 (the 2007 Proxy Statement).

Special Notes Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Such statements relate to, among other things, income, earnings, cash flows, changes in operations, operating improvements, industries in which Dover companies operate and the U.S. and global economies. Statements in this Form 10-K that are not historical are hereby identified as forward-looking statements and may be indicated by words or phrases such as anticipates, supports, plans, projects, expects, believes, should, would, could, ho management is of the opinion, use of the future tense and similar words or phrases. Forward-looking statements are subject to inherent uncertainties and risks, including among others: increasing price and product/service competition by foreign and domestic competitors including new entrants; the impact of technological developments and structural market changes on Dover companies, particularly the companies in Dover s Electronics and Technologies segments; the ability to continue to introduce competitive new products and services on a timely, cost-effective basis; changes in the cost or availability of raw materials, particularly metal; changes in customer demand; the extent to which Dover companies are successful in expanding into new geographic markets, particularly outside of North America; the relative mix of products and services which impacts margins and operating efficiencies; short-term capacity restraints; the achievement of lower costs and expenses; domestic and foreign governmental and public policy changes including environmental regulations and tax policies (including domestic and foreign export subsidy programs, R&E credits and other similar programs); unforeseen developments in contingencies such as litigation; protection and validity of patent and other intellectual property rights; the success of the Company s acquisition program; the cyclical nature of the business of some of Dover s companies; the impact of natural disasters, such as hurricanes; global energy markets; and continued events in the Middle East and possible future terrorist threats and their effect on the worldwide economy. In addition, such statements could be affected by general industry and market conditions and growth rates, and general domestic and international economic conditions including interest rate and currency exchange rate fluctuations. In light of these risks and uncertainties, actual events and results may vary significantly from those included in or contemplated or implied by such statements. Readers are cautioned not to place undue reliance on such forward-looking statements. These forward-looking statements speak only as of the date made. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

The Company may, from time to time, post financial or other information on its Internet website, www.dovercorporation.com. The Internet address is for informational purposes only and is not intended for use as a hyperlink. The Company is not incorporating any material on its website into this report.

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PART I

Item 1. *Business*

Overview

Dover Corporation (Dover or the Company), incorporated in 1947 in the State of Delaware, became a publicly traded company in 1955. It is a diversified industrial manufacturing corporation encompassing operating companies that manufacture a broad range of specialized industrial products and components as well as sophisticated manufacturing equipment, and seek to expand their range of related services, consumables and wear parts sales. Additional information is contained in Items 7 and 8.

The Company reports its results in six reportable business segments Diversified, Electronics, Industries, Resources, Systems and Technologies, and discusses their operations in 13 groups, which are each comprised of two or more business units. Diversified builds products for use in the defense, aerospace and automotive aftermarket industries, heat transfer equipment, specialized bearings, construction and agricultural cabs, as well as color measurement and control systems for printing presses. Electronics designs and manufactures a wide variety of electronic and electromechanical components for original equipment manufacturers (OEMs) serving numerous end markets including hearing aids, telecom infrastructure and cell phones, defense and aerospace electronics, and medical/life sciences. In addition, this segment manufactures ATM hardware and software for retail applications and financial institutions, and chemical proportioning and dispensing systems for janitorial/sanitation applications. Industries produces equipment and components for use in waste handling, bulk transport and automotive service industries. Resources manufactures products primarily for the petroleum and natural gas, automotive fueling, fluid handling, engineered components, material handling and chemical equipment industries. Systems manufactures refrigeration systems, display cases, walk in coolers, food service cooking equipment and other products for the supermarket/restaurant industries. In addition, this segment manufactures specialized machinery for use in the beverage and food processing industries. Technologies builds sophisticated automated imaging and testing equipment for the electronics industry, and industrial printers and consumables for coding and marking.

Business Strategy

The Company operates with certain fundamental strategies. First, it seeks to acquire and own businesses with proprietary, engineered industrial products which make them leaders in the niche markets they serve. To ensure success, Dover companies place emphasis on new product development to better serve customers and expansion into new markets to serve new customers. Second, it expects these businesses to be committed to operational excellence and all of Dover s operating companies are expected to be market leaders as measured by market share, customer service, innovation, profitability and return on invested capital. Third, the Company is committed to a highly autonomous operating culture with high ethical standards, trust, respect and open communication, to allow individual growth and operational effectiveness.

Management Philosophy

The Company practices a highly decentralized management style. The presidents of the operating companies, within the 13 groups, are given a great deal of autonomy and have a high level of independent responsibility for their businesses and their performance. This is in keeping with the Company s operating philosophy that independent operations are better able to serve customers by focusing closely on their products and markets, and reacting quickly to customer needs. The Company s executive management role is to provide management oversight, allocate and manage capital, assist in major acquisitions, evaluate, motivate and, as necessary, replace operating company management, and also provide selected other services.

Acquisitions

Dover has a long-standing acquisition program that seeks to acquire and develop platform businesses that are market leaders as measured by market share, customer service, innovation, profitability and return on invested capital. Ideal acquisition candidates are generally manufacturers of high value-added, engineered products sold to a broad customer base of industrial or commercial users. One of the most critical factors in the decision to acquire a business is the Company s judgment of the skill, energy, ethics and compatibility of the top executives at the acquisition target. In keeping with the Company s decentralized structure, Dover generally expects that acquired companies will continue to be operated by the management team in place at acquisition, with a high degree of autonomy. During the period from 2004 through 2006, the Company significantly increased the level of acquisition spending, buying 25 businesses with an aggregate cost of $2,709.0 million. Annualized revenue of these companies were $1,600.0 million as of their date of acquisition with projected annualized operating margins in the range of 15%. Dover also changed its focus towards acquiring fewer larger businesses with better growth characteristics.

The Company has traditionally focused on acquiring new businesses that can operate independently from other Dover companies (stand-alones). Beginning in 1993, the Company began increasing the number of add-on businesses it acquired businesses that could be added on to existing Dover companies. In recent years, including 2006, the Company has indicated an intention to buy larger stand-alones, while continuing to acquire add-on businesses to enhance companies already owned.

In 2004, the Company acquired eight add-on businesses for an aggregate cost of $502.5 million. During 2005, the Company acquired a total of ten businesses (eight add-ons) for an aggregate cost of $1,089.7 million. In 2006, Dover acquired seven companies (five add-ons) for an aggregate cost of $1,116.8 million, the highest annual acquisition investment level in its history.

For more details regarding acquisitions completed over the past two years, see Note 3 to the Consolidated Financial Statements in Item 8. The Company s future growth depends in large part on finding and acquiring successful businesses, as a substantial number of the Company s current businesses operate in relatively mature markets. While the Company expects all of its businesses to generate annual organic growth of 5 7% over a business cycle, sustained organic growth at these levels is difficult to achieve consistently each year.

Divestitures

While the Company generally expects to hold businesses that it buys, it periodically reassesses its portfolio of businesses to verify that those businesses continue to be essential contributors to Dover s long-term growth strategy. The Company will strategically divest operations that cannot meet Dover s long-term performance goals. In addition, on occasion, there are situations in which one of Dover s companies is a very attractive acquisition for another company based on specific market conditions. In those circumstances, Dover might make an opportunistic sale. Based on these criteria, the Company has over the past six years discontinued 38 and sold 32 operations for an aggregate pre-tax consideration of approximately $1,066 million.

In 2005, the Company announced a formal portfolio review, which was substantially completed in 2006, resulting in the discontinuance of 20 businesses, of which 14 were sold by December 31, 2006. These actions have resulted in aggregate pretax consideration of $605.2 million received for the businesses sold, which had annualized revenue of approximately $1,055 million with approximately 5% operating margins. This process has improved the Company s focus on key markets for long-term growth.

For more details, see the Discontinued Operations discussion below and Note 8 to the Consolidated Financial Statements in Item 8.

Reportable Segments

The Company reports its results in six segments and discusses their operations in 13 groups. The segment structure is primarily based on markets served and allows the management of each segment to focus its attention on particular markets, to provide oversight capacity to acquire additional businesses and to foster leadership development. Below is a listing of each segment and the descriptions of each group therein. For additional financial information about Dover s reportable segments, see Note 14 to the Consolidated Financial Statements in Item 8 of this Form 10-K.

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Diversified

Industrial Equipment

The Industrial Equipment group produces parts for vehicle markets, including boats, construction equipment, automotive, powersports, aerospace and commercial airlines. Specifically, it fabricates operator cabs and rollover structures for sale to OEM manufacturers in the construction, agriculture, and commercial equipment markets, and it produces standard and custom high volume sheet metal enclosures for the electronics, telecommunications and electrical markets. In addition, the group sells internal engine components and other engine accessories to the motorsport and powersport markets that include high performance racing vehicles, motorcycles, all-terrain vehicles, snowmobiles and watercraft. Products include forged and cast pistons, and connecting rods along with their complementary components, including piston rings, bearings, gaskets, and a variety of other internal valve train and engine components. The Industrial Equipment group also designs, manufactures, maintains and refurbishes fluid control assemblies and structural components for the global aerospace and U.S. defense industries, selectively supporting the full product life cycle from the original design and build through the aftermarket. It specializes in complex fluid control assemblies with typical end-use applications such as submarines, aircraft control systems and engine thrust reverser systems, land and amphibious utility vehicle actuation systems, helicopter rotary systems, engine pneumatic ducting and cooling systems, aircraft environmental control systems, and general airframe and engine components. The businesses share common customers throughout the commercial aerospace and defense industries and sell directly to their end users: OEMs, airlines and government agencies.

Process Equipment

The Process Equipment group designs and manufactures copper-brazed compact heat exchangers, including heat exchangers and design software for district heating and district cooling substations; bearings for certain rotating machinery applications, including turbo machinery, motors and generators for use in the energy, industrial, utility, naval and commercial marine industries. These product lines include polymer, ceramic and magnetic designs for specific customer applications, as well as hydrodynamic bearing design applications. In addition, the group manufactures color measurement and control systems for printing presses for the catalog, book, publication and newspaper printing markets.

The Diversified segment has operations and manufacturing facilities in North America, Europe and Asia, and its products are sold primarily in the Americas and Europe.

Electronics

Components

The Components group designs and manufactures advanced micro-acoustic components, precision frequency control, sensor and hybrid product components and assemblies; provides quick disconnect couplings for use in a broad range of fluid applications; and designs and manufactures specialty ceramic, high-voltage and high-frequency capacitors and RF and microwave filters, switches and integrated assemblies.

Specifically, the group designs and manufactures miniaturized transducers and electromechanical components for use in hearing aids, cell phones and high-end headsets, frequency control products including crystal oscillators, frequency translators, clock and data recovery products, SAW filters, and hybrid circuits for use in numerous telecom infrastructure systems, defense and aerospace electronics and other industrial applications. The quick disconnect couplings are used by OEMs serving the industrial, biopharmaceutical, life sciences, chemical and printing markets.

Specialty ceramic capacitor products include single, multi-layer, variable capacitors as well as custom assemblies and planar arrays sold to customers in the communications, defense and aerospace, medical and automotive markets.

Commercial Equipment

The Commercial Equipment group manufactures a line of ATM machines and chemical and solvent proportioning and dispensing systems. The ATM business provides hardware, software and services for retail and financial institution customers and its machines are found in banks, credit unions, major retail chains,

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convenience stores, airports, hotels, office buildings, restaurants, shopping centers, supermarkets and casinos. The proportioning and dispensing systems are used to dilute and dispense concentrated chemicals and solvents used by restaurants, hospitals, schools, universities and other large institutions and building service contractors for janitorial/sanitation and equipment maintenance applications.

Electronics products are sold to OEMs and their manufacturing service providers in North America, Europe and Asia by direct sales as well as through an extensive network of independent representatives. Electronics products are manufactured in the U.S., Canada, the Dominican Republic, Brazil, Europe and Asia.

Industries

Mobile Equipment

The Mobile Equipment group manufactures a wide variety of refuse collection bodies (refuse trucks), tank trailers, including aluminum, stainless steel and steel trailers, that carry petroleum, chemical, edible, dry bulk and waste products, including specialty trailers focused on the heavy haul, oil field and recovery niches, and waste processing equipment. Specifically, these products include manual and automated side loaders, front loaders, rear loaders and a variety of recycling units and container lifts for the refuse collection industry as well as for commercial and industrial applications. They are sold to municipal customers, national accounts and independent waste haulers through a network of distributors and directly in certain geographic areas. The waste processing equipment products include self-contained compactors, stationary compactors, vertical balers, and recycling equipment including conveyor systems, horizontal auto-tie, two ram, and shear balers. The baling equipment is sold primarily in the U.S. to distribution centers, malls, stadiums, arenas, hotels/motels, warehouses, office complexes, retail stores, and environmental businesses. The tank trailers are marketed globally to customers in the construction, trucking, railroad oil field, towing and recovery, and heavy haul industries, as well as to various government agencies.

Service Equipment

The Service Equipment group manufactures vehicle service lifts, vehicle wash systems, and vehicle collision measuring and repair systems, including frame pulling equipment, computerized measuring equipment, frame specifications, and vehicle inspection products. The vehicle service lifts are sold through equipment distributors to a wide variety of markets, including independent service and repair shops, national chains and franchised service facilities, new car and truck dealers, national and local governments, and government maintenance and repair locations worldwide. The group s vehicle wash systems are sold primarily in the U.S. and Canada to major oil companies, petroleum dealers and jobbers, as well as to investors, and sales are made through distributors throughout the world who install the equipment and provide after-sale service and support. The vehicle collision repair and measuring equipment is marketed worldwide in over 45 countries throughout Europe, Asia and the Americas, utilizing distributors.

The Industries segment has operations and manufacturing facilities in North and South America, Asia and Europe.

Resources

Fluid Solutions

The Fluid Solutions group manufactures pumps and compressors for the transfer of liquid and gas products; supplies engineered products, including valves, electronic controls, loading arms, swivels, and couplings; produces vehicle fuel dispensing products; and produces a wide range of air-operated double-diaphragm pumps. The pumps and compressors are used in a wide variety of markets, including the refined fuels, LPG, pulp and paper, wastewater, food/sanitary, military/marine, transportation, and chemical process industries. The pump technologies include positive displacement, sliding vane and eccentric disc pumps in addition to centrifugal process pumps. Its compressor technologies include reciprocating, rotary vane, and screw compressors. The engineered products are used for the transfer, monitoring, measurement, and protection of hazardous, liquid and dry bulk commodities in the chemical, petroleum and transportation industries.

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The fuel dispensing products offer an extensive line of conventional, vapor recovery, and Clean Energy (LPG, CNG, and Hydrogen) nozzles, swivels and breakaways, as well as a tank pressure management system. The Fluid Solutions group provides a complete line of environmental products for both aboveground and underground storage tanks, suction system equipment, flexible piping, and secondary containment systems. It also offers an array of tire inflation and vacuum systems, as well as unattended fuel management, integrated tank monitoring, and Point-of-Sale card systems. The double-diaphragm pumps are made of a variety of metals and engineered plastics. These pumps are used in a broad variety of fluid transfer applications in general industrial, process industry, and specialized chemical, pharmaceutical and food processing applications.

Material Handling

The Material Handling group manufactures and sells a variety of modular automation and workholding components; highly engineered welded hydraulic cylinders, custom hydraulic swivels, and electric slip rings, worm gear and planetary winches; worm gear and planetary hoists; traction (constant pull) winches; rotation drives and speed reducers; capstan drives; high capacity bumper/winch packages; electronic monitoring systems and other related products; and a full line of off-road equipment and accessories that enhance the performance of four-wheel-drive (4WD) vehicles, ATVs and utility vehicles; and a variety of attachments and replacement parts that increase the utilization and productivity of light and heavy mobile equipment serving multiple segments of the construction and utility markets. Modular automation and workholding products include manual toggle clamps, pneumatic, electric and hydraulic power clamps, automation shuttles and lifters, grippers, rotaries, slides, end-effectors, servo-controlled linear actuators, and other end of robot arm devices. The welded hydraulic cylinders are used for work platform, aerial utility truck, material handling, construction, and mining industry OEMs throughout North America. The winch related products primarily serve the construction, marine, lumber, railroad, refuse, petroleum, military towing, recovery, and utility markets, through OEMs and an extensive dealer network. The products related to off-road equipment include recreational winches, winch mounts, 4WD hubs and other accessories. The group also markets and serves electric and hydraulic hoists to commercial and industrial customers around the world and provides a range of patented, technologically advanced 4WD and all-wheel drive powertrain systems to automotive OEMs around the world, but primarily in North America. The construction and utility attachments and replacement parts include: mobile shears, concrete demolition tools, buckets, backhoes, trenchers, augers, customized excavator booms, excavator conversion packages, buckets and couplers for excavators and wheel loaders, grapples, mulchers and power rakes, among others. These construction attachments are used in broad segments of the construction, utility, demolition, recycling, material handling and forestry markets.

Oil and Gas Equipment

The Oil and Gas Equipment group manufactures products that primarily serve the upstream oil and gas exploration and production industries, including polycrystalline diamond cutters used in drill bits; sucker rods and accessories; precision quartz-resonator pressure transducers for downhole data collection; natural gas wells production control devices; various control valves, butterfly valves, and control instrumentation primarily for oil and gas production applications; piston rings, seal rings, engineered valves, packings and various other replacement parts and components for compressors used in the natural gas production and distribution markets, as well as in the petrochemical and petroleum refining industries; and compressor repair services through company owned service centers.

Resources products are sold to OEMs directly, and to other markets through a global network of distributors, primarily in North America, Europe and Asia. Its products are manufactured in North America, South America, Europe and Asia.

Systems

Food Equipment

The Food Equipment group manufactures refrigeration systems, display cases, walk-in coolers and freezers, electrical distribution products, and provides engineering services for sale to the supermarket industry, as well as to commercial/industrial refrigeration, big box retail and convenience store customers. In addition, the group manufactures commercial foodservice cooking equipment, cook-chill production systems, refrigeration products, custom food storage and preparation products, kitchen ventilation, air handling systems and conveyer systems. The commercial foodservice cooking equipment products serve the institutional and commercial foodservice markets worldwide through a network of dealers, distributors, national chain accounts, manufacturer representatives, and a direct sales force, with the primary market being North America.

Packaging Equipment

The Packaging Equipment group manufactures high-speed trimming, necking, bottom reforming, re-profiling, and flanging equipment for the beverage can-making industry. It also develops and manufactures a wide variety of packaging machines that employ a clip as the means of flexible package closure, and bowl chopping machines. In addition, the group designs and manufactures shaping, bottom rim coating, and inspection equipment as enhancements to its core product line and high-speed trimming and burnishing equipment for the plastic container industry, with an emphasis on containers for dry foods, condiments and specialty beverages. The packaging machines and clips are sold worldwide primarily for use with meat, poultry and other food products.

The Systems segment manufacturing facilities and distribution operations are in North America and Europe, with additional distribution facilities in South America and Asia.

Technologies

Automation and Measurement

The Automation and Measurement group (A&M) manufactures equipment and consumable products related to the imaging, test and repair of printed circuit boards and semiconductor packages used in computers, automotive applications, consumer electronics, space, telecommunications, medical systems, and aircraft.

Product Identification

The Product Identification group (PI) is a worldwide supplier of industrial marking and coding systems. Its primary printing products are used for marking variable information (such as date codes or serial numbers) on consumer products. It provides a broad array of printing technologies, including Continuous Ink Jet (CIJ), Thermal Transfer Overprint (TTO), Direct Thermal, laser and Drop on Demand (DOD). PI provides solutions for product marking on primary packaging, secondary packaging such as cartons, and pallet marking for use in warehouse logistics operations. PI also manufactures bar code printers and portable printers used where on demand labels/receipts are required . The markets served by PI include food, beverage, cosmetics, pharmaceutical, electronics, automotive and other markets where variable marking is required.

The Technologies segment has operations and manufacturing facilities in North America, Europe and Asia and sales operations globally.

Discontinued Operations

Companies that are considered discontinued operations in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, are presented separately in the consolidated statements of operations, balance sheets, and cash flows and are not included in continuing operations. Earnings from discontinued operations include charges, when necessary, to reduce these businesses to estimated fair value less costs to sell. Fair value is determined by using quoted market prices, when available, or other accepted valuation techniques. All interim and full year reporting periods presented reflect the discontinued operations discussed below on a comparable basis. Please refer to Note 8 to the Consolidated Financial Statements in Item 8 of this Form 10-K for additional information.

Raw Materials

Dover s operating companies use a wide variety of raw materials, primarily metals and semi-processed or finished components, which are generally available from a number of sources. As a result, shortages or the loss of any single supplier have not had, and are not likely to have, a material impact on operating profits. In 2004, there

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were meaningful increases in raw material costs, particularly steel, and higher energy costs, including an estimated increase in unrecovered steel costs of approximately $35 million. These increases primarily affected the Company s industrial segments. In 2005 and 2006, the impact of commodity prices moderated and the operating companies have been able to substantially offset cost increases with surcharges and price increases over time.

Research and Development

Dover s operating companies are encouraged to develop new products as well as to upgrade and improve existing products to satisfy customer needs, expand revenue opportunities domestically and internationally, maintain or extend competitive advantages, improve product reliability and reduce production costs. During 2006, $155.0 million was spent on research and development, including qualified engineering costs, compared with $149.6 million and $133.8 million in 2005 and 2004, respectively.

For the Technologies and Electronics companies, efforts in these areas tend to be particularly significant because the rate of product development by their customers is often quite high. Electronics companies developing specialty electronic components for the life sciences, datacom and telecom commercial markets believe that their customers expect a continuing rate of product performance improvement and reduced costs. The result has been that product life cycles in these markets generally average less than five years with meaningful sales price reductions over that time period.

Dover s other segments contain many businesses that are also involved in important product improvement initiatives. These businesses also concentrate on working closely with customers on specific applications, expanding product lines and market applications, and continuously improving manufacturing processes. Most of these businesses experience a much more moderate rate of change in their markets and products than is generally experienced by the Technologies and Electronics businesses.

Intellectual Property and Intangible Assets

Dover companies own many patents, trademarks, licenses and other forms of intellectual property, which have been acquired over a number of years and, to the extent relevant, expire at various times over a number of years. A large portion of the Dover companies intellectual property consists of patents, unpatented technology and proprietary information constituting trade secrets that the companies seek to protect in various ways, including confidentiality agreements with employees and suppliers where appropriate. In addition, a significant portion of the Company s intangible assets relate to customer relationships. While the Dover companies intellectual property and customer relationships are important to their success, the loss or expiration of any of these rights or relationships, or any groups of related rights or relationships, would not materially affect the Company on a consolidated basis. The Company believes that its companies commitment to continuous engineering improvements, new product development and improved manufacturing techniques, as well as strong sales, marketing and service efforts, are significant to their general leadership position in the niche markets that they serve.

Seasonality

In general, operations of the Dover companies, while not seasonal, tend to have stronger revenue in the second and third quarters, particularly companies serving the consumer electronics, transportation, construction, waste hauling, petroleum, commercial refrigeration and food service markets. Companies serving the major equipment markets, such as power generation, chemical and processing industries, tend to have long lead times geared to seasonal, commercial or consumer demands, and tend to delay or accelerate product ordering and delivery to coincide with those market trends.

Customers

Dover s companies serve thousands of customers, no one of which accounted for more than 10% of the Company s consolidated revenue in 2006. One customer within the Systems segment accounted for approximately 20% of Systems revenue during 2006. Within each of the other five segments, no customer accounted for more than 10% of that segment s revenue in 2006.

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The Components group within the Electronics segment serves the military, space, aerospace, commercial and datacom/telecom infrastructure markets. Its customers include some of the largest operators in these markets. In addition, many of the OEM customers of the Components group outsource their manufacturing to Electronic Manufacturing Services (EMS) companies. Customers of the A&M group within the Technologies segment also include many of the largest global EMS companies, particularly some of the newer EMS companies in China, and major printed circuit board and semi-conductor manufacturers.

In the other Dover segments, customer concentrations are quite varied. Companies supplying the hearing aid, cell phone, telecom, automotive and commercial refrigeration industries tend to deal with a few large customers that are significant within those industries. This also tends to be true for companies supplying the power generation, aerospace and chemical industries. In the other markets served, there is usually a much lower concentration of customers, particularly where the companies provide a substantial number of products and services applicable to a broad range of end use applications.

Backlog

Backlog generally is not a significant long-term success factor in most of Dover s businesses, as most of the products of Dover companies have relatively short order-to-delivery periods. It is more relevant to those businesses that produce larger and more sophisticated machines or have long-term government contracts, primarily in the Diversified segment, as well as the Mobile Equipment group within the Industries segment, the A&M group within the Technologies segment and the Components group within the Electronics segment. Total Company backlog as of December 31, 2006 and 2005 was $1,341.0 million and $1,111.5 million, respectively.

Competition

Dover s competitive environment is complex because of the wide diversity of the products its companies manufacture and the markets they serve. In general, most Dover companies are market leaders, which compete with only a few companies and the key competitive factors are customer service, product quality and innovation. Dover usually is a more significant competitor domestically, where its principal markets are, than in foreign markets; however, Dover companies are becoming increasingly global where greater competition exists.

In the Technologies segment, Dover companies compete globally against a variety of companies, primarily operating in Europe and the Far East.

Within the other segments, competition is primarily domestic, although an increasing number of Dover companies see more international competitors in the markets that they serve, particularly certain companies in the Electronics, Systems, Resources and Diversified segments.

International

For foreign revenue, including exports, and an allocation of the assets of the Company s continuing operations, see Note 14 to the Consolidated Financial Statements in Item 8 of this Form 10-K.

Although international operations are subject to certain risks, such as price and exchange rate fluctuations and foreign governmental restrictions, Dover intends to increase its expansion into foreign markets, including South America, Asia and Eastern Europe.

The countries where most of Dover s foreign subsidiaries and affiliates are based are France, Germany, the U.K., the Netherlands, Sweden, Switzerland and, with increased emphasis, Malaysia and China.

Environmental Matters

Dover believes its operations generally are in substantial compliance with applicable regulations. In a few instances, particular plants and businesses have been the subject of administrative and legal proceedings with governmental agencies or private parties relating to the discharge or potential discharge of regulated substances. Where necessary, these matters have been addressed with specific consent orders to achieve compliance. Dover believes that continued compliance will not have a material impact on the Company s financial position and will not require significant expenditures or adjustments to reserves.

Employees

The Company had approximately 33,000 employees in continuing operations as of December 31, 2006.

Other Information

Dover makes available free of charge through the Financial Reports link on its Internet website, http://www.dovercorporation.com, the Company s annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to these reports. Dover posts each of these reports on the website as soon as reasonably practicable after the report is filed with the Securities and Exchange Commission. The information on the Company s Internet website is not incorporated into this Form 10-K.

Item 1A. *Risk Factors*

Dover s business, financial condition, operating results and cash flows can be impacted by a number of factors, including but not limited to those set forth below, any one of which could cause our actual results to vary materially from recent results or from anticipated future results. For a discussion identifying additional risk factors and important factors that could cause actual results to differ materially from those anticipated, see the discussion in SPECIAL NOTES REGARDING FORWARD-LOOKING STATEMENTS included in this Annual Report on Form 10-K.

Cyclical Economic Conditions May Affect the Company s Financial Performance

A meaningful portion of the Company s revenue, most notably those from the A&M group in the Technologies segment and the Components group in the Electronics segment, is derived from companies which serve the global electronics markets, that are subject to somewhat unpredictable short-term business cycles. As a result, the revenue and operating performance of these companies in any one period are not necessarily predictive of their revenue and operating performance in other periods, and could have a material impact on Dover s consolidated financial position.

The Oil and Gas group in the Resources segment has a certain level of risk related to the volatility of energy prices although overall demand is more directly related to depletion rates and rig counts.

In addition, Dover is subject to substantially the same risk factors as other U.S.-based industrial manufacturers. However, except as noted above, the structure of Dover and the many different markets its companies serve mitigate the possibility that any of these risk factors will materially impact Dover s consolidated financial position.

Item 1B. *Unresolved Staff Comments*

Not Applicable.

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Item 2. ***Properties***

The number, type, location and size of the Company s properties as of December 31, 2006 are shown on the following charts, by segment:

	Number and Nature of Facilities			Square Footage (000 s)	
Segment	**Mfg.**	**Warehouse**	**Sales/ Service**	**Owned**	**Leased**
Diversified	29	8	13	1,600	600
Electronics	30	9	20	1,200	800
Industries	24	3	13	2,300	300
Resources	96	16	41	4,000	2,200
Systems	16	2	8	1,900	700
Technologies	52	39	173	1,100	1,700

	Locations				Leased Facilities Expiration Dates (Years)	
	North American	**European**	**Asia**	**Other**	**Minimum**	**Maximum**
Diversified	35	12	2		1	14
Electronics	21	8	8	2	1	15
Industries	32	4	2	2	1	12
Resources	125	17	5	6	1	9
Systems	20	6			1	5
Technologies	44	67	96	16	1	19

The facilities are generally well maintained and suitable for the operations conducted. In 2006, the Company expects to make selective increases in capacity for a few businesses experiencing strong growth demands.

Item 3. ***Legal Proceedings***

A few of the Company s subsidiaries are involved in legal proceedings relating to the cleanup of waste disposal sites identified under Federal and State statutes which provide for the allocation of such costs among potentially responsible parties. In each instance, the extent of the Company s liability appears to be very small in relation to the total projected expenditures and the number of other potentially responsible parties involved and is anticipated to be immaterial to the Company. In addition, a few of the Company s subsidiaries are involved in ongoing remedial activities at certain plant sites, in cooperation with regulatory agencies, and appropriate reserves have been established.

The Company and certain of its subsidiaries are and from time to time may be parties to a number of other legal proceedings incidental to their businesses. These proceedings primarily involve claims by private parties alleging injury arising out of use of products of Dover companies, exposure to hazardous substances or patent infringement, litigation and administrative proceedings involving employment matters, and commercial disputes. Management and legal counsel periodically review the probable outcome of such proceedings, the costs and expenses reasonably expected to be incurred, the availability and extent of insurance coverage, and established reserves. While it is not possible to predict the outcome of these legal actions or any need for additional reserves, in the opinion of management, based on these reviews, it is very unlikely that the disposition of the lawsuits and the other matters mentioned above will have a material adverse effect on the Company s financial position, results of operations, cash flows or competitive position.

Item 4. ***Submission of Matters to a Vote of Security Holders***

No matter was submitted to a vote of the Company s security holders in the last quarter of 2006.

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Executive Officers of the Registrant

All officers are elected annually at the first meeting of the Board of Directors following the annual meeting of stockholders and are subject to removal at any time by the Board of Directors. The executive officers of Dover as of February 28, 2007, and their positions with the Company (and, where relevant, prior business experience) for the past five years are as follows:

Name	Age	Positions Held and Prior Business Experience
Ronald L. Hoffman	58	Chief Executive Officer (since January 2005), President (since July 2003) and Chief Operating Officer (from July 2003 December 2004) of Dover; President and Chief Executive Officer of Dover Resources, Inc. (from January 2002 to July 2003); Executive Vice President of Dover Resources, Inc. (from May 2000 to January 2002).
Ralph S. Coppola	62	Vice President of Dover and President and Chief Executive Officer of Dover Systems, Inc. (since October 1, 2004); prior thereto for more than five years President of Hill Phoenix Inc.
Paul E. Goldberg	43	Treasurer and Director of Investor Relations of Dover (since February 2006); prior thereto Assistant Treasurer of Dover (since July 2002); prior thereto Treasury Manager at Arrow Electronics (a provider of electronic components and products).
Robert G. Kuhbach	59	Vice President, Finance and Chief Financial Officer (since November 2002); Treasurer of Dover (November 2002 to February 2006); through December 2002 and for more than five years prior thereto Vice President, General Counsel and Secretary of Dover.
Robert A. Livingston	53	Vice President of Dover and President and Chief Executive Officer of Dover Electronics, Inc. (since October 1, 2004); prior thereto President of Vectron International, Inc. (since January 2002); prior thereto Executive Vice President of Dover Technologies, Inc. (since April 1998).
Raymond T. McKay, Jr	53	Vice President of Dover (since February 2004), Controller of Dover (since November 2002); prior thereto Assistant Controller of Dover (since June 1998).

George Pompetzki	54	Vice President, Taxation of Dover (since May 2003); prior thereto for more than five years Senior Vice President of Taxes, Siemens Corporation (a manufacturer of diversified industrial products).
David J. Ropp	61	Vice President of Dover and President and Chief Executive Officer of Dover Resources, Inc. (since July 2003); prior thereto, Executive Vice President of Dover Resources, Inc. (since February 2003); prior thereto, President of OPW Fueling Components (since February 1998).
Timothy J. Sandker	58	Vice President of Dover and President and Chief Executive Officer of Dover Industries, Inc. (since July 2003); prior thereto, Executive Vice President, Dover Industries (since April 2000).
Joseph W. Schmidt	60	Vice President, General Counsel & Secretary of Dover (since January 2003); prior thereto for more than five years partner in Coudert Brothers LLP (a multi-national law firm).

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Name	Age	Positions Held and Prior Business Experience
William W. Spurgeon	48	Vice President of Dover and President and Chief Executive Officer of Dover Diversified, Inc. (since October 1, 2004); prior thereto Executive Vice President of Dover Diversified, Inc. (since March 2004); prior thereto President of Sargent Controls & Aerospace (since October 2001); prior thereto Executive Vice President of Sargent Controls & Aerospace (since May 2000).
Robert A. Tyre	62	Vice President, Corporate Development of Dover.
David Van Loan	58	Vice President of Dover and Chief Executive Officer of Dover Technologies International, Inc. (since January 2006) and President of Dover Technologies International, Inc. (since May 2005); prior thereto for more than five years, President and CEO of Everett Charles Technologies.

PART II

Item 5. ***Market for Registrant s common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Market Information and Dividends

The principal market in which the Company s common stock is traded is the New York Stock Exchange. Information on the high and low sales prices of such stock, and the frequency and the amount of dividends paid during the last two years, is as follows:

	2006 Market Prices		Dividends Per Share	2005 Market Prices		Dividends Per Share
	High	**Low**	**Share**	**High**	**Low**	**Share**
First Quarter	$ 49.55	$ 40.30	$ 0.170	$ 42.11	$ 36.84	$ 0.160
Second Quarter	51.92	44.22	0.170	38.86	34.11	0.160
Third Quarter	50.23	45.12	0.185	42.00	35.75	0.170
Fourth Quarter	51.50	46.83	0.185	42.03	37.04	0.170
			$ 0.710			$ 0.660

Holders

The number of holders of record of the Company s Common Stock as of January 31, 2007 was approximately 16,000. This figure includes participants in the Company s 401(k) program.

Securities Authorized for Issuance Under Equity Compensation Plans

Information regarding securities authorized for issuance under the Company s equity compensation plans in contained in Part III, Item 12 of this From 10-K.

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

The table below presents shares of the Company s stock which were acquired by the Company during the fourth quarter. These shares were acquired by the Company from the holders of its employee stock options when they tendered shares as full or partial payment of the exercise price of such options. These shares are applied against the exercise price at the market price on the date of exercise.

Maximum Number

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(or Approximate Dollar Value) of Shares that May Yet Be Purchased under the Plans or Programs
October 1 to October 31, 2006	5,372	$ 48.91	Not applicable	Not applicable
November 1 to November 30, 2006	1,990	49.53	Not applicable	Not applicable
December 1 to December 31, 2006	4,130	48.95	Not applicable	Not applicable
For the Fourth Quarter 2006	11,492	49.04	Not applicable	Not applicable

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Performance Graph

This performance graph does not constitute soliciting material, is not deemed filed with the SEC and is not incorporated by reference in any of the Company s filings under the Securities Act of 1933 or the Exchange Act of 1934, whether made before or after the date of this Annual Report on Form 10-K and irrespective of any general incorporation language in any such filing, except to the extent the Company specifically incorporates this performance graph by reference therein.

Comparison of Five Year Cumulative Total Return*
Dover Corporation, S&P 500 Index & Peer Group Index

Total Stockholder Return

Data Source: Hemscott, Inc.

This graph assumes $100 invested on December 31, 2001 in Dover Corporation common stock, the S&P 500 index and a peer group index. The peer index consists of the following public companies selected by the Company based on its assessment of businesses with similar industrial characteristics: Actuant Corp., Ametek Inc., Carlisle Cos. Inc., Cooper Industries, Ltd., Crane Co., Danaher Corp., Eaton Corp., Emerson Electric Co., Federal Signal Corp., Honeywell International, Inc., Hubbell Inc. CL B, Illinois Tool Works, Ingersoll-Rand Company Limited, ITT Industries Inc., 3M Co. (formerly Minnesota Mining & Mfg.), Parker-Hannifin Corp., Pentair Inc., PerkinElmer Inc., Tecumseh Products CL A., Tyco International Ltd. and United Technologies Corp.

* Total return assumes reinvestment of dividends.

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Item 6. ***Selected Financial Data***

Selected Dover Corporation financial information for the years 2002 through 2006 is set forth in the following 5-year Consolidated Table.

	2006	2005	2004	2003	2002
		(In thousands, except per share figures)			
Revenue	$ 6,511,623	$ 5,333,338	$ 4,479,390	$ 3,607,359	$ 3,348,377
Earnings from continuing operations	603,328	446,195	362,418	254,835	211,000
Basic earnings (loss) per share:					
Continuing operations	$ 2.96	$ 2.20	$ 1.78	$ 1.26	$ 1.04
Discontinued operations	(0.20)	0.32	0.25	0.19	(0.19)
Total net earnings before cumulative effect of change in accounting principle	2.76	2.51	2.03	1.45	0.85
Cumulative effect of change in accounting principle					(1.45)
Net earnings (loss)	2.76	2.51	2.03	1.45	(0.60)
Weighted average shares outstanding	203,773	202,979	203,275	202,576	202,571
Diluted earnings (loss) per share:					
Continuing operations	$ 2.94	$ 2.19	$ 1.77	$ 1.25	$ 1.04
Discontinued operations	(0.20)	0.31	0.25	0.19	(0.20)
Total net earnings before cumulative effect of change in accounting principle	2.73	2.50	2.02	1.44	0.84
Cumulative effect of change in accounting principle					(1.44)(1)
Net earnings (loss)	2.73	2.50	2.02	1.44	(0.60)
Weighted average shares outstanding	205,497	204,177	204,786	203,614	203,346
Dividends per common share	$ 0.71	$ 0.66	$ 0.62	$ 0.57	$ 0.54
Capital expenditures	$ 194,735	$ 130,492	$ 87,857	$ 74,714	$ 78,426
Depreciation and amortization	201,501	155,047	134,731	128,145	132,202
Total assets	7,626,658	6,580,492	5,777,853	5,151,398	3,842,632
Total debt	1,771,040	1,538,335	1,090,393	1,066,071	1,054,061

All results and data in the table above reflect continuing operations, unless otherwise noted.

(1) The 2002 Net earnings (loss) include $293 million, net of tax, or $1.44 EPS, of goodwill impairment related to the adoption of SFAS 142.

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Item 7. ***Management s Discussion and Analysis of Financial Condition And Results of Operation***

Special Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K, particularly this Item 7, contains forward-looking statements within the meaning of applicable law. Forward-looking statements are subject to inherent uncertainties and risks. It is important that you read SPECIAL NOTES REGARDING FORWARD-LOOKING STATEMENTS inside the front cover of this Annual Report of Form 10-K for more information about these forward-looking statements and their inherent uncertainties and risks.

(1) FINANCIAL CONDITION

Liquidity and Capital Resources

Management assesses the Company s liquidity in terms of its ability to generate cash to fund its operating, investing and financing activities. Significant factors affecting liquidity are: cash flows generated from operating activities, capital expenditures, acquisitions, dispositions, dividends, adequacy of available commercial paper and bank lines of credit, and the ability to attract long-term capital with satisfactory terms. The Company generates substantial cash from operations and remains in a strong financial position, with enough liquidity available for reinvestment in existing businesses and strategic acquisitions while managing the capital structure on a short and long-term basis.

The following table is derived from the Consolidated Statements of Cash Flows:

Cash Flows from Continuing Operations	Twelve Months Ended December 31, 2006	2005
	(In thousands)	
Net Cash Flows Provided By (Used In):		
Operating activities	$ 878,812	$ 570,304
Investing activities	(846,593)	(1,049,057)
Financing activities	128,290	274,604

Cash flows provided by operating activities during 2006 increased $308.5 million over the prior period primarily reflecting higher earnings and margins from continuing operations before depreciation and amortization and lower tax payments.

Cash used in investing activities during 2006 decreased $202.5 million compared to 2005, reflecting essentially flat acquisition spending, higher proceeds from the disposition of businesses in the 2006 period, partially offset by an increase in capital expenditures, primarily in the oil & gas and micro-acoustics businesses. Acquisition expenditures in 2006 were $1,116.8 million compared to $1,089.7 million in 2005 while proceeds from the disposition of businesses increased $286.6 million over 2005 to $445.9 million. Capital expenditures of $194.7 million, which increased $64.2 million over the prior year, primarily funded investments in plant expansions, plant machinery and information systems. The Company currently anticipates that any acquisitions made during 2007 will be funded from available cash and internally generated funds and, if necessary, through the issuance of commercial paper, established lines of credit or public debt markets. Capital expenditures for 2007 are expected to be consistent with 2006 levels.

Cash provided by financing activities during 2006 decreased $146.3 million when compared to 2005. Acquisitions during 2006 were primarily funded through cash from operations and proceeds generated from dispositions. In addition, the Company repurchased $48.3 million of treasury shares and paid dividends of $144.8 million.

Adjusted Working Capital (a non-GAAP measure; calculated as accounts receivable, plus inventory, less accounts payable) increased from December 31, 2005 by $262.5 million, primarily as a result of acquisitions, foreign exchange translation and the Company s organic growth. Excluding the impact of acquisitions and foreign currency, working capital would have increased by $41.3 million from December 31, 2005. Average Annual Adjusted

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Working Capital as a percentage of revenue (a non-GAAP measure; calculated as the five quarter average balance of accounts receivable, plus inventory, less accounts payable divided by the trailing twelve months of revenue) decreased to 18.9% from 20.7% at year end 2005 and inventory turns improved to 6.5 turns from 5.7 turns in the prior year.

In addition to measuring its cash flow generation and usage based upon the operating, investing and financing classifications included in the Consolidated Statements of Cash Flow, the Company also measures free cash flow (a non-GAAP measure). Management believes that free cash flow is an important measure of operating performance because it provides both management and investors a measurement of cash generated from operations that is available to fund acquisitions, pay dividends, repay debt and repurchase Dover s common stock. For further information, see Non-GAAP Disclosures at the end of this Item 7.

Free cash flow for the year ended December 31, 2006 was $684.1 million or 10.5% of revenue compared to $440.0 million or 8.2% of revenue in the prior year. The 2006 increase in free cash flow reflected higher earnings and margins from continuing operations before depreciation and amortization, and lower tax payments, partially offset by higher capital expenditures. The following table is a reconciliation of free cash flow to cash flows from operating activities.

Free Cash Flow	**Twelve Months Ended December 31, 2006**	**2005**
	(In thousands)	
Cash flow provided by operating activities	$ 878,812	$ 570,304
Less: Capital expenditures	(194,735)	(130,492)
Free cash flow	$ 684,077	$ 439,812
Free cash flow as a percentage of revenue	10.5%	8.2%

At December 31, 2006, the Company s net property, plant, and equipment totaled $856.8 million compared to $706.7 million at the end of 2005. The increase in net property, plant and equipment reflected acquisitions of $83.7 million, capital expenditures of $194.7 million, partially offset by decreases related to foreign currency fluctuation of $21.9 million, and depreciation.

The aggregate of current and deferred income tax assets and liabilities decreased from a $307.5 million net liability at the beginning of the year to a net liability of $298.3 million at year-end 2006. This resulted primarily from decreases in current tax liabilities, increases in deferred tax assets from accruals, a decrease in deferred tax liabilities as a result of the adoption of SFAS No. 158 (see below) and net operating loss carryforwards (primarily acquisition related), partially offset by an increase in deferred tax liabilities related to intangible assets.

Dover s consolidated benefit obligation related to defined and supplemental retirement benefits increased by $52.0 million in 2006. The increase was due principally to net obligations of $50.5 million related to acquisitions. Offsetting this increase was a plan asset increase of $37.6 million due to gains on plan investments during the year and Company contributions of $3.0 million, which were partially offset by benefit payouts. During 2006, plan amendments, primarily from union negotiated contracts, created an increase in the benefit obligation of $8.5 million. Due to the decrease in the net funded status of the plans and the increase in the amortization of unrecognized losses, it is estimated that pension expense will increase from $42.8 million to approximately $45.2 million in 2007. Effective

December 31, 2006 Dover adopted SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an Amendment of Financial Accounting Standards Board (FASB) Statements No. 87, 88, 106, and 132(R) (SFAS No. 158). See notes 2 & 13 in Item 8 of this Form 10-K for additional information on the adoption of this standard.

The Company utilizes the net debt to total capitalization calculation (a non-GAAP measure) to assess its overall financial leverage and capacity and believes the calculation is useful to investors for the same reason. The following table provides a reconciliation of net debt to total capitalization to the most directly comparable GAAP measures:

Net Debt to Total Capitalization Ratio	**At December 31, 2006**	**At December 31, 2005**
	(In thousands)	
Current maturities of long-term debt	$ 32,267	$ 1,201
Commercial paper and other short-term debt	258,282	192,961
Long-term debt	1,480,491	1,344,173
Total debt	1,771,040	1,538,335
Less: Cash and cash equivalents	373,616	185,832
Net debt	1,397,424	1,352,503
Add: Stockholders equity	3,811,022	3,329,523
Total capitalization	$ 5,208,446	$ 4,682,026
Net debt to total capitalization	26.8%	28.9%

Net debt at December 31, 2006 remained relatively flat as increased cash flow from operations and cash generated from dispositions were used to fund Dover s acquisition program. The percentage decrease in net debt to total capital, after record acquisition spending, reflects strong operational free cash flow and the proceeds from dispositions of $445.9 million.

Dover s long-term debt instruments had a book value of $1,512.8 million on December 31, 2006 and a fair value of approximately $1,502.9 million. On December 31, 2005, the Company s long-term debt instruments had a book value of $1,345.4 million and a fair value of approximately $1,406.0 million.

The Company believes that existing sources of liquidity are adequate to meet anticipated funding needs at comparable risk-based interest rates for the foreseeable future. Acquisition spending could potentially increase Company debt. However, management anticipates that the debt to capital ratio will remain generally consistent with historical levels. Operating cash flow and access to capital markets are expected to satisfy the Company s various cash flow requirements, including acquisitions and capital expenditures.

Management is not aware of any potential impairment to the Company s liquidity, and the Company is in compliance with all of its long-term debt covenants. It is anticipated that in 2007 any funding requirements above cash generated from operations will be met through the issuance of commercial paper or, depending upon market conditions, through the issuance of long-term debt or some combination of the two.

As of December 31, 2006, there were two interest rate swap agreements outstanding for a total notional amount of $100.0 million, designated as fair value hedges on part of the Company s $150.0 million 6.25% Notes due on June 1,

2008. One $50 million interest rate swap exchanges fixed-rate interest for variable-rate interest. The other $50 million swap is designated in foreign currency and exchanges fixed-rate interest for variable-rate interest, and also hedges a portion of the Company s net investment in foreign operations. The swap agreements have reduced the effective interest rate on the notes to 5.78%. There is no hedge ineffectiveness, and the fair value of the interest rate swaps outstanding as of December 31, 2006 was determined through market quotation.

During the third quarter of 2006, the Company closed a structured five-year, non-interest bearing, $165.1 million amortizing loan with a non-US lender which also included a participation fee received by the Company of $9.9 million. The loan was recorded at face value. The Company also expects to incur a total of $5.7 million in debt related issuance costs. Beginning in April 2007, the repayment schedule requires payments every April and September with the final payment to be made in July 2011. The participation fee will be amortized ratably into Other Expense (Income), Net over the term of the loan and is recorded in Other Deferrals in the Consolidated Balance Sheet. The loan agreement includes a put and call provision that can be exercised starting in June 2008 though the end of the loan term.

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At December 31, 2006, the Company had open foreign exchange forward purchase contracts expiring through March 2007 related to fair value hedges of foreign currency exposures as follows:

	Currencies Sold (In thousands)					
Currencies Purchased	U.S. Dollar Value	Average Contract Rate	Euro Value	Average Contract Rate	Singapore Dollar Value	Average Contract Rate
Euro	$ 62,480	1.3127			4,481	2.0420
Singapore Dollar			9,121	0.4897		
Swiss Franc	5,071	0.8097	1,331	0.6297		

The Company s credit ratings, which are independently developed by the respective rating agencies, are as follows for the years ended December 31,: