DOVER Corp
Form 10-K/A
February 16, 2018

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

FORM 10-K/A
(Amendment No. 1)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For fiscal year ended December 31, 2017

Commission File Number: 1-4018
Dover Corporation
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	53-0257888 (I.R.S. Employer Identification No.)

3005 Highland Parkway
Downers Grove, Illinois 60515
(Address of principal executive offices)

Registrant's telephone number: (630) 541-1540

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
2.125% Notes due 2020	New York Stock Exchange
1.250% Notes due 2026	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 whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) 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, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o
(Do not check if a smaller reporting company)
Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act o

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

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 on June 30, 2017 was $12,394,317,137. The registrant's closing price as reported on the New York Stock Exchange-Composite Transactions for June 30, 2017 was $80.22 per share. The number of outstanding shares of the registrant's common stock as of January 26, 2018 was 154,424,436.

Documents Incorporated by Reference: Part III — Certain Portions of the Proxy Statement for Annual Meeting of Shareholders to be held on May 5, 2018 (the "2018 Proxy Statement").

Explanatory Note

Dover Corporation (the “Company”) is filing this Amendment No. 1 (“Amendment”) to its Form 10-K for the year ended December 31, 2017, originally filed with the Securities and Exchange Commission (the “SEC”) on February 9, 2018 (the “Form 10-K”), solely to correct the inadvertent omission of a conforming signature in the Report of Independent Registered Public Accounting Firm included in Item 8, Financial Statements and Supplementary Data of the Form 10-K. In accordance with applicable SEC rules, this Amendment includes new certifications required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, as amended, dated as of the filing date of this Amendment. In addition, the consent filed as Exhibit 23 to this Amendment is dated as of the filing date of this Amendment. Other than with respect to the foregoing, no other statement, amount or other disclosure has been changed from those presented in the Form 10-K, nor does this Amendment reflect any events occurring after the date of the original filing.

Special Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K, especially "Management’s Discussion and Analysis of Financial Condition and Results of Operations," contains "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Such statements concern future events and may be indicated by words or phrases such as "may," "anticipates," "expects," "believes," "suggests," "will," "plans," "should," "would," "could," and "forecast," or the use of the future tense and similar words or phrases. Forward-looking statements address matters that are uncertain, including, by way of example only: the planned spin-off of the upstream energy businesses within our Energy segment, including the benefits of such transaction and the expected performance following the completion of the planned spin-off, operating and strategic plans, future sales, earnings, cash flows, margins, organic growth, growth from acquisitions, restructuring charges, cost structure, capital expenditures, capital allocation, capital structure, dividends, exchange rates, tax rates, interest rates, interest expense, changes in operations and trends in industries in which our businesses operate, anticipated market conditions and our positioning, global economies, and operating improvements. Forward-looking statements are subject to numerous important risks, uncertainties, assumptions and other factors, some of which are beyond Dover's control. These factors could cause actual results to differ materially from current expectations and include, but are not limited to, uncertainties as to whether the spin-off will be completed; the possibility that closing conditions for the spin-off may not be satisfied or waived; the impact of the separation transaction on Dover and the upstream energy businesses on a standalone basis if the spin-off is completed; whether the strategic benefits of separation can be achieved; economic conditions generally and changes in economic conditions globally and in the markets and industries served by our businesses, including oil and gas activity and U.S. industrials activity; conditions and events affecting domestic and global financial and capital markets; oil and natural gas demand, production growth, and prices; changes in exploration and production spending by our customers and changes in the level of oil and natural gas exploration and development; changes in customer demand and capital spending; risks related to our international operations and the ability of our businesses to expand into new geographic markets; the impact of interest rate and currency exchange rate fluctuations; increased competition and pricing pressures; the impact of loss of a significant customer, or loss or non-renewal of significant contracts; the ability of our businesses to adapt to technological developments; the ability of our businesses to develop and launch new products, timing of such launches and risks relating to market acceptance by customers; the relative mix of products and services which impacts margins and operating efficiencies; the impact of loss of a single-source manufacturing facility; short-term capacity constraints; domestic and foreign governmental and public policy changes or developments, including import/export laws and sanctions, tax policies, environmental regulations and conflict minerals disclosure requirements; increases in the cost of raw materials; our ability to identify and successfully consummate value-adding acquisition opportunities or planned divestitures, and to realize anticipated earnings and synergies from acquired businesses and joint ventures; our ability to achieve expected savings from integration and other cost-control initiatives, such as lean and productivity programs as well as efforts to reduce sourcing input costs; the impact of legal compliance risks and litigation, including product recalls; indemnification obligations related to acquired or divested businesses; cybersecurity and privacy risks; protection and validity of patent and other intellectual property rights; goodwill or intangible asset impairment charges; a downgrade in our credit ratings which, among other matters, could make obtaining financing more difficult and costly; and work stoppages, union and works council campaigns and other labor disputes which could impact our productivity. Certain of these risks and uncertainties are described in more detail in Item 1A. "Risk Factors" of this Annual Report on Form 10-K. Dover undertakes no obligation to update any forward-looking statement, except as required by law.

In this Annual Report on Form 10-K, we refer to measures used by management to evaluate performance, including a number of financial measures that are not defined under accounting principles generally accepted in the United States of America. We include reconciliations to provide more details on the use and derivation of these financial measures. Please see "Non-GAAP Disclosures" at the end of Item 7 for further detail.

The Company may, from time to time, post financial or other information on its website, www.dovercorporation.com. The website 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.

TABLE OF CONTENTS

PART I

Item 1.	Business	3
Item 1A.	Risk Factors	12
Item 1B.	Unresolved Staff Comments	18
Item 2.	Properties	19
Item 3.	Legal Proceedings	19
Item 4.	Mine Safety Disclosures	19
	Executive Officers of the Registrant	20

PART II

Item 5.	Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities	22
Item 6.	Selected Financial Data	24
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	25
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	50
Item 8.	Financial Statements and Supplementary Data	51
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	98
Item 9A.	Controls and Procedures	98
Item 9B.	Other Information	98

PART III

Item 10.	Directors and Executive Officers and Corporate Governance	100
Item 11.	Executive Compensation	101
Item 12.	Security Ownership of certain Beneficial Owners and Management and Related Shareholder Matters	101
Item 13.	Certain Relationships and Related Transactions and Director Independence	102
Item 14.	Principal Accountant Fees and Services	102

PART IV

Item 15.	Exhibits, Financial Statement Schedules	102
Item 16.	Summary	102
SIGNATURES		103
EXHIBIT INDEX		104

Table of Contents

PART I

ITEM 1. BUSINESS

Overview

Dover Corporation is a diversified global manufacturer delivering innovative equipment and components, specialty systems, consumable supplies, software and digital solutions and support services through four operating segments: Engineered Systems, Fluids, Refrigeration & Food Equipment and Energy. The Company's entrepreneurial business model encourages, promotes and fosters deep customer engagement and collaboration, which has led to Dover's well-established and valued reputation for providing superior customer service and industry-leading product innovation. Unless the context indicates otherwise, references herein to "Dover," "the Company," and words such as "we," "us," or "our" include Dover Corporation and its consolidated subsidiaries. Dover was incorporated in 1947 in the State of Delaware and became a publicly traded company in 1955. Dover is headquartered in Downers Grove, Illinois and currently employs approximately 29,000 people worldwide.

Dover's businesses are aligned in four segments organized around our key end markets focused on growth strategies. Our segment structure is also designed to provide increased opportunities to leverage Dover's scale and capitalize on productivity initiatives. Dover's four operating segments are as follows:

- Our Engineered Systems segment is comprised of two platforms, Printing & Identification and Industrials and is focused on the design, manufacture and service of critical equipment, consumables and components serving the fast-moving consumer goods, digital textile printing, vehicle service, environmental solutions and industrial end markets.

- Our Fluids segment, serving the Fluid Transfer and Pumps end markets, is focused on the safe handling of critical fluids across the retail fueling, chemical, hygienic, oil and gas and industrial end markets.

- Our Refrigeration & Food Equipment segment is a provider of innovative and energy efficient equipment and systems serving the commercial refrigeration and food equipment end markets.

- Our Energy segment, serving the Drilling & Production, Bearings & Compression and Automation end markets, is a provider of customer-driven solutions and services for safe and efficient production and processing of fuels worldwide and has a strong presence in the bearings and compression components and automation markets.

The following table shows the percentage of total revenue and segment earnings generated by each of our four operating segments for the years ended December 31, 2017, 2016 and 2015:

	Revenue			Segment Earnings		
	2017	2016	2015	2017	2016	2015
Engineered Systems	33%	35%	34%	46%	42%	36%
Fluids	29%	25%	20%	24%	22%	26%
Refrigeration & Food Equipment	20%	24%	25%	15%	30%	21%
Energy	18%	16%	21%	15%	6%	17%

Spin-off of Energy Businesses

On December 7, 2017, we announced that we plan to spin-off, on a tax-free basis, our upstream energy businesses within our Energy segment, collectively, the “Wellsite” business, into a standalone, publicly traded company, to be named at a later date.

Upon completion of the spin-off, Wellsite will be a leading provider of a full range of oil and gas production technologies and solutions, wellsite productivity software and Industrial Internet ("IIoT") solutions. Wellsite will also be the industry leader in the development and production of polycrystalline diamond cutters used for oil and gas exploration. Wellsite serves many of the most attractive segments in the oil and gas industry with its portfolio of leading brands including Norris, Harbison-Fischer, Accelerated, PCS Ferguson, Norriseal-Wellmark, Spirit, Quartzdyne, Windrock and USS. We expect to complete the spin-off of the Wellsite businesses in May of 2018, subject to the satisfaction or waiver of certain customary conditions. Upon separation, the historical results of Wellsite will be presented as discontinued operations as it represents a strategic shift in operations with a material impact to the Consolidated Financial Statements.

Table of Contents

As part of the spin-off, Wellsite is expected to raise $700 million to $800 million of new debt, the proceeds of which will be paid to Dover in the form of a dividend. We anticipate returning the proceeds to shareholders as the primary source of funding for $1 billion of share repurchases to be completed by the end of 2018.

Management Philosophy

Our businesses are committed to operational excellence and to being market leaders as measured by market share, customer satisfaction, growth, profitability and return on invested capital. Our operating structure of four business segments allows for focused acquisition activity, accelerates opportunities to identify and capture operating synergies, including global sourcing and supply chain integration, shared services and manufacturing and advances the development of our executive talent. Our segment and executive management set strategic direction, initiatives and goals and provide oversight for our operating companies and also allocate and manage capital, are responsible for major acquisitions and provide other services. We foster an operating culture with high ethical standards, trust, respect and open communication, designed to allow individual growth and operational effectiveness.

In addition, we are committed to creating value for our customers, employees and shareholders through sustainable business practices that protect the environment and the development of products that help our customers meet their sustainability goals. We have accelerated our efforts and processes around innovation, focusing on technologies which create tangible value for our customers. Most notably, we believe that product innovations like the LaRio single-pass digital textile printer within our Engineered Systems segment, EvoClean laundry system within our Fluids segment, AdvansorFlex CO^2 refrigeration system and Vista Elite Cooler Door within our Refrigeration & Food Equipment segment and Spirit Genesis Pump Off Controller within our Energy segment help to make a positive difference for the environment while providing value to shareholders and customers.

Our operating companies are increasing their focus on efficient energy usage, greenhouse gas reduction and waste management as they strive to meet the global environmental needs of today and tomorrow.

Company Goals

We are committed to driving shareholder return through three key objectives. First, we are committed to achieving annual organic sales growth of 3% to 5% over a long-term business cycle, absent adverse economic conditions, complemented by acquisition growth. Second, we continue to focus on segment margin expansion through productivity initiatives, including supply chain activities, targeted, thoughtful restructuring activities, strategic pricing and portfolio shaping. Third, we are committed to generating adjusted free cash flow as a percentage of sales of approximately 10% through strong earnings performance, productivity improvements and active working capital management. We support these goals through (1) alignment of management compensation with financial objectives, (2) well-defined and actively managed merger and acquisition processes and (3) talent development programs.

Business Strategy

To achieve our goals, we are focused on execution of the following three key business strategies:

Positioning ourselves for growth

We have aligned our business segments to focus on the needs of customers in key end markets that are well-positioned for future growth. We capitalize on our expertise while maintaining an intense focus on our customers and their needs. We maintain and emphasize our entrepreneurial culture and continuously innovate to address our customers' needs to

help them win in the markets they serve.

In particular, our businesses are well-positioned to capitalize on trends in the areas of global energy demand, continuous productivity improvement, sustainability, energy efficiency, consumer product safety and growth of consumerism in emerging economies. Our Engineered Systems segment combines its engineering technology and capabilities, unique product advantages and applications expertise to address market needs and requirements including conversion to digital textile printing, productivity solutions, sustainability, consumer product safety and growth in emerging economies. The Fluids segment is focused on accelerated growth within the chemical/plastics, retail fueling, fluid transfer, industrial and hygienic markets as well as globalizing brands across geographies while expanding sales channels and engineering support. In particular, we are pursuing further growth

in the retail fueling, hygienic and pharma and polymers/plastics markets. Our Refrigeration & Food Equipment segment is responding to our customers' energy efficiency and sustainability concerns and unique merchandising requirements with innovative new products. Our Energy segment is focusing on expansion in high growth basins and technologies, accelerating capabilities to drive international growth and increasing investment in automation to drive customer productivity and cash flow.

Capturing the benefits of common ownership

We are committed to operational excellence and capturing the benefits of common ownership. Through formalized company sponsored programs and an embedded culture of continuous improvement, we focus on adjusted free cash flow generation, productivity to support ongoing investment in product innovation and customer expansion activities, the continuous evaluation of operating efficiencies and the continued consolidation of back office support. Through these programs we have implemented various productivity initiatives, such as supply chain management and lean manufacturing, to maximize our efficiency as well as workplace safety initiatives to help ensure the health and welfare of our employees. We foster the sharing of best practices throughout the organization. To ensure success, our businesses place strong emphasis on continual quality improvement and new product development to better serve customers and expand into new product and geographic markets. Further, we continue to make significant investments in talent development, recognizing that the growth and development of our employees are essential for our continued success.

Additionally in 2016, we began to invest in our Dover Business Services ("DBS") shared service centers which brings significant value to Dover by providing important transactional and value added services to our operating companies in the areas of finance, information technology and human resources. Our model allows us to leverage scale across Dover, increase process efficiencies through technology and specialization and reduce risk through centralized controls. Ultimately, our mission is to serve our operating companies by freeing resources normally dedicated to transactional services to allow those resources to focus on customers, markets and product excellence.

Disciplined capital allocation

Our businesses generate annual adjusted free cash flow of approximately 10% of revenue. We are focused on the most efficient allocation of our capital to maximize returns on investment. To do this, we grow and support our existing businesses with average annual investment in capital spending of approximately 2% to 2.5% of revenue with a focus on internal projects to expand markets, develop products and boost productivity. Businesses in our portfolio are continually evaluated for strategic fit and our acquisitions are targeted in our key growth markets which include printing and identification, refrigeration and food equipment, pumps, fueling and transport, hygienic and pharma and select energy markets. We consistently return cash to shareholders by paying dividends, which have increased annually over each of the last 62 years. We will also plan to complete $1 billion of share repurchases by the end of 2018 as part of our capital allocation strategy.

Portfolio Development

Acquisitions

Our acquisition program has two key elements. First, we seek to acquire value creating add-on businesses that enhance our existing businesses either through their global reach and customers, or by broadening their product mix. Second, in the right circumstances, we will strategically pursue larger, stand-alone businesses that have the potential to either complement our existing businesses or allow us to pursue innovative technologies within our key growth spaces. With all our acquisitions, we seek businesses that have an accretive margin and a strong organic growth

profile, and also offer significant synergy opportunities.

Table of Contents

Over the past three years (2015 through 2017), we have spent over $2.2 billion to purchase 13 businesses. During 2017, we acquired three businesses for an aggregate consideration of $43.1 million, net of cash acquired and including contingent consideration. These businesses were acquired to complement and expand upon existing operations within the Engineered Systems and Fluids segments. During 2016, we acquired six businesses for an aggregate purchase price of $1.6 billion, net of cash acquired. These businesses include Tokheim Group S.A.S., Fairbanks Environmental LTD, ProGauge and Wayne Fueling Systems Ltd. to expand our Fluids segment's retail fueling portfolio and Alliance Wireless Technologies, Inc. and Ravaglioli S.p.A. Group to complement the Industrials platform within our Engineered Systems segment. During 2015, we acquired four businesses for an aggregate purchase price of $567.8 million, net of cash acquired. These businesses include Gala Industries and Reduction Engineering Scheer, to expand our Fluids segment's plastics and polymers product and integrated systems portfolio. In addition, in 2015, we acquired JK Group, a global manufacturer and provider of innovative digital inks for the textile printing market, to complement the Printing & Identification platform within our Engineered Systems segment. For more details regarding acquisitions completed over the past two years, see Note 3 — Acquisitions in the Consolidated Financial Statements in Item 8 of this Form 10-K.

Our future growth depends in large part on finding and acquiring successful businesses which expand the scope of our offering and make us a more important supplier to our customers. While we expect to generate annual organic growth of 3% to 5% over a long-term business cycle absent extraordinary economic conditions, sustained organic growth at these levels for individual businesses is difficult to achieve consistently each year. Our success is also dependent on the ability to successfully integrate our acquired businesses within our existing structure. To track post-merger integration and accountability, we utilize an internal scorecard and defined processes to help ensure expected synergies are realized and value is created.

Dispositions

Occasionally, we may also make an opportunistic sale of one of our businesses based on specific market conditions or for strategic considerations, which include an effort to reduce our exposure to cyclical markets and focus on our higher margin growth spaces. During the past three years (2015 through 2017) we have sold seven businesses for aggregate consideration of $1.3 billion.

During 2017, we completed the sale of Performance Motorsports International and the consumer and industrial winch business of Warn Industries, within the Engineered Systems segment, as well as other smaller divestitures. These disposals did not represent strategic shifts in operations and, therefore, did not qualify for presentation as discontinued operations.

During 2016, we completed the sale of Texas Hydraulics and Tipper Tie, within the Engineered Systems and Refrigeration & Food Equipment segments, respectively. In addition, during the fourth quarter of 2015 we completed the divestiture of the walk-in cooler business of Hillphoenix within the Refrigeration & Food Equipment segment. These disposals did not represent strategic shifts in operations and, therefore, did not qualify for presentation as discontinued operations.

During 2015, we completed the sale of Datamax O'Neil and Sargent Aerospace. The financial position and results of operations for the 2015 divestitures have been presented as discontinued operations for all periods presented. For more details, see Note 4 — Disposed and Discontinued Operations in the Consolidated Financial Statements in Item 8 of this Form 10-K.

Business Segments

As noted previously, we currently operate through four business segments that are aligned with the key end markets they serve and comprise our operating and reportable segments: Engineered Systems, Fluids, Refrigeration & Food Equipment and Energy. For financial information about our segments and geographic areas, see Note 17 — Segment Information in the Consolidated Financial Statements in Item 8 of this Form 10-K.

Engineered Systems

Our Engineered Systems segment is focused on the design, manufacture and service of critical equipment and components within the Printing & Identification and Industrials platforms, as described below.

- Printing & Identification – Printing & Identification is a worldwide supplier of precision marking and coding, digital textile printing, soldering and dispensing equipment and related consumables and services. Our Printing & Identification platform primarily designs and manufactures equipment and consumables used for printing variable information (such as bar coding of dates and serial numbers) on fast moving consumer goods, capitalizing on expanding food and product

Table of Contents

safety requirements and growth in emerging markets. In addition, our businesses serving the textile market are benefiting from a significant shift from analog to digital printing, resulting from shorter runs and more complex fashion designs, as well as increasing regulatory and environmental standards.

- Industrials – These businesses serve the vehicle service, industrial automation and waste and recycling markets, providing a wide range of products and services which have broad customer applications.

Our businesses serving the global vehicle service market provide products and services used primarily in vehicle repair and maintenance, including light and heavy duty vehicle lifts, wheel service equipment, vehicle diagnostics and vehicle collision repair solutions. Products are sold to national dealership networks, original equipment manufacturers ("OEM"), national multi-shop operations ("MSO") groups, independent repair and service shops, large national accounts and government/transit customers through a network of distributors and channel partners.

The businesses in the industrial automation market provide a wide range of modular automation components including manual clamps, power clamps, rotary and linear mechanical indexers, conveyors, pick and place units, glove ports and manipulators, as well as end-of-arm robotic grippers, slides and end effectors. These products serve a very broad market including food processing, packaging, paper processing, medical, electronic, automotive, nuclear and general industrial products.

Our businesses serving waste and recycling markets provide products and services for the refuse collection industry and for on-site processing and compaction of trash and recyclable materials. Products are sold to municipal customers, national accounts and independent waste haulers through a network of distributors and directly in certain geographic areas.

Engineered Systems' products are manufactured primarily in the United States, Europe and Asia and are sold throughout the world directly and through a network of distributors.

Fluids
Our Fluids segment is focused on the safe handling of critical fluids across the retail fueling, chemical, hygienic, oil and gas and industrial end markets. We strive to optimize safety, efficiency, reliability, and environmental sustainability through innovative fluid handling and information management solutions. The segment serves three broad global end markets: Fueling & Transport, Pumps, and Hygienic & Pharma.

- Fueling & Transport – Our businesses provide fully integrated fluid handling solutions from refineries and chemical-processing plants through point-to-point transfers, transportation, and delivery to the final point of consumption. Within this framework, we have a very strong presence in the retail and commercial fueling markets, where we provide fuel dispensers, payment systems, hanging hardware and underground containment systems, as well as monitoring and optimization software.

- Pumps – Our businesses manufacture pumps and compressors that are used to transfer liquid and bulk products and are sold to a wide variety of markets, including the refined fuels, liquefied petroleum gas ("LPG"), food/sanitary, transportation and chemical process industries. The pumps include positive displacement and centrifugal pumps that are used in demanding and specialized fluid transfer process applications.

- Hygienic & Pharma – Our businesses specialize in the manufacturing of connectors for use in a variety of bio-processing, medical, and specialty applications, along with the production of pumps specifically designed to address the biotech/pharmaceutical industry. Within this framework, we have a strong presence in the markets for sterile connect/disconnect products used in bioprocessing, reusable or disposable air and fluid handling medical

applications, and various couplings to suit the industrial/electronic connector market.

Fluids' products are manufactured primarily in the United States, Europe, China and Brazil and are sold throughout the world directly and through a network of distributors.

Table of Contents

Refrigeration & Food Equipment

Our Refrigeration & Food Equipment segment is a provider of innovative and energy efficient equipment and systems serving the commercial refrigeration and food equipment end markets.

- Refrigeration – Our businesses manufacture refrigeration systems, refrigeration display cases, specialty glass, commercial glass refrigerator and freezer doors and brazed heat exchangers used in industrial and climate control.
- Food Equipment – Our businesses manufacture electrical distribution products and engineering services, commercial food service equipment, cook-chill production systems, custom food storage and preparation products, kitchen ventilation systems, conveyer systems and beverage can-making machinery.

The majority of the refrigeration/food systems and machinery that are manufactured or serviced by the Refrigeration & Food Equipment segment are used by the supermarket industry, including “big-box” retail and convenience stores, the commercial/industrial refrigeration industry, institutional and commercial food service and food production markets and beverage can-making industries. Refrigeration & Food Equipment's products are manufactured primarily in North America, Europe and Asia and are sold globally, directly and through a network of distributors.

Energy

Our Energy segment serves the Drilling & Production, Bearings & Compression and Automation end markets. This segment is a provider of customer-driven solutions and services for safe and efficient production and processing of fuels worldwide. This segment consists of the following end markets:

- Drilling & Production – Our businesses serving the drilling and production end markets design and manufacture products that promote efficient and cost-effective drilling, including long-lasting polycrystalline diamond cutters ("PDCs") for applications in down-hole drilling tools and facilitate the extraction and movement of oil and gas from the ground, including steel sucker rods, down-hole rod pumps, electric submersible pumps, progressive cavity pumps and drive systems and plunger lifts. In addition, these businesses manufacture winches, hoists, gear drives and electronic monitoring solutions for energy, infrastructure and recovery markets worldwide.
- Bearings & Compression – These businesses manufacture various compressor parts that are used in natural gas production, distribution and oil refining markets. Product offerings include bearings, bearing isolators, seals and remote condition monitoring systems that are used for rotating machinery applications such as turbo machinery, motors, generators and compressors used in energy, utility, marine and other industries.
- Automation – These businesses design and manufacture products that promote efficient drilling and production of oil and gas including quartz pressure transducers and hybrid electronics used in down-hole monitoring devices, chemical injection pumps, automated pump controllers, artificial lift optimization software, diagnostic instruments for reciprocating machinery and control valves.

Our Energy segment’s sales are made directly to customers and through various distribution channels. We manufacture our products primarily in North America and our sales are concentrated in North America with an increasing level of international sales directed primarily to Europe, Australia and Asia.

Raw Materials

We 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. While the required raw materials are generally available, commodity pricing can be volatile, particularly for various grades of steel, copper, aluminum and select other commodities. Although cost increases in commodities may be recovered through increased prices to customers, our operating results are exposed to such fluctuations. We attempt to control such costs through fixed-price contracts with suppliers and various other programs, such as our global supply chain activities.

Table of Contents

Research and Development

Our businesses invest to develop innovative 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 2017, we spent $125.0 million for research and development, including qualified engineering costs. In 2016 and 2015, research and development spending totaled $104.5 million and $115.0 million, respectively.

Our Engineered Systems segment expends significant effort in research and development because the rate of product development by their customers is often quite high. Our businesses that develop product identification and printing equipment believe that their customers expect a continuing rate of product innovation, 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.

Our other segments contain many businesses that are also involved in important product improvement initiatives. These businesses 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 Engineered Systems segment.

Intellectual Property and Intangible Assets

Our businesses 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 our businesses' intellectual property consists of patents, unpatented technology and proprietary information constituting trade secrets that we seek to protect in various ways, including confidentiality agreements with employees and suppliers where appropriate. In addition, a significant portion of our intangible assets relate to customer relationships. While our intellectual property and customer relationships are important to our success, the loss or expiration of any of these rights or relationships, or any group of related rights or relationships, is not likely to materially affect our results on a consolidated basis. We believe that our commitment to continuous engineering improvements, new product development and improved manufacturing techniques, as well as strong sales, marketing and service efforts, are significant to our general leadership positions in the niche markets we serve.

Customers

We serve thousands of customers, none of which accounted for more than 10% of our consolidated revenue in 2017. Given our diversity of served markets, customer concentrations are not significant. Businesses supplying the waste and recycling, agricultural, defense, energy, 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 businesses supplying the power generation and chemical industries. In the other markets served, there is usually a much lower concentration of customers, particularly where our companies provide a substantial number of products and services applicable to a broad range of end-use applications.

Seasonality

In general, our businesses, while not strongly seasonal, tend to have stronger revenue in the second and third quarters, particularly those serving the transportation, construction, waste and recycling, petroleum, commercial refrigeration and food service markets. Our businesses serving the retail fueling market tend to increase sequentially through the

year based on the historical purchasing patterns of their customers. Our businesses serving the major equipment markets, such as power generation, chemical and processing industries, have longer lead times geared to seasonal, commercial, or consumer demands and customers in these markets tend to delay or accelerate product ordering and delivery to coincide with those market trends that tend to moderate the aforementioned seasonality patterns.

Backlog

Backlog is more relevant to our businesses that produce larger and more sophisticated machines or have long-term contracts, primarily for the markets within our Fluids and Refrigeration & Food Equipment segments. Our total backlog relating to our continuing operations as of December 31, 2017 and 2016 was $1.2 billion and $1.1 billion, respectively.

Table of Contents

Competition

Our competitive environment is complex because of the wide diversity of our products manufactured and the markets served. In general, most of our businesses are market leaders that compete with only a few companies, and the key competitive factors are customer service, product quality, price and innovation. However, as we become increasingly global, we are exposed to more competition. A summary of our key competitors by end market within each of our segments follows:

Segment	End Market	Key Competitors
Engineered Systems	Printing & Identification	Danaher Corp. (Videojet), Brother Industries, Ltd. (Domino Printing), Electronics for Imaging
	Industrials	Oshkosh Corp. (McNeilus), Siemens AG (Weiss GmbH), Challenger Lifts, Labrie Enviroquip Group and numerous others
Fluids	Fueling & Transport	Fortive (Gilbarco Veeder-Root), Tatsuno, Verifone, Franklin Electric, Elaflex, Gardner Denver, Inc. (Emco Wheaton), Dixon Valve & Coupling Company, Salco, Washtec AG
	Pumps	IDEX Corporation (Viking), Ingersoll Rand, ITT, SPX Corporation (Waukesha), Accudyne Industries (Milton Roy), Nordson Corporation
	Hygienic & Pharma	Seko, Ecolab, Dosatron, Merck Millipore, Danaher Corporation (Pall), Nordson Corporation
Refrigeration & Food Equipment	Refrigeration	Panasonic (Hussman Corp.), Lennox International (Kysor/Warren), Alfa Laval
	Food Equipment	Welbilt Corp, Illinois Tool, Middleby
Energy	Drilling & Production /Automation	DeBeers Group (Element Six), Schlumberger Ltd.,Weatherford International Ltd., Baker Hughes, a GE Company, BORETS and Novomet
	Bearings & Compression	Compression Products International, Hoerbiger Holdings AG, John Crane, Kingsbury

International

Consistent with our strategic focus on positioning our businesses for growth, we continue to increase our expansion into international markets, particularly in developing economies in South America, Asia, the Middle East and Eastern Europe.

Most of our non-U.S. subsidiaries and affiliates are currently based in France, Germany, the Netherlands, Sweden, Switzerland, the United Kingdom and, with increasing emphasis, Australia, Canada, China, Malaysia, India, Mexico, Brazil, Eastern Europe and the Middle East.

The following table shows annual revenue derived from customers outside the U.S. as a percentage of total annual revenue for each of the last three years, by segment and in total:

	% Non-U.S. Revenue by Segment Years Ended December 31,		
	2017	2016	2015
Engineered Systems	50%	47%	45%
Fluids	55%	57%	49%

Refrigeration & Food Equipment	34%	32%	33%
Energy	24%	26%	26%
Total percentage of revenue derived from customers outside of the United States	44%	42%	39%

Our international operations are subject to certain risks, such as price and exchange rate fluctuations and non-U.S. governmental restrictions, which are discussed further in Item 1A. "Risk Factors." For additional details regarding our non-U.S. revenue and

the geographic allocation of the assets of our continuing operations, see Note 17 — Segment Information to the Consolidated Financial Statements in Item 8 of this Form 10-K.

Environmental Matters

Sustainability

In response to our concerns around global sustainability, in 2010, we developed and implemented a process to conduct an inventory of our greenhouse gas emissions. Since then, we have evaluated our climate change risks and opportunities, as well as developed an energy and climate change strategy that includes goals, objectives and related projects for reducing energy use and greenhouse gas emissions. To further promote our sustainability efforts, we have committed to reducing our overall energy and greenhouse gas intensity indexed to net revenue by 20% from 2010 to 2020. We are near our goal for reducing overall energy intensity and have surpassed our goal for reducing greenhouse gas intensity. We will continue to work proactively to reduce energy usage and carbon emissions amidst acquisition and business growth. We have also participated as a voluntary respondent in the Carbon Disclosure Project since 2010 and have maintained our scoring range since we began reporting.

All of our segments assess the energy efficiencies related to their operations and the opportunities associated with the use of their products and services by customers. In some instances, our businesses may be able to help customers reduce energy use and greenhouse gas emissions. Increased demand for energy-efficient products based on a variety of drivers could result in increased sales for a number of our businesses.

Other Matters

Our operations are governed by a variety of international, national, state and local environmental laws. We are committed to continued compliance and believe our operations generally are in substantial compliance with these laws. 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.

There have been no material effects upon our earnings and competitive position resulting from our compliance with laws or regulations enacted or adopted relating to the protection of the environment. We are aware of a number of existing or upcoming regulatory initiatives intended to reduce emissions in geographies where our manufacturing and warehouse/distribution facilities are located and have evaluated the potential impact of these regulations on our businesses. We anticipate that direct impacts from regulatory actions will not be significant in the short- to medium-term. We expect the regulatory impacts associated with climate change regulation would be primarily indirect and would result in "pass through" costs from energy suppliers, suppliers of raw materials and other services related to our operations.

Employees

We had approximately 29,000 employees as of December 31, 2017.

Other Information

We make available through the "Investor Information" link on our website, www.dovercorporation.com, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to these reports. We post 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 our website is not incorporated into this Form 10-K.

ITEM 1A. RISK FACTORS

The risk factors discussed in this section should be considered together with information included elsewhere in this Form 10-K and should not be considered the only risks to which we are exposed. In general, we are subject to the same general risks and uncertainties that impact many other industrial companies such as general economic, industry and/or market conditions and growth rates; the impact of natural disasters and their effect on global markets; possible future terrorist threats and their effect on the worldwide economy; and changes in laws or accounting rules. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial also may impair our business, including our results of operations, liquidity and financial condition.

• Our results may be impacted by current domestic and international economic conditions and uncertainties.

Our businesses may be adversely affected by disruptions in the financial markets or declines in economic activity both domestically and internationally in those countries in which we operate. These circumstances will also impact our suppliers and customers in various ways which could have an impact on our business operations, particularly if global credit markets are not operating efficiently and effectively to support industrial commerce.

Our Energy segment is subject to risk due to the volatility of global energy prices and regulations that impact drilling and production, with overall demand for our products and services impacted by depletion rates, global economic conditions and related energy demands.

Negative changes in worldwide economic and capital market conditions are beyond our control, are highly unpredictable and can have an adverse effect on our consolidated results of operations, financial condition, cash flows and cost of capital.

• We are subject to risks relating to our existing international operations and expansion into new geographical markets.

Approximately 44% and 42% of our revenues for 2017 and 2016, respectively, were derived outside the United States. We continue to focus on penetrating global markets as part of our overall growth strategy and expect sales from outside the United States to continue to represent a significant portion of our revenues. Our international operations and our global expansion strategy are subject to general risks related to such operations, including:

- political, social and economic instability and disruptions;
- government export controls, economic sanctions, embargoes or trade restrictions, including compliance with U.S. government licenses such as the U.S. Treasury’s Office of Foreign Assets Control’s General License H, violation of which could result in penalties and denial of export privileges;
- the imposition of duties and tariffs and other trade barriers;
- limitations on ownership and dividend of earnings;
- transportation delays and interruptions;
- labor unrest and current and changing regulatory environments;
- increased compliance costs, including costs associated with disclosure requirements and related due diligence;
- the impact of loss of a single-source manufacturing facility;

- difficulties in staffing and managing multi-national operations;
- limitations on our ability to enforce legal rights and remedies; and
- access to or control of networks and confidential information due to local government controls and vulnerability of local networks to cyber risks.

If we are unable to successfully manage the risks associated with expanding our global business or adequately manage operational risks of our existing international operations, the risks could have a material adverse effect on our growth strategy involving expansion into new geographical markets, our reputation, our consolidated results of operations, financial position and cash flows.

Table of Contents

- Trends in oil and natural gas prices may affect the drilling and production activity, profitability and financial stability of our customers and therefore the demand for, and profitability of, our energy products and services, which could have a material adverse effect on our business, our consolidated results of operations, financial condition and cash flows.

The oil and gas industry is cyclical in nature and experiences periodic downturns of varying length and severity. Most recently, the oil and gas industry experienced a significant downturn in 2015 and 2016. Demand for our energy products and services is sensitive to the level of drilling and production activity of, and the corresponding capital spending by, oil and natural gas companies. The level of drilling and production activity is directly affected by trends in oil and natural gas prices. Oil and gas prices and the level of drilling and production activity have been characterized by significant volatility in recent years. In particular, the prices of oil and natural gas were highly volatile in 2014 and 2015 on significant over supply and declined dramatically.

Prices for oil and natural gas are subject to large fluctuations in response to changes in the supply of and demand for oil and natural gas, market uncertainty, geopolitical developments and a variety of other factors that are beyond our control. Prices of oil began to recover in late 2016 but there can be no assurance that increases will continue. We expect continued volatility in both crude oil and natural gas prices, as well as in the level of drilling and production related activities. Given the long-term nature of many large-scale development projects, another future significant downturn in the oil and gas industry could result in the reduction in demand for our energy and pumps products and services, and could have a material adverse effect on our consolidated results of operations, financial position and cash flows.

- The proposed spin-off of Wellsite may not be completed on the currently contemplated timeline or terms, or at all, and may not achieve the intended benefits.

We have previously announced in 2017 a plan to pursue a tax-free spin-off of our Wellsite business into a standalone, publicly-traded company. We expect to complete the spin-off in May of 2018, subject to the satisfaction or waiver of certain customary conditions. However, unanticipated developments, including delays in obtaining tax rulings, changes in the macroeconomic environment, uncertainty of the financial markets and challenges in establishing infrastructure or processes could delay or prevent the proposed spin-off or cause the proposed spin-off to occur on terms or conditions that are less favorable and/or different than expected. Even if the transaction is completed, we may not realize some or all of the anticipated benefits from the spin-off. We also have incurred and will continue to incur significant expenses in connection with the proposed spin-off which may exceed our current expectations. Executing the proposed spin-off requires significant time and attention from management, which could distract them from other tasks in operating our business. Additionally, our employees may be distracted due to uncertainty about their future roles pending the completion of the spin-off. Following the proposed spin-off, the combined value of the common stock of the two publicly-traded companies may not be equal to or greater than what the value of our common stock would have been had the proposed spin-off not occurred. In addition, investor sentiment could result in excess selling causing greater volatility in our share price following the consummation of the proposed spin-off. Finally, if we fail to complete the spin-off, we may experience negative reactions from the financial markets.

- If the Wellsite spin-off, together with certain related transactions, does not qualify as a transaction that is generally tax-free for U.S. federal income tax purposes, we and our shareholders could be subject to significant tax liabilities.

A condition to the spin-off is the receipt by us of either (i) a private letter ruling from the Internal Revenue Service (the "IRS Ruling") together with an opinion of McDermott Will & Emery LLP, our tax counsel, substantially to the effect that, among other things, certain transactions to effect the spin-off will qualify as a tax-free reorganization for U.S. federal income tax purposes under Section 368(a)(1)(D) of the Internal Revenue Code (the “Code”), and the distribution will qualify as a tax-free distribution to our shareholders under Section 355 of the Code, or (ii) an opinion

of McDermott Will & Emery LLP, our tax counsel, substantially to the effect that, among other things, certain transactions to effect the spin-off will qualify as a tax-free reorganization for U.S. federal income tax purposes under Section 368(a)(1)(D) of the Code and the distribution of shares of Wellsite will qualify as a tax-free distribution to our shareholders under Section 355 of the Code. The IRS Ruling (if obtained) and the opinion of tax counsel will rely on certain facts and assumptions, and certain representations and undertakings from us and Wellsite, including those regarding the past and future conduct of certain of our businesses and other matters. If any of these facts, assumptions, representations or undertakings are incorrect or not satisfied, we and our shareholders may not be able to rely on the IRS Ruling (if obtained) or the opinion, and could be subject to significant tax liabilities. Notwithstanding the IRS Ruling (if obtained) and the opinion, the IRS could determine on audit that the distribution is taxable if it determines that any of these facts, assumptions, representations or undertakings are not correct or have been violated or if it disagrees with the conclusions

Table of Contents

in the opinion. In addition, we and Wellsite intend for certain related transactions to qualify for tax-free treatment under U.S. federal, state and local tax law and/or foreign tax law.
If the distribution is determined to be taxable for U.S. federal income tax purposes, we and our shareholders that are subject to U.S. federal income tax could incur significant U.S. federal income tax liabilities. For example, if the distribution fails to qualify for tax-free treatment, we would, for U.S. federal income tax purposes, be treated as if we had sold the Wellsite common stock in a taxable sale for its fair market value, and our shareholders who are subject to U.S. federal income tax would be treated as receiving a taxable distribution in an amount equal to the fair market value of the Wellsite common stock received in the distribution. In addition, if certain related transactions fail to qualify for tax-free treatment under U.S. federal, state and local tax law and/or foreign tax law, we could incur significant tax liabilities under U.S. federal, state, local and/or foreign tax law, respectively.

- Our exposure to exchange rate fluctuations on cross-border transactions and the translation of local currency results into U.S. dollars could negatively impact our results of operations.

We conduct business through our subsidiaries in many different countries, and fluctuations in currency exchange rates could have a significant impact on our reported consolidated results of operations, financial condition and cash flows, which are presented in U.S. dollars. Cross-border transactions, both with external parties and intercompany relationships, result in increased exposure to foreign exchange effects. Accordingly, significant changes in currency exchange rates, particularly the Euro, Pound Sterling, Swiss franc, Chinese Renminbi (Yuan), Brazilian real and the Canadian dollar, could cause fluctuations in the reported results of our businesses' operations that could negatively affect our results of operations. Additionally, the strengthening of certain currencies such as the Euro and U.S. dollar potentially exposes us to competitive threats from lower cost producers in other countries. Our sales are translated into U.S. dollars for reporting purposes. The strengthening of the U.S. dollar could result in unfavorable translation effects as the results of foreign locations are translated into U.S. dollars.

- Increasing product/service and price competition by international and domestic competitors, including new entrants, and our inability to introduce new and competitive products could cause our businesses to generate lower revenue, operating profits and cash flows.

Our competitive environment is complex because of the wide diversity of the products that our businesses manufacture and the markets they serve. In general, most of our businesses compete with only a few companies. Our ability to compete effectively depends on how successfully we anticipate and respond to various competitive factors, including new products and services that may be introduced by competitors, changes in customer preferences, new business models and technologies and pricing pressures. If our businesses are unable to anticipate their competitors' development of new products and services and/or identify customer needs and preferences on a timely basis, or successfully introduce new products and services in response to such competitive factors, they could lose customers to competitors. If our businesses do not compete effectively, we may experience lower revenue, operating profits and cash flows.

- Our operating results depend in part on the timely development and commercialization, and customer acceptance, of new and enhanced products and services based on technological innovation.

The success of new and improved products and services depends on their initial and continued acceptance by our customers. Certain of our businesses sell their products and services in industries that are characterized by rapid technological changes, frequent new product introductions, changing industry standards and corresponding shifts in customer demand, which may result in unpredictable product transitions, shortened life cycles and increased importance of being first to market with new products and services. Failure to correctly identify and predict customer needs and preferences, to deliver high quality, innovative and competitive products to the market, to adequately protect our intellectual property rights or to acquire rights to third-party technologies and to stimulate customer

demand for, and convince customers to adopt, new products and services could adversely affect our consolidated results of operations, financial condition and cash flows. In addition, we may experience difficulties or delays in the research, development, production and/or marketing of new products and services which may prevent us from recouping or realizing a return on the investments required to continue to bring new products and services to market.

- Our businesses and their profitability and reputation could be adversely affected by domestic and foreign governmental and public policy changes, risks associated with emerging markets, changes in statutory tax rates and unanticipated outcomes with respect to tax audits.

Our businesses' domestic and international sales and operations are subject to risks associated with changes in laws, regulations and policies (including environmental and employment regulations, data security laws, data privacy laws, export/import laws, tax policies such as export subsidy programs and research and experimentation credits, carbon emission regulations and other similar programs). Failure to comply with any of the foregoing could result in civil and criminal, monetary and non-monetary penalties as well as potential damage to our reputation. We cannot provide assurance that our costs of complying with new and evolving regulatory reporting requirements and current or future laws, including environmental protection, employment, data security, data privacy and health and safety laws, will not exceed our estimates. In addition, we have invested in certain countries, including Brazil, Russia, India and China, and may in the future invest in other countries, any of which may carry high levels of currency, political, compliance, or economic risk. While these risks or the impact of these risks are difficult to predict, any one or more of them could adversely affect our businesses and reputation.

Our effective tax rate is impacted by changes in the mix among earnings in countries with differing statutory tax rates, changes in the valuation allowance of deferred tax assets and changes in tax laws. The amount of income taxes and other taxes paid can be adversely impacted by changes in statutory tax rates and laws and are subject to ongoing audits by domestic and international authorities. If these audits result in assessments different from amounts estimated, then our consolidated results of operations, financial position and cash flows may be adversely affected by unfavorable tax adjustments.

- We could lose customers or generate lower revenue, operating profits and cash flows if there are significant increases in the cost of raw materials (including energy) or if we are unable to obtain raw materials.

We purchase raw materials, sub-assemblies and components for use in our manufacturing operations, which expose us to volatility in prices for certain commodities. Significant price increases for these commodities could adversely affect operating profits for certain of our businesses. While we generally attempt to mitigate the impact of increased raw material prices by hedging or passing along the increased costs to customers, there may be a time delay between the increased raw material prices and the ability to increase the prices of products, or we may be unable to increase the prices of products due to a competitor's pricing pressure or other factors. In addition, while raw materials are generally available now, the inability to obtain necessary raw materials could affect our ability to meet customer commitments and satisfy market demand for certain products. Consequently, a significant price increase in raw materials, or their unavailability, may result in a loss of customers and adversely impact our consolidated results of operations, financial condition and cash flows.

- Our growth and results of operations may be adversely affected if we are unsuccessful in our capital allocation and acquisition program.

We expect to continue our strategy of seeking to acquire value creating add-on businesses that broaden our existing position and global reach as well as, in the right circumstances, strategically pursue larger acquisitions that could have the potential to either complement our existing businesses or allow us to pursue a new platform. However, there can be no assurance that we will be able to continue to find suitable businesses to purchase, that we will be able to acquire such businesses on acceptable terms, or that all closing conditions will be satisfied with respect to any pending acquisition. If we are unsuccessful in our acquisition efforts, then our ability to continue to grow at rates similar to prior years could be adversely affected. In addition, we face the risk that a completed acquisition may underperform relative to expectations. We may not achieve the synergies originally anticipated, may become exposed to unexpected

liabilities or may not be able to sufficiently integrate completed acquisitions into our current business and growth model. Further, if we fail to allocate our capital appropriately, in respect of either our acquisition program or organic growth in our operations, we could be overexposed in certain markets and geographies and unable to expand into adjacent products or markets. These factors could potentially have an adverse impact on our consolidated results of operations, financial condition and cash flows.

- Our operating profits and cash flows could be adversely affected if we cannot achieve projected savings and synergies.

We are continually evaluating our cost structure and seeking ways to capture synergies across our operations. For example, during the fourth quarter of 2017, we recorded rightsizing and other related costs of $56.3 million to better align our cost structure in preparation for the Wellsite separation. These rightsizing activities and our regular ongoing cost reduction

Table of Contents

activities (including in connection with the integration of acquired businesses) may reduce our available talent, assets and other resources and could slow improvements in our products and services, adversely affect our ability to respond to customers and limit our ability to increase production quickly if demand for our products increases. In addition, delays in implementing planned restructuring activities or other productivity improvements, unexpected costs or failure to meet targeted improvements may diminish the operational or financial benefits we expect to realize through our various programs. Any of the circumstances described above could adversely affect our consolidated results of operations, financial condition and cash flows.

- Our operations, businesses and products are subject to cybersecurity risks.

We depend on our own and third party information technology ("IT") systems, including cloud-based systems, to store and process information and support our business activities. We also use our third party IT systems to support customer business activities, such as transmitting payment information, providing mobile monitoring services, and capturing operational data. Additionally, some of our products contain computer hardware and software and offer the ability to connect to computer networks. If these technologies, systems, products or services are damaged, cease to function properly, are compromised due to employee error, user error, malfeasance, system errors, or other vulnerabilities, or are subject to cybersecurity attacks, such as those involving unauthorized access, malicious software, or other intrusions, including by criminals, nation states or insiders, our business may be adversely impacted. The impacts could include production downtimes, operational delays, and other impacts on our operations and ability to provide products and services to our customers; compromise of confidential, proprietary or otherwise protected information, including personal and customer data; destruction, corruption, or theft of data; manipulation, disruption, or improper use of these technologies, systems, products or services; financial losses from remedial actions, loss of business or potential liability; adverse media coverage; and legal claims or legal proceedings, including regulatory investigations and actions; and damage to our reputation. While we attempt to mitigate these risks by employing a number of measures, including employee training, technical security controls, a breach response plan, maintenance of backup and protective systems, and security personnel, our systems, networks, products and services remain potentially vulnerable to known or unknown cybersecurity attacks and other threats, any of which could have a material adverse effect on our consolidated results of operations, financial condition and cash flows. While we maintain insurance coverage that is intended to address certain aspects of cybersecurity risks, such insurance coverage may not cover all losses or all types of claims that arise.

- Unforeseen developments in contingencies such as litigation and product recalls could adversely affect our consolidated results of operations, financial condition and cash flows.

We and certain of our subsidiaries are, and from time to time may become, parties to a number of legal proceedings incidental to our businesses, including alleged injuries arising out of the use of products or exposure to hazardous substances, or claims related to patent infringement, employment matters and commercial disputes. The defense of these lawsuits may require significant expenses and divert management's attention, and we may be required to pay damages that could adversely affect our consolidated results of operations, financial condition and cash flows. In addition, any insurance or indemnification rights that we may have may be insufficient or unavailable to protect us against potential loss exposures.

We may be exposed to product recalls and adverse public relations if our products are alleged to have defects, to cause property damage, to cause injury or illness, or if we are alleged to have violated governmental regulations. For example, during the fourth quarter of 2016, we determined there was a quality issue with a product component part in the Fluids segment and voluntarily reported this issue to the U.S. Consumer Product Safety Commission ("CPSC"). During the first quarter of 2017, we announced a voluntary recall of the product in conjunction with the CPSC. See Note 14 — Commitments and Contingent Liabilities in the Consolidated Financial Statements in Item 8 of

this Form 10-K for additional information. A product recall could result in substantial and unexpected expenditures, which would reduce operating profit and cash flow. In addition, a product recall may require significant management attention. Product recalls may hurt the value of our brands and lead to decreased demand for our products. Product recalls also may lead to increased scrutiny by federal, state or international regulatory agencies of our operations and increased litigation and could have a material adverse effect on our consolidated results of operations, financial condition and cash flows.

- The indemnification provisions of acquisition and disposition agreements by which we have acquired or sold companies may not fully protect us and may result in unexpected liabilities.

Certain of the acquisition agreements by which we have acquired companies require the former owners to indemnify us against certain liabilities related to the operation of those companies before we acquired them. In most of these agreements, however, the liability of the former owners is limited and certain former owners may be unable to meet

their indemnification responsibilities. Similarly, the purchasers of our discontinued operations may from time to time agree to indemnify us for operations of such businesses after the closing. We cannot be assured that any of these indemnification provisions will fully protect us, and as a result we may face unexpected liabilities that adversely affect our consolidated results of operations, financial condition and cash flows.

- Failure to attract, retain and develop personnel or to provide adequate succession plans for key management could have an adverse effect on our consolidated results of operations, financial condition and cash flows.

Our growth, profitability and effectiveness in conducting our operations and executing our strategic plans depend in part on our ability to attract, retain and develop qualified personnel, align them with appropriate opportunities and maintain adequate succession plans for key management positions and support for strategic initiatives. If we are unsuccessful in these efforts, our consolidated results of operations, financial condition and cash flows could be adversely affected and we could miss opportunities for growth and efficiencies.

- Our reputation, ability to do business and results of operations may be impaired by improper conduct by any of our employees, agents, or business partners.

While we strive to maintain high standards, we cannot provide assurance that our internal controls and compliance systems will always protect us from acts committed by our employees, agents, or business partners that would violate United States and/or non-United States laws or fail to protect our confidential information, including the laws governing payments to government officials, bribery, fraud, anti-kickback and false claims, competition, export and import compliance, money laundering and data privacy, as well as the improper use of proprietary information or social media. Any such violations of law or improper actions could subject us to civil or criminal investigations in the United States and in other jurisdictions, could lead to substantial civil or criminal, monetary and non-monetary penalties and related shareholder lawsuits, could lead to increased costs of compliance and could damage our reputation, our consolidated results of operations, financial condition and cash flows.

- Our revenue, operating profits and cash flows could be adversely affected if our businesses are unable to protect or obtain patent and other intellectual property rights.

Our businesses own patents, trademarks, licenses and other forms of intellectual property related to their products and continuously invest in research and development that may result in innovations and general intellectual property rights. Our businesses employ various measures to develop, maintain and protect their intellectual property rights. These measures may not be effective in capturing intellectual property rights, and they may not prevent their intellectual property from being challenged, invalidated, or circumvented, particularly in countries where intellectual property rights are not highly developed or protected. Unauthorized use of our businesses' intellectual property rights could adversely impact the competitive position of our businesses and could have a negative impact on our consolidated results of operations, financial condition and cash flows.

- A significant decline in the future economic outlook of our businesses and expected future cash flows could result in goodwill or intangible asset impairment charges which would negatively impact our results of operations.

We have significant goodwill and intangible assets on our consolidated balance sheet as a result of current and past acquisitions. The valuation and classification of these assets and the assignment of useful lives involve significant judgments and the use of estimates. The testing of goodwill and intangibles for impairment requires significant use of judgment and assumptions, particularly as it relates to the determination of fair market value. A decrease in the long-term economic outlook and future cash flows of our businesses could significantly impact asset values and potentially result in the impairment of intangible assets, including goodwill. Charges relating to such impairments

could have a material adverse effect on our consolidated results of operations in the periods recognized.

- Our borrowing costs may be impacted by our credit ratings developed by various rating agencies.

Three major ratings agencies (Moody’s, Standard and Poor’s and Fitch Ratings) evaluate our credit profile on an ongoing basis and have each assigned high ratings for our short-term and long-term debt as of December 31, 2017. Although we do not anticipate a material change in our credit ratings, if our current credit ratings deteriorate, then our borrowing costs could increase, including increased fees under our five-year credit facility, and our access to future sources of liquidity may be adversely affected.

Table of Contents

- If we experience work stoppages, union and works council campaigns and other labor disputes, our productivity and results of operations could be adversely impacted.

We have a number of collective bargaining units in the United States and various foreign collective labor arrangements. We are subject to potential work stoppages, union and works council campaigns and other labor disputes, any of which could adversely impact our productivity, reputation, consolidated results of operations, financial condition and cash flows.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

Table of Contents

ITEM 2. PROPERTIES

The number, type, location and size of the properties used by our operations as of December 31, 2017 are shown in the following charts, by segment:

	Number and nature of facilities				Square footage (in 000s)	
	Manufacturing	Warehouse	Sales / Service	Total	Owned	Leased
Engineered Systems	38	37	75	150	3,277	1,916
Fluids	42	15	51	108	1,597	2,768
Refrigeration & Food Equipment	18	13	12	43	1,549	2,641
Energy	54	42	47	143	2,721	1,503

	Locations					Expiration dates of leased facilities (in years)	
	North America	Europe	Asia	Other	Total	Minimum	Maximum
Engineered Systems	41	50	40	2	133	1	11
Fluids	13	27	20	7	67	1	15
Refrigeration & Food Equipment	29	10	5	2	46	1	10
Energy	130	5	—	3	138	1	15

Our owned and leased facilities are well-maintained and suitable for our operations.

ITEM 3. LEGAL PROCEEDINGS

A few of our 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 subsidiary’s liability appears to be relatively insignificant in relation to the total projected expenditures and the number of other "potentially responsible parties" involved and it is anticipated to be immaterial to us on a consolidated basis. In addition, a few of our subsidiaries are involved in ongoing remedial activities at certain plant sites, in cooperation with regulatory agencies, and appropriate reserves have been established. At December 31, 2017 and 2016, we have reserves totaling $35.4 million and $30.0 million, respectively, for environmental and other matters, including private party claims for exposure to hazardous substances, that are probable and estimable.

The Company and certain of its subsidiaries are also 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 the Company’s products, exposure to hazardous substances, patent infringement, employment matters and commercial disputes. Management and legal counsel, at least quarterly, review the probable outcome of such proceedings, the costs and expenses reasonably expected to be incurred and currently accrued to-date and the availability and extent of insurance coverage. The Company has reserves for other legal matters that are probable and estimable and at December 31, 2017 and 2016, these reserves are not significant. While it is not possible at this time to predict the outcome of these legal actions, in the opinion of management, based on the aforementioned reviews, the Company is not currently involved in any legal proceedings which, individually or in the aggregate, could have a material effect on its financial position, results of operations, or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Table of Contents

EXECUTIVE OFFICERS OF THE REGISTRANT

All of our officers are elected annually at the first meeting of the Board of Directors following our annual meeting of shareholders, and are subject to removal at any time by the Board of Directors. Our executive officers as of February 9, 2018, and their positions with Dover (and, where relevant, prior business experience) for the past five years, are as follows:

Name	Age	Positions Held and Prior Business Experience
Robert A. Livingston	64	Chief Executive Officer and Director (since December 2008) and President (since June 2008).
William T. Bosway	52	Vice President of Dover and President and Chief Executive Officer (since June 2016) of Dover Refrigeration & Food Equipment; prior thereto Group Vice President, Solutions & Technology (from May 2008 to June 2016) of Emerson’s Climate Technologies.
Patrick M. Burns	55	Senior Vice President, Strategy (since September 2016) of Dover; prior thereto Vice President, Corporate Strategy (from January 2014 to June 2016) of Johnson Controls; Vice President, Marketing, Strategy and M&A (from December 2012 to December 2013) of Danaher Corporation.
Ivonne M. Cabrera	51	Senior Vice President, General Counsel and Secretary of Dover (since January 2013); prior thereto Vice President, Deputy General Counsel, and Assistant Secretary of Dover (from November 2012 to December 2012); prior thereto Vice President, Business Affairs and General Counsel of Knowles Electronics, LLC (from February 2011 to December 2012); prior thereto Vice President (from May 2010 to February 2011), Deputy General Counsel and Assistant Secretary (from February 2004 to February 2011) of Dover.
Brad M. Cerepak	58	Senior Vice President and Chief Financial Officer (since May 2011) of Dover; prior thereto Vice President and Chief Financial Officer (from August 2009 to May 2011) of Dover.
C. Anderson Fincher	47	Vice President (since May 2011) of Dover and President and Chief Executive Officer (since February 2014) of Dover Engineered Systems; prior thereto Executive Vice President (from November 2011 to February 2014) of Dover Engineered Systems; prior thereto Executive Vice President (from May 2009 to November 2011) of Dover Industrial Products.
Stephen Gary Kennon	58	Senior Vice President of Dover and President (since February 2016) of Dover Business Services; prior thereto Executive Vice President (from 2014 to February 2016) of Dover Engineered Systems; prior thereto President and Chief Executive Officer of Vehicle Services Group (2005 to 2014).
Jay L. Kloosterboer	57	Senior Vice President, Human Resources (since May 2011) of Dover; prior thereto Vice President, Human Resources (from January 2009 to May 2011) of Dover.
Sivasankaran Somasundaram	52	Vice President (since January 2008) of Dover and President and Chief Executive Officer (since August 2013) of Dover Energy; prior thereto Executive Vice President (from November 2011 to August 2013) of Dover Energy; prior thereto Executive Vice President (from January 2010 to November 2011) of Dover Fluid Management; President (from January 2008 to December 2009) of Dover's Fluid Solutions Platform.
William W. Spurgeon, Jr.	59	Vice President (since October 2004) of Dover and President and Chief Executive Officer (since February 2014) of Dover Fluids; prior thereto President and Chief Executive Officer (from August 2013 to February 2014) of Dover Engineered Systems; prior thereto President and Chief Executive Officer (from November 2011 to August 2013) of Dover Energy; prior thereto President and Chief Executive Officer (from July 2007 to November 2011) of Dover Fluid Management.

20

Table of Contents

Name	Age	Positions Held and Prior Business Experience
Russell E. Toney	48	Senior Vice President, Global Sourcing (since February 2015) of Dover; prior thereto General Manager, Market Development (from January 2013 to February 2015) of GE Energy Management.
Carrie Anderson	49	Vice President, Controller (since May 2017) of Dover; prior thereto Vice President and Chief Financial Officer (from February 2014 to May 2017) of Dover Engineered Systems; prior thereto Vice President and Chief Financial Officer (October 2011 to February 2014) of Dover's former Printing & Identification segment.
Paul E. Goldberg	54	Vice President, Investor Relations (since November 2011) of Dover; prior thereto Treasurer and Director of Investor Relations (from February 2006 to November 2011) of Dover.
Girish Juneja	48	Senior Vice President and Chief Digital Officer (since May 2017) of Dover; prior thereto Senior Vice President/Chief Technology Officer and General Manager of the Marketplace Solutions Business of Altisource (from January 2014 to April 2017); prior thereto General Manager, Big Data Software Products and Chief Technology Officer, Datacenter Software of Intel Corporation (from January 2012 to January 2014).
Anthony K. Kosinski	51	Vice President, Tax (since June 2016) of Dover; prior thereto Director, Domestic Tax (June 2003 to June 2016) of Dover.
James M. Moran	52	Vice President, Treasurer (since November 2015) of Dover; prior thereto Senior Vice President and Treasurer (from June 2013 to August 2015) of Navistar International Corporation (“NIC”); prior thereto Vice President and Treasurer (from 2008 to June 2013) of NIC; also served as Senior Vice President and Treasurer of Navistar, Inc. (from June 2013 to August 2015) and Vice President and Treasurer of Navistar, Inc. (from 2008 to June 2013); also served as Senior Vice President and Treasurer of Navistar Financial Corporation (“NFC”) (from April 2013 to August 2015) and Vice President and Treasurer of NFC (from January 2013 to April 2013).

Table of Contents

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information and Dividends

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

	2017			2016		
	Market Prices		Dividends	Market Prices		Dividends
	High	Low	per Share	High	Low	per Share
First Quarter	$81.82	$76.34	$ 0.44	$66.30	$52.65	$ 0.42
Second Quarter	83.71	77.06	0.44	72.08	62.31	0.42
Third Quarter	92.43	81.62	0.47	74.53	67.10	0.44
Fourth Quarter	101.44	89.50	0.47	77.13	65.53	0.44
			$ 1.82			$ 1.72

Holders

The number of holders of record of Dover common stock as of January 26, 2018 was approximately 19,739. This figure includes participants in our domestic 401(k) program.

Securities Authorized for Issuance Under Equity Compensation Plans

Information regarding securities authorized for issuance under our equity compensation plans is contained in Part III, Item 12 of this Form 10-K.

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

In January 2015, the Board of Directors approved a standing share repurchase authorization, whereby the Company could repurchase up to 15,000,000 shares of its common stock over the following three years. During the year ended December 31, 2017, the Company purchased 1,059,682 shares of its common stock under this authorization at a total cost of $105.0 million, or $99.11 per share. As of December 31, 2017, the number of shares available for repurchase under the January 2015 share repurchase authorization was 5,711,776. In February 2018, the Company's Board of Directors approved a new standing share repurchase authorization, whereby the Company may repurchase up to 20 million shares of its common stock through December 31, 2020. This share repurchase authorization replaces the January 2015 share repurchase authorization which expired on January 9, 2018. The total number of shares purchased by month during the fourth quarter of 2017 were as follows:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased	Maximum Number (or Approximate Dollar Value

Period			as Part of Publicly Announced Plans or Programs	in Thousands) of Shares that May Yet Be Purchased under the Plans or Program January 2015 Program
October 1 to October 31	—	$ —	—	6,771,458
November 1 to November 30	—	—	—	6,771,458
December 1 to December 31	1,059,682	99.11	1,059,682	5,711,776
For the Fourth Quarter	1,059,682	$ 99.11	1,059,682	5,711,776

22

Table of Contents

Performance Graph

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

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

Total Shareholder Returns

Data Source: Research Data Group, Inc

*Total return assumes reinvestment of dividends.
This graph assumes $100 invested on December 31, 2012 in Dover common stock, the S&P 500 index and a peer group index.

The 2017 peer index consists of the following 33 public companies selected by Dover.

3M Company	Honeywell International Inc.	Roper Industries Inc.
Actuant Corp.	Hubbell Incorporated	Snap-On Inc.
AMETEK Inc.	IDEX Corporation	SPX Corporation
Amphenol Corp.	Illinois Tool Works Inc.	Teledyne Technologies Inc.
Carlisle Companies Inc.	Ingersoll-Rand PLC	Textron Inc.
Corning Inc.	Johnson Controls International PLC	The Timken Company
Crane Company	Lennox International Inc.	United Technologies Corp.
Danaher Corporation	Nordson Corp.	Vishay Intertechnology Inc.
Eaton Corporation	Parker-Hannifin Corp.	Weatherford International PLC
Emerson Electric Co.	Pentair PLC	
Flowserve Corporation	Regal Beloit Corp.	
Gardner Denver Holdings Inc.	Rockwell Automation Inc.	

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

in thousands except per share data	2017	2016	2015	2014	2013
Revenue	$7,830,436	$6,794,342	$6,956,311	$7,752,728	$7,155,096
Earnings from continuing operations	811,665	508,892	595,881	778,140	797,527
Earnings (losses) from discontinued operations	—	—	273,948	(2,905)	205,602
Net earnings	811,665	508,892	869,829	775,235	1,003,129
Basic earnings (loss) per share:					
Continuing operations	$5.21	$3.28	$3.78	$4.67	$4.66
Discontinued operations	—	—	1.74	(0.02)	1.20
Net earnings	5.21	3.28	5.52	4.65	5.86
Weighted average basic shares outstanding	155,685	155,231	157,619	166,692	171,271
Diluted earnings (loss) per share:					
Continuing operations	$5.15	$3.25	$3.74	$4.61	$4.60
Discontinued operations	—	—	1.72	(0.02)	1.18
Net earnings	5.15	3.25	5.46	4.59	5.78
Weighted average diluted shares outstanding	157,744	156,636	159,172	168,842	173,547
Dividends per common share	$1.82	$1.72	$1.64	$1.55	$1.45
Capital expenditures	$196,735	$165,205	$154,251	$166,033	$141,694
Depreciation and amortization	394,240	360,739	327,089	307,188	278,033
Total assets	10,657,653	10,115,991	8,606,076	9,018,522	10,788,895
Total debt	3,567,804	3,621,187	2,754,777	3,019,228	2,815,715

All results and data in the table above reflect continuing operations, unless otherwise noted. See Note 3 — Acquisitions and Note 4 — Disposed and Discontinued Operations in the Consolidated Financial Statements in Item 8 of this Form 10-K for additional information regarding the impact of 2017 and 2016 acquisitions and disposed and discontinued operations.

Table of Contents

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand our results of operations and financial condition for the three years ended December 31, 2017, 2016 and 2015. The MD&A should be read in conjunction with our Consolidated Financial Statements and Notes included in Item 8 of this Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed elsewhere in this Form 10-K, particularly in Item 1A. "Risk Factors" and in the "Special Note Regarding Forward-Looking Statements" preceding Part I of this Form 10-K.

Throughout this MD&A, we refer to measures used by management to evaluate performance, including a number of financial measures that are not defined under accounting principles generally accepted in the United States of America ("GAAP"). Please see "Non-GAAP Disclosures" at the end of this Item 7 for further detail on these financial measures. We believe these measures provide investors with important information that is useful in understanding our business results and trends. Reconciliations within this MD&A provide more details on the use and derivation of these measures.

OVERVIEW

Dover is a diversified global manufacturer delivering innovative equipment and components, specialty systems, consumable supplies, software and digital solutions and support services through four operating segments: Engineered Systems, Fluids, Refrigeration & Food Equipment and Energy.

For the year ended December 31, 2017, consolidated revenue from continuing operations was $7.8 billion, an increase of $1.0 billion or 15.2%, as compared to the prior year. This increase included organic revenue growth of 7.8%, acquisition-related growth of 9.7% and a favorable impact of 0.4% from foreign currency, partially offset by a 2.7% impact from dispositions. Overall, customer pricing had a favorable impact of 0.6% on revenue for the year.

Within our Engineered Systems segment, revenue increased $210.0 million, or 8.9%, from the prior year, reflecting organic growth of 5.6%, acquisition-related growth of 6.7% and a favorable impact from foreign currency of 0.9%, partially offset by a 4.3% impact from dispositions. Organic growth was broad-based across both the Printing & Identification and Industrials platforms. Our Fluids segment revenue increased $550.3 million, or 32.4%, comprised of acquisition-related growth of 29.3%, organic growth of 2.8% and a favorable foreign currency impact of 0.3%. The organic growth was principally driven by industrial pump activity and solid hygienic and pharma markets partially offset by continued weakness in transport markets. Within our Refrigeration & Food Equipment segment, revenue decreased $21.2 million, or 1.3%, from the prior year, including a 5.1% decline due to a disposition, partially offset by organic revenue growth of 3.4% and a favorable impact from foreign currency translation of 0.4%. The organic growth was driven primarily by demand for refrigeration systems and heat exchangers in our Refrigeration business. Our Energy segment revenue increased $297.8 million, or 26.9%, from the prior year, comprised of organic revenue growth of 26.8% and acquisition-related growth of 0.2%, partially offset by an unfavorable impact from foreign currency translation of 0.1%. The increase in organic revenue within our Energy segment was driven primarily by increases in U.S. rig count and well completions.

Gross profit was $2.9 billion for the year ended December 31, 2017, an increase of $418.4 million, or 16.9%, as compared to the prior year. The increase was primarily due to the growth in sales volumes as well as the benefits of prior restructuring actions, and a reduction to a voluntary product recall accrual of $7.2 million compared to charge of

$23.2 million in 2016. Gross profit margin was 36.9% for the year ended December 31, 2017 compared to 36.4% for the prior year. For further discussion related to our consolidated and segment results, see "Consolidated Results of Operations" and "Segment Results of Operations," respectively, within MD&A.

Bookings increased 17.0% over the prior year at $8.0 billion for the year ended December 31, 2017. Included in this result was a 9.6% increase in organic bookings, a 9.8% increase in acquisition-related bookings and a 0.2% favorable impact due to foreign exchange rates, which were partially offset by a 2.6% decline due to dispositions. Bookings increased 35.7%, 30.7% and 11.6% within our Fluids, Energy and Engineered Systems segments, respectively, while bookings in our Refrigeration & Food Equipment segment decreased 3.8%. Overall, our book-to-bill increased from the prior year to 1.02. Backlog as of December 31, 2017 was $1.2 billion, up from $1.1 billion from the prior year.

Table of Contents

From a geographic perspective, our U.S., European and China markets all grew organically year-over-year.

On December 7, 2017, we announced that our Board of Directors approved a plan to spin-off our upstream energy businesses within the our Energy segment, collectively, the “Wellsite” business, through a U.S. tax-free spin-off to shareholders. We expect to complete the separation in May of 2018, subject to the satisfaction or waiver of certain customary conditions. We have incurred $15.3 million of costs associated with the transaction which were recorded as a corporate expense in selling, general and administrative expenses in the Consolidated Statement of Earnings. These transaction costs primarily relate to professional fees associated with preparation of regulatory filings and separation activities within finance, legal and information system functions. Upon separation, the historical results of Wellsite will be presented as discontinued operations.

During the fourth quarter of 2017, we recorded rightsizing and other related costs of $56.3 million to better align our cost structure in preparation for the Wellsite separation. The $56.3 million is comprised of $45.8 million of restructuring costs and $10.5 million of other charges. These costs relate to actions taken on employee reductions, facility consolidations and site closures and product line divestitures and exits. These charges were broad based across all segments as well as corporate, with costs incurred of $9.2 million in Engineered Systems, $8.2 million in Fluids, $15.3 million in Refrigeration & Food Equipment, $7.3 million in Energy and $16.3 million at Corporate. These charges were recorded in cost of goods and services, selling, general and administrative expenses, gain on sale of businesses, and other expense (income), net in the Consolidated Statement of Earnings.

We recorded a net tax benefit of $50.9 million primarily relating to the enactment of the U.S. bill commonly referred to as the Tax Cuts and Jobs Act (“Tax Reform Act”) during the fourth quarter of 2017. The benefit was comprised of a $172.0 million benefit related to the re-measurement of deferred tax liabilities arising from a lower U.S. corporate tax rate, offset by a $115.0 million provisional tax expense related to the deemed repatriation of unremitted earnings of foreign subsidiaries and $11.0 million of anticipated local withholding tax expense associated with planned cash distributions to the U.S from non-U.S. subsidiaries. The net tax benefit in the fourth quarter of 2017 also included a benefit of $4.9 million related to decreases in statutory tax rates of foreign jurisdictions. On a full year basis, the effective tax rate for 2017 was 16.7%.

For the full year 2017, Dover made a total of three acquisitions totaling $43.1 million, net of cash acquired and including contingent consideration. We completed the acquisition of Caldera Graphics S.A.S. ("Caldera") for approximately $32.9 million, net of cash acquired and including contingent consideration. Caldera enhances our ability to serve the global digital textile printing market with their high-quality technical software designed for the digital printing industry. Caldera is included in the Printing & Identification platform within the Engineered Systems segment. See Note 3 — Acquisitions in the Consolidated Financial Statements in Item 8 of this Form 10-K for further details regarding the businesses acquired during the year. Subsequently, in January 2018,we acquired Ettlinger Group, a leading manufacturer of filtering solutions for the plastics recycling industry, for €50.0 million (approximately $60.0 million) and Rosario Handel B.V., a manufacturer of decorator and base coating machinery used in the production of beverage, food and aerosol cans for €13.5 million (approximately $16.2 million). These acquisitions enhance our ability to serve our respective markets within the Fluids and Refrigeration & Food Equipment segments.

In addition, in 2017, as part of the regular review of our portfolio and the fit of our businesses, we completed the divestitures of Performance Motorsports International ("PMI"), a manufacturer of pistons and other engine related components, and the consumer and industrial winch business of Warn Industries Inc. ("Warn"), both within our Engineered Systems segment. These disposals did not represent strategic shifts in operations and, therefore, did not qualify for presentation as discontinued operations. We sold the PMI and Warn businesses for total consideration of $147.3 million and $250.3 million, respectively. The disposition of PMI resulted in pre-tax gain on sale of $88.4 million, and we recorded a 25% equity method investment at fair value as well as a subordinated note receivable. The

disposition of Warn resulted in a pre-tax gain on sale of $116.9 million and we also recorded $5.2 million of disposition costs. See Note 4 — Disposed and Discontinued Operations in the Consolidated Financial Statements in Item 8 of this Form 10-K for additional information regarding these disposed businesses.

During the year ended December 31, 2017, we purchased 1.1 million shares of our common stock for a total cost of $105.0 million, or $99.11 per share. We also continued our long history of increasing our annual dividend payments to shareholders and paid a total of $284.0 million in dividends to our shareholders.

Table of Contents

CONSOLIDATED RESULTS OF OPERATIONS

(dollars in thousands, except per share figures)	Years Ended December 31, 2017	2016	2015	% / Point Change 2017 vs. 2016	2016 vs. 2015
Revenue	$7,830,436	$6,794,342	$6,956,311	15.2 %	(2.3)%
Cost of goods and services	4,940,059	4,322,373	4,388,167	14.3 %	(1.5)%
Gross profit	2,890,377	2,471,969	2,568,144	16.9 %	(3.7)%
Gross profit margin	36.9 %	36.4 %	36.9 %	0.5	(0.5)
Selling, general and administrative expenses	1,975,932	1,757,523	1,647,382	12.4 %	6.7 %
Selling, general and administrative expenses as a percent of revenue	25.2 %	25.9 %	23.7 %	(0.7)	2.2
Interest expense	145,208	136,401	131,676	6.5 %	3.6 %
Interest income	(8,502)	(6,759)	(4,419)	25.8 %	53.0 %
Other expense (income), net	7,034	(7,930)	(7,105)	(188.7)%	11.6 %
Gain on sale of businesses	(203,138)	(96,598)	—	nm*	nm*
Provision for income taxes	162,178	180,440	204,729	(10.1)%	(11.9)%
Effective tax rate	16.7 %	26.2 %	25.6 %	(9.5)	0.6
Earnings from continuing operations	811,665	508,892	595,881	59.5 %	(14.6)%
Earnings from discontinued operations, net	—	—	273,948	— %	nm*
Earnings from continuing operations per common share - diluted	5.15	3.25	$3.74	58.5 %	(13.1)%
Earnings from discontinued operations per common share -diluted	$—	$—	$1.72	— %	nm*

* nm: not meaningful

Revenue

For the year ended December 31, 2017, revenue increased $1.0 billion, or 15.2% to $7.8 billion compared with 2016, reflecting organic growth of 7.8%, acquisition-related growth of 9.7% and a favorable impact from foreign currency translation of 0.4%, partially offset by a 2.7% impact from dispositions. Growth in organic revenue was largely driven by improved market conditions in U.S. oil and gas-related end markets for the Energy segment, as well as strong broad-based activity in the Engineered Systems segment. Organic growth also reflected strong shipments in our Pumps and Hygienic & Pharma businesses in the Fluids segment and solid retail refrigeration activity in the Refrigeration & Food Equipment segment. Acquisition-related growth of 9.7% was led by the Fluids and Engineered Systems segments, largely due to the full-year benefit from the 2016 acquisitions of Wayne Fueling Systems Ltd. ("Wayne") within our Fluids segment and Ravaglioli S.p.A Group ("RAV") within our Engineered Systems segment, as well as the 2017 acquisition of Caldera Graphics S.A.S. ("Caldera") within our Engineered Systems segment. Overall customer pricing was favorable, impacting consolidated revenue 0.6%.

For the year ended December 31, 2016, revenue decreased $162.0 million, or 2.3% to $6.8 billion compared with 2015, reflecting an organic decline of 5.4%, a 3.0% impact from dispositions and an unfavorable impact of 1.0% from foreign currency translation, offset by growth from acquisitions of 7.1%. Decline in organic revenue was attributable to weakness in U.S. oil and gas-related end markets as well as reduced capital spending by our customers. Acquisition-related growth of 7.1% was largely driven by the acquisitions of Tokheim Group S.A.S. ("Tokheim") and Wayne within our Fluids segment and RAV within our Engineered Systems segment, as well as the full-year benefit from the fourth quarter 2015 acquisitions.

Table of Contents

Gross Profit

For the year ended December 31, 2017, gross profit increased $418.4 million, or 16.9%, to $2.9 billion compared with 2016, primarily due to growth in sales volumes and benefits of prior restructuring actions, as well as a reduction of a product recall accrual of $7.2 million compared to a fourth quarter 2016 charge of $23.2 million. Gross profit margin increased 50 basis points primarily due to margin improvements in our Engineered Systems and Energy segments.

For the year ended December 31, 2016, gross profit decreased $96.2 million, or 3.7% to $2.5 billion compared with 2015, primarily due to the decline in sales volumes and a product recall charge of $23.2 million, partially offset by supply chain cost containment initiatives and the benefits of prior restructuring actions. Gross profit margin declined 50 basis points primarily due to margin declines in our Energy segment.

Selling, General and Administrative Expenses

For the year ended December 31, 2017, selling, general and administrative expenses increased $218.4 million, or 12.4% to $2.0 billion compared with 2016, primarily reflecting the impact of acquisitions in 2016, including acquisition-related amortization expense of $15.7 million, Wellsite separation costs of $15.3 million, higher restructuring charges of $10.8 million, disposition-related costs for Warn of $5.2 million and increased compensation costs. As a percentage of revenue, selling, general and administrative expenses decreased 70 basis points in 2017 to 25.2%, reflecting the leverage of costs on a higher revenue base, partially offset by the aforementioned increases in expenses.

For the year ended December 31, 2016, selling, general and administrative expenses increased $110.1 million, or 6.7% to $1.8 billion compared with 2015 reflecting the impact of acquisition-related depreciation and amortization expense, acquisition-related deal costs and increased headcount. The increase is also impacted by increased investment in DBS, offset by lower restructuring charges and the benefits of previously implemented cost reduction actions. As a percentage of revenue, selling, general and administrative expenses increased 220 basis points in 2016 to 25.9%, reflecting deleveraging of fixed administrative costs and acquisition-related costs on lower revenue.

Non-Operating Items

Interest Expense

For the year ended December 31, 2017, interest expense, net of interest income, increased $7.1 million, or 5.4%, to $136.7 million compared with 2016 due to the full year impact of the fourth quarter 2016 issuance of the €600 million of 1.25% euro-denominated notes and higher interest rates on commercial paper in 2017.

For the year ended December 31, 2016, interest expense, net of interest income, increased $2.4 million, or 1.9%, to $129.6 million compared with 2015. This increase was due to higher interest rates on commercial paper year over year and the fourth quarter 2016 issuance of the €600 million of 1.25% euro-denominated notes, offset in part by the full year impact of lower interest on $400.0 million, 3.15% notes which replaced the $300.0 million, 4.875% notes in October 2015.

Other expense (income), net

For the years ended December 31, 2017, 2016 and 2015, other expense (income), net was $7.0 million, $(7.9) million and $(7.1) million, respectively. For the year ended December 31, 2017, other expense was primarily due to a net foreign exchange loss of $7.2 million resulting from the re-measurement and settlement of foreign currency

denominated balances. For the year ended December 31, 2016, other income was primarily due to earnings on equity method investments of $3.3 million and a net foreign exchange gain of $2.9 million. For the year ended December 31, 2015, other income was primarily due to earnings on equity method investments of $3.3 million and an insurance settlement for property damage of $3.6 million, partially offset by a net foreign exchange loss of $1.6 million.

Gain on sale of businesses

For the year ended December 31, 2017, gain on sale of businesses was $203.1 million. The gain was primarily due to the sales of PMI and Warn, both within the Engineered Systems segment, in which we recognized gains on sale of $88.4 million and $116.9 million, respectively. Other immaterial dispositions completed during the year were recorded as a net loss of $2.2 million.

For the year ended December 31, 2016, gain on sale of businesses was $96.6 million. The gain was primarily due to the sales of Texas Hydraulics ("THI"), a custom manufacturer of fluid power components within the Engineered Systems segment, and Tipper Tie, a global supplier of processing and clip packaging machines within the Refrigeration & Food Equipment segment. Upon disposal of THI and Tipper Tie, we recognized gains on sale of $11.9 million and $85.0 million, respectively.

These disposals did not represent strategic shifts in operations and, therefore, did not qualify for presentation as discontinued operations.

Income Taxes

Our businesses span the globe with 36.2%, 39.0% and 33.8% of our pre-tax earnings in 2017, 2016 and 2015, respectively, generated in foreign jurisdictions. Foreign earnings are generally subject to local country tax rates that are below the 35.0% U.S. statutory tax rate as of December 31, 2017. As a result, our effective non-U.S. tax rate is typically significantly lower than the U.S. statutory tax rate. Effective January 1, 2018, the U.S. statutory rate will decrease to 21.0%.

Our effective tax rate was 16.7% for the year ended December 31, 2017, compared to 26.2% for the year ended December 31, 2016. The 2017 and 2016 rates were impacted by $46.9 million and $13.6 million, respectively, of favorable net discrete items. We recorded a provisional net tax benefit in the fourth quarter of 2017 of $50.9 million primarily related to the Tax Reform Act. The final impact may differ from these provisional amounts, possibly materially, due to, among other things, issuance of additional regulatory guidance, changes in interpretations and assumptions we made, and actions we may take as a result of the Tax Reform Act. We recorded a $172.0 million benefit related to the re-measurement of deferred tax liabilities arising from a lower U.S. corporate tax rate. We also recorded provisional tax expense of $115.0 million related to the deemed repatriation of unremitted earnings of foreign subsidiaries. We plan to make cash distributions to the U.S from non-U.S. subsidiaries of up to an estimated $450.0 million, and consequently we have recorded $11.0 million of anticipated local withholding tax expense associated with these planned distributions. The net tax benefit in the fourth quarter of 2017 also included a benefit of $4.9 million related to decreases in statutory tax rates of foreign jurisdictions. For the year ended December 31, 2016, the discrete items were primarily driven by the adjustment of tax accounts to the U.S. tax return filed.

For the year ended December 31, 2015, our effective tax rate on continuing operations was 25.6%. The effective tax rate was impacted by favorable net discrete items totaling $17.5 million, principally related to settlements of uncertain tax matters.

We believe it is reasonably possible during the next twelve months that uncertain tax positions may be settled, which could result in a decrease in the gross amount of unrecognized tax benefits. This decrease may result in an income tax benefit. Due to the potential for resolution of federal, state, and foreign examinations and the expiration of various statutes of limitation, our gross unrecognized tax benefits balance may change within the next twelve months by a range of zero to $14.1 million. We believe adequate provision has been made for all income tax uncertainties.

Earnings from Continuing Operations

For the year ended December 31, 2017, earnings from continuing operations increased $302.8 million, or 59.5%, to $811.7 million, or EPS of $5.15, compared with earnings from continuing operations of $508.9 million, or EPS of $3.25, for the year ended December 31, 2016. The 2017 results include a net benefit of $172.6 million, or EPS of $1.09, from dispositions, a net tax benefit primarily from the Tax Cuts and Jobs Act of $50.9 million, or EPS of $0.32,

and a net benefit of $4.6 million, or EPS of $0.03, from a reduction to a previously recorded product recall accrual. Results also included rightsizing and other costs of $39.1 million, or EPS of $0.25, Wellsite separation related costs of $9.7 million, or EPS of $0.06, and disposition costs of $3.2 million, or EPS of $0.02. Excluding these aforementioned benefits and costs, earnings from continuing operations increased 39% in 2017 as a result of higher earnings due to increased sales volumes, partially offset by higher weighted average shares outstanding relative to 2016.

For the year ended December 31, 2016, earnings from continuing operations decreased $87.0 million, or 14.6%, to $508.9 million, or EPS of $3.25, compared with earnings from continuing operations of $595.9 million, or EPS of $3.74, for the year ended December 31, 2015. The 2016 and 2015 results include discrete tax benefits of $13.6 million, or EPS of $0.09, and $17.5 million, or EPS of $0.11, respectively. Excluding these discrete tax benefits, earnings from continuing operations decreased 14.4% in 2016 primarily due to lower revenues, a product recall charge of $23.2 million and acquisition-related expenses. EPS decreased in 2016 as a result of lower earnings, partially offset by lower weighted average shares outstanding relative to 2015.

Table of Contents

Discontinued Operations

There were no earnings from discontinued operations for the years ended December 31, 2017 and 2016. For the year ended December 31, 2015, earnings from discontinued operations of $273.9 million primarily includes the gain on sale of $265.6 million as a result of the sale of Datamax O'Neil and Sargent Aerospace and $6.3 million of earnings attributable to those businesses prior to their disposal.

Refer to Note 4 — Disposed and Discontinued Operations in the Consolidated Financial Statements in Item 8 of this Form 10-K for additional information on disposed and discontinued operations.

Restructuring Activities

2017 Restructuring Activities

The Company incurred $59.2 million of restructuring charges for the year ended December 31, 2017, including a $45.8 million charge in the fourth quarter of 2017 for rightsizing costs to better align our cost structure in preparation for the Wellsite separation. The restructuring programs are described below.

- The Engineered Systems segment recorded $11.8 million of restructuring charges related to programs across the segment focused on headcount reductions and various site and product line moves and exits to lower ongoing operating expenses.

- The Fluids segment recorded $15.7 million of restructuring charges as a result of programs and projects across the segment, principally related to headcount reductions and facility consolidations, principally focused on achieving acquisition integration benefits.

- The Refrigeration & Food Equipment segment recorded restructuring charges of $14.1 million, related to headcount reductions, facility consolidations and product line exits, primarily within its Refrigeration business to improve margin performance.

- The Energy segment incurred restructuring charges of $7.8 million related to various programs across the segment focused on facility consolidations, product line exits and workforce reductions.

- Corporate recorded $9.8 million of restructuring charges primarily related to headcount reductions, corporate office consolidation and a shared facility exit in South America.

We anticipate that much of the benefit of these 2017 programs will be realized in 2018 and into 2019. We expect the programs currently underway to be substantially completed in the next 12 months. In light of our continued focus on improving our operating efficiency, it is possible that additional programs may be implemented throughout 2018.

2016 Restructuring Activities

The Company incurred $40.2 million of restructuring charges for the year ended December 31, 2016, including the programs described below.

- The Engineered Systems segment recorded $3.1 million of restructuring charges relating to headcount reductions across various businesses primarily related to optimization of administrative functions within the Printing &

Identification platform and U.S. manufacturing consolidation within Industrials.

- The Fluids segment recorded $16.9 million of restructuring charges principally related to headcount reductions and facility consolidations at various businesses across the segment.

- The Refrigeration & Food Equipment segment recorded restructuring charges of $0.9 million, primarily related to headcount reductions.

Table of Contents

- The Energy segment incurred restructuring charges of $18.5 million related to various programs across the segment focused on workforce reductions and field service consolidations. These programs were initiated to better align cost base with the significantly lower demand environment.

Restructuring initiatives in 2015 included targeted facility consolidations at certain businesses, headcount reductions and actions taken to optimize the Company's cost structure. We incurred restructuring charges of $55.2 million for the year ended December 31, 2015 relating to such activities. See Note 9 — Restructuring Activities in the Consolidated Financial Statements in Item 8 of this Form 10-K for additional details regarding our recent restructuring activities.

Table of Contents

SEGMENT RESULTS OF OPERATIONS

The summary that follows provides a discussion of the results of operations of each of our four reportable operating segments (Engineered Systems, Fluids, Refrigeration & Food Equipment and Energy). Each of these segments is comprised of various product and service offerings that serve multiple end markets. See Note 17 — Segment Information in the Consolidated Financial Statements in Item 8 of this Form 10-K for a reconciliation of segment revenue, earnings and margin to our consolidated revenue, earnings from continuing operations and margin. Segment EBITDA and segment EBITDA margin, which are presented in the segment discussion that follows, are non-GAAP measures and do not purport to be alternatives to operating income as a measure of operating performance. We believe that these measures are useful to investors and other users of our financial information in evaluating ongoing operating profitability as they exclude the depreciation and amortization expense related primarily to capital expenditures and acquisitions that occurred in prior years, as well as in evaluating operating performance in relation to our competitors. For further information, see "Non-GAAP Disclosures" at the end of this Item 7.

Engineered Systems

Our Engineered Systems segment is comprised of two platforms, Printing & Identification and Industrials, and is focused on the design, manufacture and service of critical equipment, consumables and components serving the fast-moving consumer goods, digital textile printing, vehicle service, environmental solutions and industrial end markets.

	Years Ended December 31,			% Change	
(dollars in thousands)	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Revenue:					
Printing & Identification	$1,094,014	$1,022,502	$943,670	7.0 %	8.4 %
Industrials	1,482,274	1,343,781	1,399,243	10.3 %	(4.0)%
	$2,576,288	$2,366,283	$2,342,913	8.9 %	1.0 %
Segment earnings	$590,430	$391,829	$376,961	50.7 %	3.9 %
Segment margin	22.9 %	16.6 %	16.1 %		
Segment EBITDA	$671,849	$465,776	$436,875	44.2 %	6.6 %
Segment EBITDA margin	26.1 %	19.7 %	18.6 %		
Other measures:					
Depreciation and amortization	$81,419	$73,947	$59,914	10.1 %	23.4 %
Bookings					
Printing & Identification	$1,114,340	$1,026,453	$937,215	8.6 %	9.5 %
Industrials	1,527,517	1,339,810	1,369,438	14.0 %	(2.2)%
	$2,641,857	$2,366,263	$2,306,653	11.6 %	2.6 %
Backlog					
Printing & Identification	$129,752	$98,924	$98,288	31.2 %	0.6 %
Industrials	310,463	252,780	250,725	22.8 %	0.8 %
	$440,215	$351,704	$349,013	25.2 %	0.8 %

Components of revenue growth:		
Organic growth	5.6 %	1.7 %
Acquisitions	6.7 %	4.4 %
Dispositions	(4.3)%	(3.9)%
Foreign currency translation	0.9 %	(1.2)%
Total revenue growth	8.9 %	1.0 %

32

2017 Versus 2016

Engineered Systems segment revenue for the year ended December 31, 2017 increased $210.0 million, or 8.9% compared to the prior year, primarily driven by acquisition-related growth of 6.7% from RAV and Alliance Wireless Technologies ("AWTI") in the fourth quarter of 2016 and Caldera in the second quarter of 2017, and broad-based organic growth of 5.6%. This increase was also driven by a favorable impact from foreign currency translation of 0.9%, partially offset by a 4.3% impact from dispositions. Customer pricing favorably impacted revenue by approximately 0.3% in 2017.

- Printing & Identification revenue (representing 42.5% of segment revenue) increased $71.5 million, or 7.0%, compared to the prior year. Organic revenue of 4.6%, acquisition-related growth of 0.9% from Caldera and a favorable impact from foreign currency translation of 1.5% all contributed to year over year growth. Organic revenue growth was driven by our marking and coding and digital printing businesses.

- Industrials revenue (representing 57.5% of segment revenue) increased $138.5 million, or 10.3%, compared to the prior year. The increase reflects acquisition-related growth of 11.1% from the RAV and AWTI acquisitions, organic revenue growth of 6.4% and a favorable impact from foreign currency translation of 0.5%. This increase was partially offset by the impact of dispositions of 7.7%. Organic revenue growth was broad-based, with particular strength in our environmental solutions business.

Engineered Systems segment earnings for the year ended December 31, 2017 increased $198.6 million, or 50.7%, compared to the prior year. The increase was primarily driven by $193.4 million of incremental gains on the sale of divested businesses including Warn and PMI in 2017 and THI in 2016, partially offset by $17.3 million of lower earnings due to divested businesses, $8.8 million of incremental restructuring expenses and $5.2 million of Warn divestiture costs. Excluding these items, adjusted segment earnings increased $36.5 million or 9.3% compared to the prior year driven by leverage on organic growth in our marking and coding and industrial businesses, partially offset by increases in material costs, most notably steel, and key strategic investments. Segment margin increased from 16.6% to 22.9% as compared to the prior year primarily due to the 2017 gains on dispositions.

Segment bookings for the year ended December 31, 2017 increased 11.6% compared to the prior year. Bookings for our Industrials platform for the year ended December 31, 2017 increased 14.0%, compared to the prior year, due primarily to the impact of acquisitions and broad-based organic growth. Our Printing & Identification bookings for the year ended December 31, 2017 increased 8.6%, compared to the prior year, driven by strong activity in our marking and coding and digital printing businesses. Segment book-to-bill was 1.03.

2016 Versus 2015

Engineered Systems segment revenue for the year ended December 31, 2016 increased $23.4 million, or 1.0%, compared to the prior year, primarily driven by organic growth of 1.7% and acquisition-related growth of 4.4% due to the acquisition of JK Group in the fourth quarter of 2015 and RAV in the fourth quarter of 2016, partially offset by a 3.9% impact from disposition and an unfavorable impact from foreign currency translation of 1.2%. Customer pricing favorably impacted revenue by approximately 0.3% in 2016.

- Printing & Identification revenue (representing 43.2% of 2016 segment revenue) increased $78.8 million, or 8.4%, compared to the prior year. The growth in organic revenue of 4.8% and acquisition-related growth of 6.0% was partially offset by the negative impact of foreign currency translation of 2.5%. Organic revenue growth was primarily driven by solid activity in our global marking and coding and digital printing businesses.

- Industrials revenue (representing 56.8% of 2016 segment revenue) decreased $55.5 million, or 4.0%, compared to the prior year. The decrease was primarily due to the impact of the disposition in the first quarter of 2016 of THI of 6.4%, a decrease in organic revenue of 0.4% and a minimal unfavorable impact of foreign currency translation of 0.4%. These declines were partially offset by acquisition-related growth of 3.3% from JK Group and RAV. The organic revenue decline was primarily impacted by reduced demand in our environmental solutions business, along with general softness in industrials markets. This decrease was partially offset by strong growth in our vehicle service business.

Engineered Systems segment earnings for the year ended December 31, 2016 increased $14.9 million, or 3.9%, compared to the prior year, driven primarily by leverage on organic revenue growth, acquisitions and productivity improvements. Segment margin increased from the prior year, reflecting productivity gains and favorable customer pricing.

Table of Contents

Fluids

Our Fluids segment, serving the Fueling & Transport, Pumps, and Hygienic & Pharma end markets, is focused on the safe handling of critical fluids across the retail fueling, chemical, hygienic, oil and gas and industrial end markets. In the first quarter of 2017, we aligned our financial reporting around these key end markets to provide more detailed information after acquiring four companies in the retail fueling market in 2016.

	Years Ended December 31,			% Change	
(dollars in thousands)	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Revenue:					
Fueling & Transport	$1,337,662	$847,701	$596,864	57.8%	42.0 %
Pumps	668,698	625,513	591,420	6.9 %	5.8 %
Hygienic & Pharma	244,470	227,360	210,989	7.5 %	7.8 %
Total	$2,250,830	$1,700,574	$1,399,273	32.4%	21.5 %
Segment earnings	$305,108	$200,921	$262,117	51.9%	(23.3)%
Segment margin	13.6 %	11.8 %	18.7 %		
Segment EBITDA	$425,228	$286,145	$318,195	48.6%	(10.1)%
Segment EBITDA margin	18.9 %	16.8 %	22.7 %		
Other measures:					
Depreciation and amortization	$120,120	$85,224	$56,078	40.9%	52.0 %
Bookings	2,310,985	1,702,930	1,351,191	35.7%	26.0 %
Backlog	399,742	331,238	243,459	20.7%	36.1 %
Components of revenue growth:					
Organic growth (decline)				2.8 %	(5.1)%
Acquisitions				29.3%	27.8 %
Dispositions				— %	(0.3)%
Foreign currency translation				0.3 %	(0.9)%
Total revenue growth				32.4%	21.5 %

2017 Versus 2016

Fluids segment revenue for the year ended December 31, 2017 increased $550.3 million, or 32.4%, compared to the prior year, comprised of acquisition-related growth of 29.3% primarily due to Wayne, organic growth of 2.8% and a favorable foreign currency translation impact of 0.3%. Customer pricing did not have a significant impact to revenue in 2017.

- Fueling & Transport revenue (representing 59.4% of segment revenue) increased $490.0 million, or 57.8%, compared to the prior year, primarily driven by acquisition-related growth from Wayne, and improving European and Asian retail fueling markets, partially offset by weak transport markets.

- Pumps revenue (representing 29.7% of segment revenue) increased $43.2 million, or 6.9%, compared to the prior year, largely reflecting increased industrial demand.

- Hygienic & Pharma revenue (representing 10.9% of segment revenue) increased $17.1 million, or 7.5%, compared to the prior year. This revenue increase was primarily driven by new product development and solid market activity.

Fluids segment earnings for the year ended December 31, 2017 increased $104.2 million, or 51.9%, compared to the prior year, primarily driven by volume growth, including acquisitions, productivity gains and the benefits of the retail fueling integration.

Table of Contents

Segment year over year earnings also includes a benefit from a reduction of $7.2 million to a voluntary product recall accrual compared to a $23.2 million charge in 2016. Segment margin increased overall by 180 basis points.

Bookings for the year ended December 31, 2017 increased 35.7% compared to the prior year, reflecting acquisition-related growth of 30.0% and organic growth of 5.7%. Book to bill was 1.03.

2016 Versus 2015

Fluids segment revenue for the year ended December 31, 2016 increased $301.3 million, or 21.5%, compared to the prior year, comprised of acquisition-related growth of 27.8% primarily due to Tokheim and Wayne, partially offset by an organic revenue decline of 5.1% and an unfavorable foreign currency translation impact of 0.9%. The decline in organic revenue impacted the Fueling & Transport, Pumps and Hygienic & Pharma end markets as a result of weak longer cycle oil and gas markets and the associated effect of reduced capital spending by our customers. Customer pricing favorably impacted revenue by approximately 0.6% in 2016.

- Fueling & Transport revenue (representing 49.8% of 2016 segment revenue) increased $250.8 million, or 42.0%, compared to the prior year. The increase was primarily due to the Tokheim, Wayne, Fairbanks, and ProGuage acquisitions, partially offset by weak transport and chemical/industrial markets.

- Pumps revenue (representing 36.8% of 2016 segment revenue) increased $34.1 million, or 5.8%, compared to the prior year, primarily driven by our fourth quarter of 2015 acquisitions partially offset by the impacts of lower activity in upstream oil and gas-related end markets.

- Hygienic & Pharma revenue (representing 13.4% of 2016 segment revenue) increased $16.4 million, or 7.8%, compared to the prior year. This increase was primarily a result of new product development, specifically in single-use products, and strong activity in medical and bioprocessing markets.

Fluids segment earnings for the year ended December 31, 2016 decreased $61.2 million, or 23.3%, compared to the prior year, primarily driven by the impact of acquisitions, including increased acquisition-related depreciation and amortization expense and acquisition-related deal costs of approximately $14.7 million. The decrease was also impacted by a $23.2 million charge due to a voluntary product recall. These were partially offset by productivity improvements, cost controls and the benefits of restructuring programs. Segment margin decreased 690 basis points as a result of lower organic volume, impact of acquisitions, the recall charge and deal costs.

Table of Contents

Refrigeration & Food Equipment

Our Refrigeration & Food Equipment segment is a provider of innovative and energy efficient equipment and systems serving the commercial refrigeration and food equipment end markets.

	Years Ended December 31,			% Change	
(dollars in thousands)	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Revenue:					
Refrigeration	$1,305,530	$1,261,633	$1,336,829	3.5 %	(5.6)%
Food Equipment	293,575	358,706	394,601	(18.2)%	(9.1)%
Total	$1,599,105	$1,620,339	$1,731,430	(1.3)%	(6.4)%
Segment earnings	$193,822	$283,628	$221,299	(31.7)%	28.2 %
Segment margin	12.1 %	17.5 %	12.8 %		
Segment EBITDA	$251,029	$348,645	$287,373	(28.0)%	21.3 %
Segment EBITDA margin	15.7 %	21.5 %	16.6 %		
Other measures:					
Depreciation and amortization	$57,207	$65,017	$66,074	(12.0)%	(1.6)%
Bookings	1,582,606	1,645,807	1,717,100	(3.8)%	(4.2)%
Backlog	244,972	258,329	247,352	(5.2)%	4.4 %
Components of revenue decline:					
Organic growth				3.4 %	0.2 %
Dispositions				(5.1)%	(6.4)%
Foreign currency translation				0.4 %	(0.2)%
Total revenue decline				(1.3)%	(6.4)%

2017 Versus 2016

Refrigeration & Food Equipment segment revenue for the year ended December 31, 2017 decreased $21.2 million, or 1.3%, compared to the prior year, primarily driven by a 5.1% decline due to dispositions, offset, in part, by organic revenue growth of 3.4% and a favorable impact from foreign currency translation of 0.4%. Customer pricing favorably impacted revenue by approximately 1.7% in 2017.

- Refrigeration revenue (representing 81.6% of segment revenue) increased $43.9 million, or 3.5%, compared to the prior year, primarily driven by growth in CO2 and industrial refrigeration systems as well as strong demand for heat exchanger products, especially in Asia.
- Food Equipment revenue (representing 18.4% of segment revenue) decreased $65.1 million, or 18.2%, compared to the prior year, primarily due to the disposition of Tipper Tie in the fourth quarter of 2016. Excluding divestitures, revenues increased $17.2 million, or 6.2%, compared to prior year driven by strong shipments in can-shaping equipment.

Refrigeration & Food Equipment segment earnings for the year ended December 31, 2017 decreased $89.8 million, or 31.7%, compared to the prior year, primarily related to the $85.0 million gain on sale of Tipper Tie in 2016 as well as $10.1 million of lower earnings in 2017 due to the divestiture, an increase of $13.1 million of restructuring expenses

in 2017 compared to the prior year, and a $4.0 million loss on sale of a non-US business in 2017. Segment margin decreased 540 basis points to 12.1% primarily driven by the aforementioned gain on sale of Tipper Tie in 2016 and increase in restructuring expenses. Excluding the impact of dispositions and restructuring, segment earnings increased $20.8 million, or 11.0%, and segment margins increased 80 basis points reflecting increased organic volume and improved productivity which more than offset increased materials cost, most notably steel.

Table of Contents

Bookings for the year ended December 31, 2017 decreased 3.8% compared to the prior year, driven by the impact of dispositions. Excluding dispositions bookings increased 1.5%, led by growth in heat exchangers and can shaping equipment. Book to bill was 0.99.
2016 Versus 2015

Refrigeration & Food Equipment segment revenue for the year ended December 31, 2016 decreased $111.1 million, or 6.4%, compared to the prior year, comprised of a 6.4% decline due to dispositions, an unfavorable impact from foreign currency translation of 0.2%, offset by organic revenue growth of 0.2%. Customer pricing had a minimal unfavorable impact of 0.3% on the segment's revenue in 2016.

- Refrigeration revenue (representing 77.9% of 2016 segment revenue) decreased $75.2 million, or 5.6%, compared to the prior year, primarily driven by the full-year impact of the disposition of the walk-in cooler business of Hillphoenix in the fourth quarter of 2015. Excluding the disposition, Hillphoenix grew by 1.3% overcoming loss of revenue at large big box retailers.

- Food Equipment revenue (representing 22.1% of 2016 segment revenue) decreased $35.9 million, or 9.1%, compared to the prior year, largely driven by the disposition of Tipper Tie in the fourth quarter of 2016.

Refrigeration & Food Equipment segment earnings for the year ended December 31, 2016 increased $62.3 million, or 28.2%, compared to the prior year, primarily due to the $85.0 million gain on sale of Tipper Tie. The increase in earnings was partially offset by dispositions, manufacturing inefficiencies of $15.0 million and unfavorable product mix in our retail refrigeration business. Segment margin increased 470 basis points as a result of the aforementioned gain on sale.

Table of Contents

Energy

Our Energy segment, serving the Drilling & Production, Bearings & Compression and Automation end markets, is a provider of customer-driven solutions and services for safe and efficient production and processing of fuels worldwide and has a strong presence in the bearings and compression components and automation markets.

	Years Ended December 31,			% Change	
(dollars in thousands)	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Revenue:					
Drilling & Production	$951,088	$719,229	$1,009,416	32.2 %	(28.7)%
Bearings & Compression	304,884	276,807	306,387	10.1 %	(9.7)%
Automation	150,229	112,402	167,877	33.7 %	(33.0)%
Total	$1,406,201	$1,108,438	$1,483,680	26.9 %	(25.3)%
Segment earnings	$188,427	$55,336	$173,190	240.5 %	(68.0)%
Segment margin	13.4 %	5.0 %	11.7 %		
Segment EBITDA	$319,423	$186,756	$314,969	71.0 %	(40.7)%
Segment EBITDA margin	22.7 %	16.8 %	21.2 %		
Other measures:					
Depreciation and amortization	$130,996	$131,420	$141,779	(0.3)%	(7.3)%
Bookings	1,424,144	1,089,922	1,429,260	30.7 %	(23.7)%
Backlog	149,579	134,181	155,586	11.5 %	(13.8)%
Components of revenue growth (decline):					
Organic growth (decline)				26.8 %	(24.4)%
Acquisitions				0.2 %	— %
Foreign currency translation				(0.1)%	(0.9)%
Total revenue growth (decline)				26.9 %	(25.3)%

2017 Versus 2016

Energy segment revenue for the year ended December 31, 2017 increased $297.8 million, or 26.9%, compared to the prior year, composed of an organic revenue growth of 26.8%, acquisition growth of 0.2%, partially offset by an unfavorable impact from foreign currency translation of 0.1%. The increase is driven by significant growth in U.S. rig count and increased well completion activity and strong results in the Bearings & Compression end market. Customer pricing did not have a significant impact to revenue in 2017.

- Drilling & Production revenue (representing 67.6% of segment revenue) increased $231.9 million, or 32.2%, compared to the prior year, due to significant growth in U.S. rig count and increases in well completion activity.

- Bearings & Compression revenue (representing 21.7% of segment revenue) increased $28.1 million, or 10.1%, compared to the prior year, as a result of increased original equipment manufacturer (OEM) demand and aftermarket demand.

- Automation revenue (representing approximately 10.7% of segment revenue) increased $37.8 million, or 33.7%, compared to the prior year. This increase was driven by higher demand from well service and exploration and

production companies.

Energy segment earnings for the year ended December 31, 2017 increased $133.1 million, or 240.5%, compared to the prior year, primarily driven by higher volume across our business and a reduction in restructuring expenses of $10.7 million compared

Table of Contents

to the prior year. Segment margin increased significantly by 840 basis points from the prior year to 13.4% due to strong conversion on increased volumes and lower restructuring expenses.

Bookings for the year ended December 31, 2017 increased 30.7% compared to the prior year, reflecting the impact of market strength. Segment book-to-bill was 1.01.

2016 Versus 2015

Energy segment revenue for the year ended December 31, 2016 decreased $375.2 million, or 25.3%, compared to the prior year, composed of an organic decline of 24.4% and an unfavorable impact from foreign currency translation of 0.9%. This result was driven by significant declines in market fundamentals, especially with regard to U.S. rig count and end customer capital spending. These reductions broadly impacted our end markets. Customer pricing unfavorably impacted revenue by approximately 1.5% in 2016.

- Drilling & Production revenue (representing 64.9% of 2016 segment revenue) decreased $290.2 million, or 28.7%, compared to the prior year, due to year over year declines in U.S. rig count and end-customer capital spending in our North American markets.

- Bearings & Compression revenue (representing 25.0% of 2016 segment revenue) decreased $29.6 million, or 9.7%, compared to the prior year, as U.S. OEM end-user demand weakened within its end markets, especially with oil and gas customers.

- Automation revenue (representing 10.1% of 2016 segment revenue) decreased $55.5 million, or 33.0%, compared to the prior year. This decrease was driven by customer project delays, as low oil prices and market uncertainties continued to drive reduced capital spending by well service and exploration and production companies.

Energy segment earnings for the year ended December 31, 2016 decreased $117.9 million, or 68.0%, compared to the prior year, primarily driven by significantly lower volume across our businesses, especially within the Drilling & Production and Automation end markets. Segment margin decreased 670 basis points from the prior year due to lower volumes and price reductions. Decreased restructuring charges of $12.3 million and lower acquisition-related depreciation and amortization of $14.1 million partially offset the impact of volume.

Table of Contents

FINANCIAL CONDITION

We assess our liquidity in terms of our ability to generate cash to fund our operating, investing and financing activities. Significant factors affecting liquidity are: cash flows generated from operating activities, capital expenditures, acquisitions, dispositions, dividends, repurchase of outstanding shares, adequacy of available commercial paper and bank lines of credit and the ability to attract long-term capital with satisfactory terms. We generate substantial cash from the operations of our businesses and remain in a strong financial position, with sufficient liquidity available for reinvestment in existing businesses and strategic acquisitions.

Cash Flow Summary

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

	Years Ended December 31,		
Cash Flows from Continuing Operations (in thousands)	2017	2016	2015
Net cash flows provided by (used in):			
Operating activities	$821,559	$861,975	$949,059
Investing activities	176,373	(1,503,843)	(34,578)
Financing activities	(594,739)	633,608	(1,091,886)

Operating Activities

Cash provided by operating activities for the year ended December 31, 2017 decreased $40.4 million compared to 2016. This decline was driven primarily by timing of year end revenue, increased tax payments of $167.6 million, which includes $69.0 million of federal and state tax payments for dispositions, as well as $9.5 million of cash paid for Wellsite separation. This decline was offset by higher continuing earnings of $183.7 million, excluding non-cash activity from depreciation and amortization, gain on sale of businesses and the impact of the Tax Reform Act.

Cash provided by operating activities for the year ended December 31, 2016 decreased $87.1 million compared to 2015. This decline was driven primarily by lower continuing earnings of $149.9 million, excluding depreciation and amortization and gain on sale of businesses, partially offset by improvements in working capital (excluding acquisitions and dispositions), as well as lower cash outflows for employee incentives and net tax payments.

Pension and Other Post-Retirement Activity: Total cash used in conjunction with pension plans during 2017 was $20.5 million including contributions to our international pension plans and payments of benefits under our non-qualified supplemental pension plan.

The funded status of our U.S. qualified defined benefit pension plans is dependent upon many factors, including returns on invested assets, the level of market interest rates and the level of funding. We contribute cash to our plans at our discretion, subject to applicable regulations and minimum contribution requirements. Due to the overfunded status of this plan, the Company made no contributions in 2017, 2016 and 2015 and expects to make minimal contributions, if any, in the near term.

Our international pension obligations are located in regions where it is not economically advantageous to pre-fund the plans due to local regulations. Total cash contributions to ongoing international defined benefit pension plans in 2017, 2016 and 2015 totaled $8.0 million, $8.4 million and $8.4 million, respectively. In 2018, we expect to contribute approximately $3.5 million to our non-U.S. plans. Our non-qualified supplemental pension plans are funded through Company assets as benefits are paid. During 2017 a total of $11.6 million benefits were paid under these plans. See Note 15 — Employee Benefit Plans in the Consolidated Financial Statements in Item 8 of this Form 10-K for further

discussion regarding our post-retirement plans.

41

Table of Contents

Adjusted Working Capital: We believe adjusted working capital (a non-GAAP measure calculated as accounts receivable, plus inventory, less accounts payable) provides a meaningful measure of our operational results by showing changes caused solely by revenue.

Adjusted Working Capital (dollars in thousands)	December 31, 2017	December 31, 2016
Accounts receivable	$ 1,385,567	$ 1,265,201
Inventories	878,635	870,487
Less: Accounts payable	979,446	830,318
Adjusted working capital	$ 1,284,756	$ 1,305,370

Adjusted working capital decreased from December 31, 2016 by $20.6 million, or 1.6%, to $1.3 billion at December 31, 2017, which reflected an increase in receivables of $120.4 million, an increase in inventory of $8.1 million and an increase in accounts payable of $149.1 million. Excluding acquisitions, dispositions and the effects of foreign currency translation, adjusted working capital decreased by $6.8 million, or 0.5%, and $39.9 million, or 3.1%, for the years ended December 31, 2017 and 2016, respectively.

Investing Activities

Cash flow from investing activities is derived from cash inflows from proceeds from sales of businesses, property, plant and equipment and short-term investments, partially offset by cash outflows for capital expenditures and acquisitions. The majority of the activity in investing activities was comprised of the following:

- Acquisitions: In 2017, we deployed $36.0 million to acquire three businesses. In comparison, we acquired six business in 2016 for an aggregate purchase price of approximately $1,561.7 million. Total acquisition spend in 2015 was $567.8 million and was comprised of four businesses. See Note 3 — Acquisitions in the Consolidated Financial Statements in Item 8 of this Form 10-K for additional information with respect to recent acquisitions.

- Proceeds from sale of businesses: In 2017, we generated cash proceeds of $372.7 million, primarily from the sale of PMI and Warn. Cash proceeds of $206.4 million in 2016 were primarily from the sale of THI and Tipper Tie. In 2015, we generated cash proceeds of $689.3 million primarily from the sale of Datamax O'Neil and Sargent Aerospace.

- Capital spending: Capital expenditures, primarily to support productivity and new product launches, were $196.7 million in 2017, $165.2 million in 2016 and $154.3 million in 2015. Our capital expenditures increased $31.5 million in the 2017 period as compared to 2016, primarily within Fluids.

We anticipate that capital expenditures and any additional acquisitions we make in 2018 will be funded from available cash and internally generated funds and, if necessary, through the issuance of commercial paper, or by accessing the public debt or equity markets.

Financing Activities

Our cash flow from financing activities generally relates to the use of cash for purchases of our common stock and payment of dividends, offset by net borrowing activity and proceeds from the exercise of share-based awards. The majority of financing activity was attributed to the following:

- Long-term debt, commercial paper and notes payable, net: During 2017, we decreased net borrowings from commercial paper by $183.2 million with the cash proceeds from the sale of PMI and Warn. In November 2016, we issued €600.0 million of 1.25% euro-denominated notes due in 2026. The proceeds of $656.4 million from this

issuance, net of discounts and issuance costs, were primarily used for payment of a portion of the purchase price of the acquisition of Wayne. During the 2016 period, we increased net borrowings from commercial paper by $254.8 million primarily for purposes of funding acquisitions. During 2015, we decreased net borrowings from commercial paper by $327.0 million, we repaid the $300.0 million of 4.875% notes, which matured October 15, 2015, and we issued $400.0 million of 3.150% notes realizing cash proceeds of $394.3 million, net of discounts and issuance costs.

- Treasury purchases: In January 2015, our Board of Directors approved a new standing share repurchase authorization, whereby the Company was authorized to repurchase up to 15 million shares of its common stock over the following

Table of Contents

three years. These share repurchases are opportunistic buybacks made as part of management's capital allocation strategy. These repurchases are also made to offset the dilutive impact of shares issued under our equity compensation plans. In 2017, we used $105.0 million to repurchase 1.1 million shares under this authorization. During 2016, we did not purchase any shares under this program. In 2015, we completed the repurchase of 8.2 million shares at a total cost of $600.2 million under this authorization. As of December 31, 2017, the number of shares available for repurchase under the January 2015 share repurchase authorization was 5.7 million. In February 2018, the Company's Board of Directors approved a new standing share repurchase authorization, whereby the Company may repurchase up to 20 million shares of its common stock through December 31, 2020. This share repurchase authorization replaces the January 2015 share repurchase authorization which expired on January 9, 2018.

- Dividend payments: Total dividend payments to common shareholders were $284.0 million in 2017, $268.3 million in 2016 and $258.0 million in 2015. Our dividends paid per common share increased 6% to $1.82 per share in 2017 compared to $1.72 per share in 2016. This represents the 62nd consecutive year that our dividend has increased.

- Net Proceeds from the exercise of share-based awards: There were no proceeds from the exercise of share-based awards in 2017. With the adoption of Accounting Standards Update 2016-09, Compensation - Stock Compensation (Topic 718), this activity is reflected in operating activities for the year ended December 31, 2017, and we have elected to reflect this cash flow presentation prospectively. Proceeds from the exercise of share-based awards were $8.4 million and $4.0 million in 2016 and 2015, respectively. These proceeds have fluctuated in recent periods due to the volatility in our stock price and a larger number of cashless exercises of equity awards. Payments to settle tax obligations on these exercises were $18.4 million, $15.7 million and $5.0 million in 2017, 2016 and 2015, respectively. These tax payments generally increase or decrease correspondingly to the number of exercises in a particular year.

Cash Flows from Discontinued Operations

There were no cash flows from discontinued operations in 2017 and 2016. In 2015, cash used in discontinued operations totaled $115.9 million which reflect the operating results of Datamax O'Neil and Sargent Aerospace (prior to their sale in 2015), as well as $110.5 million of taxes paid relating to the gain on the sale of Sargent Aerospace.

Liquidity and Capital Resources

Adjusted Free Cash Flow

In addition to measuring our cash flow generation and usage based upon the operating, investing and financing classifications included in the Consolidated Statements of Cash Flows, we also measure adjusted free cash flow (a non-GAAP measure) which represents net cash provided by operating activities minus capital expenditures, plus the add back of cash taxes paid for gains on dispositions (which reflect tax payments on disposition-related investing activities) and cash paid for Wellsite separation costs. We believe that adjusted free cash flow is an important measure of operating performance because it provides management and investors a measurement of cash generated from operations that is available for mandatory payment obligations and investment opportunities, such as funding acquisitions, paying dividends, repaying debt and repurchasing our common stock.

The following table reconciles our adjusted free cash flow to cash flow provided by operating activities:

	Years Ended December 31,		
Adjusted Free Cash Flow (dollars in thousands)	2017	2016	2015
Cash flow provided by operating activities	$821,559	$861,975	$949,059
Less: Capital expenditures	(196,735)	(165,205)	(154,251)

Plus: Cash taxes paid for gains on dispositions	69,040	869	—
Plus: Cash paid on Wellsite separation	9,508	—	—
Adjusted free cash flow	$703,372	$697,639	$794,808
Adjusted free cash flow as a percentage of revenue	9.0 %	10.3 %	11.4 %

For 2017, we generated adjusted free cash flow of $703.4 million, representing 9.0% of revenue. Adjusted free cash flow in 2016 was $697.6 million or 10.3% of revenue, and $794.8 million, or 11.4% of revenue in 2015. The full year decrease in 2017 adjusted free cash flow reflects lower cash flow provided by operations as a result of timing of revenue at year end and higher capital expenditures, primarily within our Fluids segment.

Table of Contents

The 2016 decrease in adjusted free cash flow compared to 2015 reflects lower earnings from continuing operations before depreciation and amortization, higher capital expenditures and timing of revenue at year end, principally in the energy related businesses.

Capitalization

We use commercial paper borrowings for general corporate purposes, including the funding of acquisitions and the repurchase of our common stock. We maintain a $1.0 billion five-year unsecured committed revolving credit facility (the "Credit Agreement") with a syndicate of banks which expires on November 10, 2020. This facility is used primarily as liquidity back-up for our commercial paper program. We have not drawn down any loans under this facility nor do we anticipate doing so. If we were to draw down a loan, at our election, the loan would bear interest at a base rate plus an applicable margin. Under this facility, we are required to pay a facility fee and to maintain an interest coverage ratio of consolidated EBITDA to consolidated net interest expense of not less than 3.0 to 1. We were in compliance with this covenant and our other long-term debt covenants at December 31, 2017 and had a coverage ratio of 11.4 to 1.0. We are not aware of any potential impairment to our liquidity and expect to remain in compliance with all of our debt covenants.

On March 15, 2018, the outstanding 5.45% notes with a principal value of $350.0 million will mature. These notes have been classified as a current maturity of long-term debt as of December 31, 2017. We expect to use a combination of cash and commercial paper to pay off the notes at maturity.

On November 9, 2016, we issued €600.0 million of 1.25% euro-denominated notes due 2026. The proceeds of $656.4 million from the sale of the notes, net of discounts and issuance costs, were used for payment of a portion of the purchase price of the acquisition of Wayne.

We also have a current shelf registration statement filed with the SEC that allows for the issuance of additional debt securities that may be utilized in one or more offerings on terms to be determined at the time of the offering. Net proceeds of any offering would be used for general corporate purposes, including repayment of existing indebtedness, capital expenditures and acquisitions.

At December 31, 2017, our cash and cash equivalents totaled $754.0 million, of which approximately $609.8 million was held outside the United States. Cash and cash equivalents are held primarily in bank deposits with highly rated banks. We regularly hold cash in excess of near-term requirements in bank deposits or invest the funds in government money market instruments or short-term investments, which consist of investment grade time deposits with original maturity dates at the time of purchase of no greater than three months. As a result of the Tax Reform Act, during 2018 we intend to repatriate a significant amount of cash held outside the United States and use the proceeds to pay down commercial paper and/or pay off a portion of the $350.0 million notes that will mature on March 15, 2018.

We utilize the net debt to net capitalization calculation (a non-GAAP measure) to assess our overall financial leverage and capacity and believe the calculation is useful to investors for the same reason. Net debt represents total debt minus cash and cash equivalents. Net capitalization represents net debt plus stockholders' equity. The following table provides a reconciliation of net debt to net capitalization to the most directly comparable GAAP measures:

Net Debt to Net Capitalization Ratio (dollars in thousands)	December 31, 2017	December 31, 2016	December 31, 2015
Current maturities of long-term debt	$350,402	$6,950	$122
Commercial paper	230,700	407,600	151,000
Notes payable and current maturities of long-term debt	581,102	414,550	151,122
Long-term debt	2,986,702	3,206,637	2,603,655

Total debt	3,567,804	3,621,187	2,754,777
Less: Cash and cash equivalents	(753,964)	(349,146)	(362,185)
Net debt	2,813,840	3,272,041	2,392,592
Add: Stockholders' equity	4,383,180	3,799,746	3,644,575
Net capitalization	$7,197,020	$7,071,787	$6,037,167
Net debt to net capitalization	39.1 %	46.3 %	39.6 %

Table of Contents

Our net debt to net capitalization ratio decreased to 39.1% at December 31, 2017 compared to 46.3% at December 31, 2016. The decrease in this ratio was driven primarily by the $458.2 million decrease in net debt, as a result of $404.8 million higher cash and cash equivalents due to the aforementioned cash flow activity. The decrease was also impacted by the repayment of commercial paper partially offset by foreign currency translation on our euro-denominated notes.

Our net debt to net capitalization ratio increased to 46.3% at December 31, 2016 compared to 39.6% at December 31, 2015 primarily due to changes in net debt during the period. Net debt increased $879.5 million during the period primarily due to an increase in long-term debt outstanding due to the €600 million notes issued in the fourth quarter of 2016 and an increase in commercial paper borrowings.

Our ability to obtain debt financing at comparable risk-based interest rates is partly a function of our existing cash-flow-to-debt and debt-to-capitalization levels as well as our current credit standing. Our credit ratings, which are independently developed by the respective rating agencies, were as follows as of December 31, 2017:

	Short Term Rating	Long Term Rating	Outlook
Moody's	P-2	A3	Negative
Standard & Poor's	A-2	BBB+	Stable
Fitch	F2	A-	Negative

Operating cash flow and access to capital markets are expected to satisfy our various cash flow requirements, including acquisitions and capital expenditures. Acquisition spending and/or share repurchases could potentially increase our debt.

We believe that existing sources of liquidity are adequate to meet anticipated funding needs at current risk-based interest rates for the foreseeable future.

Off-Balance Sheet Arrangements and Contractual Obligations

As of December 31, 2017, we had approximately $135.4 million outstanding in letters of credit with financial institutions, which expire at various dates in 2018 through 2039. These letters of credit are primarily maintained as security for insurance, warranty and other performance obligations. In general, we would only be liable for the amount of these guarantees in the event of default in the performance of our obligations, the probability of which we believe is remote.

We have also provided typical indemnities in connection with sales of certain businesses and assets, including representations and warranties and related indemnities for environmental, health and safety, tax and employment matters. We do not have any material liabilities recorded for these indemnifications and are not aware of any claims or other information that would give rise to material payments under such indemnities.

Table of Contents

A summary of our consolidated contractual obligations and commitments as of December 31, 2017 and the years when these obligations are expected to be due is as follows:

		Payments Due by Period				
(in thousands)	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years	Other
Long-term debt [1]	$3,336,713	$350,011	$356,292	$448,831	$2,181,579	$—
Interest payments [2]	1,491,087	122,697	226,318	182,139	959,933	—
Rental commitments	270,714	72,220	92,569	48,740	57,185	—
Purchase obligations	58,152	57,545	607	—	—	—
Capital leases	15,277	3,454	4,399	2,362	5,062	—
Supplemental and post-retirement benefits [3]	111,665	19,975	18,954	31,419	41,317	—
Income tax payable - deemed repatriation tax [4]	114,947	6,449	18,392	18,392	71,714	—
Uncertain tax positions [5]	84,452	—	—	—	—	84,452
Total obligations	$5,483,007	$632,351	$717,531	$731,883	$3,316,790	$84,452

(1) See Note 10 — Borrowings and Lines of Credit to the Consolidated Financial Statements. Amounts represent principal payments for all long-term debt, including current maturities, net of unamortized discounts and deferred issuance costs.

(2) Amounts represent estimate of future interest payments on long-term debt using the interest rates in effect at December 31, 2017.

(3) Amounts represent estimated benefit payments under our unfunded supplemental and post-retirement benefit plans and our unfunded non-U.S. qualified defined benefit plans. See Note 15 — Employee Benefit Plans to the Consolidated Financial Statements. We also expect to contribute approximately $3.5 million to our non-U.S. qualified defined benefit plans in 2018, which amount is not reflected in the above table.

(4) Amounts represent a tax imposed by the Tax Reform Act for a one-time deemed repatriation of unremitted earnings of foreign subsidiaries, including current payable.

(5) Due to the uncertainty of the potential settlement of future uncertain tax positions, we are unable to estimate the timing of the related payments, if any, that will be made subsequent to 2017. These amounts do not include the potential indirect benefits resulting from deductions or credits for payments made to other jurisdictions.

Financial Instruments and Risk Management

The diverse nature of our businesses’ activities necessitates the management of various financial and market risks, including those related to changes in interest rates, foreign currency exchange rates and commodity prices. We periodically use derivative financial instruments to manage some of these risks. We do not hold or issue derivative instruments for trading or speculative purposes. We are exposed to credit loss in the event of nonperformance by counterparties to our financial instrument contracts; however, nonperformance by these counterparties is considered unlikely as our policy is to contract with highly-rated, diversified counterparties.

Interest Rate Exposure

As of December 31, 2017 and during the three year period then ended, we did not have any open interest rate swap contracts. However, we may in the future enter into interest rate swap agreements to manage our exposure to interest rate changes. We issue commercial paper, which exposes us to changes in variable interest rates; however, maturities are typically three months or less so a change in rates over this period would not have a material impact on our pre-tax earnings.

We consider our current risk related to market fluctuations in interest rates to be minimal since our debt is largely long-term and fixed-rate in nature. Generally, the fair market value of fixed-interest rate debt will increase as interest rates fall and decrease as interest rates rise. A 100 basis point increase in market interest rates would decrease the 2017 year-end fair value of our long-term debt by approximately $857.4 million. However, since we have no plans to repurchase our outstanding fixed-rate instruments before their maturities, the impact of market interest rate fluctuations on our long-term debt does not affect our results of operations or financial position.

Foreign Currency Exposure

We conduct business in various non-U.S. countries, primarily in Canada, substantially all of the European countries, Mexico, Brazil, Argentina, China, India and other Asian countries. Therefore, we have foreign currency risk relating to receipts from customers, payments to suppliers and intercompany transactions denominated in foreign currencies. We will occasionally use derivative financial instruments to offset such risks, when it is believed that the exposure will not be limited by our normal operating and financing activities. We have formal policies to mitigate risk in this area by using fair value and/or cash flow hedging programs.

Changes in the value of the currencies of the countries in which we operate affect our results of operations, financial position and cash flows when translated into U.S. dollars, our reporting currency. The strengthening of the U.S. dollar could result in unfavorable translation effects as the results of foreign operations are translated into U.S. dollars. We have generally accepted the exposure to exchange rate movements relative to our investment in non-U.S. operations. We may, from time to time, for a specific exposure, enter into fair value hedges.

Additionally, the Company has designated the €300.0 million and €600.0 million of euro-denominated notes issued December 4, 2013 and November 9, 2016, respectively, as a hedge of a portion of its net investment in euro-denominated operations. Due to the high degree of effectiveness between the hedging instruments and the exposure being hedged, fluctuations in the value of the euro-denominated debt due to exchange rate changes are offset by changes in the net investment. Accordingly, changes in the value of the euro-denominated debt are recognized in the cumulative translation adjustment section of other comprehensive income (loss) to offset changes in the value of the net investment in euro-denominated operations. Due to the fluctuations of the euro relative to the U.S. dollar, the U.S. dollar equivalent of this debt increases or decreases, resulting in the recognition of a loss of $125.3 million and a gain of $53.8 million in other comprehensive income for the years ended December 31, 2017 and 2016, respectively.

Commodity Price Exposure

Certain of our businesses are exposed to volatility in the prices of certain commodities, such as aluminum, steel, copper and various precious metals, among others. Our primary exposure to commodity pricing volatility relates to the use of these materials in purchased component parts or the purchase of raw materials. When possible, we maintain long-term fixed price contracts on raw materials and component parts; however, we are prone to exposure as these contracts expire. We may, from time to time, for a specific exposure, enter into cash flow hedges to mitigate our risk to commodity pricing; however, such contracts outstanding at December 31, 2017 were not significant.

Critical Accounting Policies and Estimates

Our consolidated financial statements and related public financial information are based on the application of GAAP. GAAP requires the use of estimates, assumptions, judgments and subjective interpretations of accounting principles that have an impact on the assets, liabilities, revenue and expense amounts we report. These estimates can also affect supplemental information contained in our public disclosures, including information regarding contingencies, risk and our financial condition. The significant accounting policies used in the preparation of our consolidated financial statements are discussed in Note 1 — Description of Business and Summary of Significant Accounting Policies in the Consolidated Financial Statements in Item 8 of this Form 10-K. The accounting assumptions and estimates discussed in the section below are those that we consider most critical to an understanding of our financial statements because they inherently involve significant judgments and estimates. We believe our use of estimates and underlying accounting assumptions conforms to GAAP and is consistently applied. We review valuations based on estimates for reasonableness on a consistent basis.

Revenue Recognition - Revenue is recognized when all of the following conditions are satisfied: a) persuasive evidence of an arrangement exists, b) price is fixed or determinable, c) collectability is reasonably assured and d) delivery has occurred or services have been rendered. The majority of our revenue is generated through the manufacture and sale of a broad range of specialized products and components, with revenue recognized upon transfer of title and risk of loss, which is generally upon shipment. Service revenue represents less than 5% of our total revenue and is recognized as the services are performed. In limited cases, our revenue arrangements with customers require delivery, installation, testing, certification, or other acceptance provisions to be satisfied before revenue is recognized. We include shipping costs billed to customers in revenue and the related shipping costs in cost of goods and services.

Table of Contents

Inventories - Inventories for the majority of our subsidiaries, including all international subsidiaries, are stated at net realizable value, determined on the first-in, first-out (FIFO) basis, or cost. Other domestic inventories are stated at cost, determined on the last-in, first-out (LIFO) basis, which is less than market value. Under certain market conditions, estimates and judgments regarding the valuation of inventories are employed by us to properly value inventories.

Goodwill and Other Intangible Assets - We have significant goodwill and intangible assets on our consolidated balance sheets as a result of current and past acquisitions. The valuation and classification of these assets and the assignment of useful lives involve significant judgments and the use of estimates. In addition, the testing of goodwill and intangibles for impairment requires significant use of judgment and assumptions, particularly as it relates to the determination of fair market value. Our indefinite-lived intangible assets and reporting units are tested and reviewed for impairment on an annual basis during the fourth quarter, or more frequently when indicators of impairment exist.

When performing an impairment test, we estimate fair value using the income-based valuation method. Under the income-based valuation method, fair value is determined based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. We use our internal forecasts to estimate future cash flows and include an estimate of long-term future growth rate based on our most recent views of the long-term outlook for each reporting unit. Actual results may differ from these estimates. The discount rates used in these analyses vary by reporting unit and are based on a capital asset pricing model and published relevant industry rates. We use discount rates commensurate with the risks and uncertainties inherent to each reporting unit and in our internally developed forecasts. Discount rates used in our 2017 reporting unit valuations ranged from 8.5% to 10.0%.

We performed the annual goodwill impairment testing of our ten identified reporting units in the fourth quarter of 2017. Based on the impairment tests performed, the fair value of our reporting units exceeded their carrying value, in most cases, by more than 100% and, in no case, less than 80%. As such, no goodwill impairment was recognized. While we believe the assumptions used in the 2017 impairment analysis are reasonable and representative of expected results, if market conditions worsen or persist for an extended period of time, an impairment of goodwill or assets may occur. We will continue to monitor the long-term outlook and forecasts, including estimated future cash flows, for these businesses and the impact on the carrying value of goodwill and assets.

Employee Benefit Plans - The valuation of our pension and other post-retirement plans requires the use of assumptions and estimates that are used to develop actuarial valuations of expenses and assets/liabilities. Inherent in these valuations are key assumptions, including discount rates, investment returns, projected salary increases and benefits and mortality rates. Annually, we review the actuarial assumptions used in our pension reporting and compare them with external benchmarks to ensure that they accurately account for our future pension obligations. Changes in assumptions and future investment returns could potentially have a material impact on our pension expense and related funding requirements. Our expected long-term rate of return on plan assets is reviewed annually based on actual returns, economic trends and portfolio allocation. Our discount rate assumption is determined by developing a yield curve based on high quality corporate bonds with maturities matching the plans' expected benefit payment streams. The plans' expected cash flows are then discounted by the resulting year-by-year spot rates. As disclosed in Note 15 — Employee Benefit Plans to the Consolidated Financial Statements, the 2017 weighted-average discount rates used to measure our qualified defined benefit ranged from 1.94% to 3.65%, a decrease from the 2016 rates, which ranged from 2.06% to 4.10%. The lower 2017 discount rates are reflective of decreased market interest rates over this period. A 25 basis point decrease in the discount rates used for these plans would have increased the post-retirement benefit obligations by approximately $36.0 million from the amount recorded in the consolidated financial statements at December 31, 2017. Our pension expense is also sensitive to changes in the expected long-term rate of return on plan assets. A decrease of 25 basis points in the expected long-term rate of return on assets would have increased our defined benefit pension expense by approximately $1.8 million.

Income Taxes - We have significant amounts of deferred tax assets that are reviewed for recoverability and valued accordingly. These assets are evaluated by using estimates of future taxable income streams and the impact of tax planning strategies. Reserves are also estimated, using more likely than not criteria, for ongoing audits regarding federal, state and international issues that are currently unresolved. We routinely monitor the potential impact of these situations and believe that we have established the proper reserves. Reserves related to tax accruals and valuations related to deferred tax assets can be impacted by changes in tax codes and rulings (as further described below with respect to U.S. tax law), changes in statutory tax rates and our future taxable income levels. The provision for uncertain tax positions provides a recognition threshold and measurement attribute for financial statement tax benefits taken or expected to be taken in a tax return and disclosure requirements regarding uncertainties in income tax positions. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized

---

upon ultimate settlement. We record interest and penalties related to unrecognized tax benefits as a component of our provision for income taxes.

On December 22, 2017, the Tax Reform Act was enacted, which significantly changes U.S. tax law by, among other things, lowering corporate income tax rates, implementing a territorial tax system and imposing a repatriation tax on deemed repatriated earnings of foreign subsidiaries. The Tax Reform Act permanently reduces the U.S. corporate income tax rate from a maximum of 35% to a flat 21% rate, effective January 1, 2018. The Tax Reform Act also provided for a one-time deemed repatriation of post-1986 undistributed foreign subsidiary earnings and profits (“E&P”) through the year ended December 31, 2017. The Global Intangible Low-Taxed Income ("GILTI") provisions of the Tax Reform Act also require the Company to include in its U.S. income tax return foreign subsidiary earnings in excess of an allowable return on the foreign subsidiary’s tangible assets. The Company expects that it will be subject to incremental U.S. tax on GILTI income beginning in 2018, due to expense allocations required by the U.S. foreign tax credit rules. The Company has elected to account for GILTI tax in the period in which it is incurred, and therefore has not provided any deferred tax impacts of GILTI in its consolidated financial statements for the year ended December 31, 2017.

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 (“SAB 118”) to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Reform Act. We have recognized the provisional tax impacts related to deemed repatriated earnings and the benefit for the revaluation of deferred tax assets and liabilities, and included these amounts in its Consolidated Financial Statements for the year ended December 31, 2017. The final impact may differ from these provisional amounts, possibly materially, due to, among other things, additional analysis, changes in interpretations and assumptions we made, additional regulatory guidance that may be issued, and actions we may take as a result of the Tax Reform Act. In accordance with SAB 118 the financial reporting impact of the Tax Reform Act will be completed in the fourth quarter of 2018.

Risk, Retention, Insurance - We have significant accruals and reserves related to the self-insured portion of our risk management program. These accruals require the use of estimates and judgment with regard to risk exposure and ultimate liability. We estimate losses under these programs using actuarial assumptions, our experience and relevant industry data. We review these factors quarterly and consider the current level of accruals and reserves adequate relative to current market conditions and experience.

Contingencies - We have established liabilities for environmental and legal contingencies at both the business and corporate levels. A significant amount of judgment and the use of estimates are required to quantify our ultimate exposure in these matters. The valuation of liabilities for these contingencies is reviewed on a quarterly basis to ensure that we have accrued the proper level of expense. The liability balances are adjusted to account for changes in circumstances for ongoing issues and the establishment of additional liabilities for emerging issues. While we believe that the amount accrued to-date is adequate, future changes in circumstances could impact these determinations.

Restructuring - We establish liabilities for restructuring activities at an operation when management has committed to an exit or reorganization plan and when termination benefits are probable and can be reasonably estimated based on circumstances at the time the restructuring plan is approved by management or when termination benefits are communicated. Exit costs include future minimum lease payments on vacated facilities and other contractual terminations. In addition, asset impairments may be recorded as a result of an approved restructuring plan. The accrual of both severance and exit costs requires the use of estimates. Though we believe that these estimates accurately reflect the anticipated costs, actual results may be different than the estimated amounts.

Disposed and Discontinued Operations - From time to time we sell or discontinue or dispose of certain operations for various reasons. Estimates are used to adjust, if necessary, the assets and liabilities of discontinued operations, including goodwill, to their estimated fair market value. These estimates include assumptions relating to the proceeds anticipated as a result of the sale. Fair value is established using internal valuation calculations along with market analysis of similar-type entities. The adjustments to fair market value of these operations provide the basis for the gain or loss when sold. Changes in business conditions or the inability to sell an operation could potentially require future adjustments to these estimates. No impairment charges were recorded in 2017, 2016 or 2015.

Stock-Based Compensation - We are required to recognize in our Consolidated Statements of Earnings the expense associated with all share-based payment awards made to employees and directors, including stock appreciation rights ("SARs"), restricted stock units and performance share awards. We use the Black-Scholes valuation model to estimate the fair value of SARs granted

Table of Contents

to employees. The model requires that we estimate the expected life of the SAR, expected forfeitures and the volatility of our stock using historical data. For additional information related to the assumptions used, see Note 13 — Equity and Cash Incentive Program to the Consolidated Financial Statements in Item 8 of this Form 10-K.

Recent Accounting Standards

See Note 1 — Description of Business and Summary of Significant Accounting Policies to the Consolidated Financial Statements in Item 8 of this Form 10-K for a discussion of recent accounting pronouncements and recently adopted accounting standards.

Non-GAAP Disclosures

In an effort to provide investors with additional information regarding our results as determined by GAAP, we also disclose non-GAAP information which we believe provides useful information to investors. Segment EBITDA, segment EBITDA margin, adjusted free cash flow, net debt, net capitalization, the net debt to net capitalization ratio, adjusted working capital and organic revenue growth are not financial measures under GAAP and should not be considered as a substitute for earnings, cash flows from operating activities, debt or equity, working capital or revenue as determined in accordance with GAAP, and they may not be comparable to similarly titled measures reported by other companies. We believe that segment EBITDA and segment EBITDA margin are useful to investors and other users of our financial information in evaluating ongoing operating profitability as they exclude the depreciation and amortization expense related primarily to capital expenditures and acquisitions that occurred in prior years, as well as in evaluating operating performance in relation to our competitors. Segment EBITDA is calculated by adding back depreciation and amortization expense to segment earnings, which is the most directly comparable GAAP measure. We do not present segment net income because corporate expenses are not allocated at a segment level. Segment EBITDA margin is calculated as segment EBITDA divided by segment revenue.

We believe the net debt to net capitalization ratio and adjusted free cash flow are important measures of liquidity. Net debt to net capitalization ratio is helpful in evaluating our capital structure and the amount of leverage we employ. Adjusted free cash flow provides both management and investors a measurement of cash generated from operations that is available to fund acquisitions, pay dividends, repay debt and repurchase our common stock. Reconciliations of adjusted free cash flow, net debt and net capitalization can be found above in this Item 7, MD&A. We believe that reporting adjusted working capital, which is calculated as accounts receivable, plus inventory, less accounts payable, provides a meaningful measure of our operational results by showing the changes caused solely by revenue. We believe that reporting organic revenue and organic revenue growth, which exclude the impact of foreign currency exchange rates and the impact of acquisitions and divestitures, provides a useful comparison of our revenue performance and trends between periods.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this section is incorporated by reference to the section, "Financial Instruments and Risk Management", included within the MD&A in Item 7.

Table of Contents

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND
FINANCIAL STATEMENT SCHEDULE

Page

52 Management's Report on Internal Control Over Financial Reporting
53 Report of Independent Registered Public Accounting Firm
55 Consolidated Statements of Earnings
56 Consolidated Statements of Comprehensive Earnings
57 Consolidated Balance Sheets
58