



Pall Corporation

# First Quarter Fiscal 2011 Results

**Eric Krasnoff**  
Chairman, CEO & President  
December 10, 2010

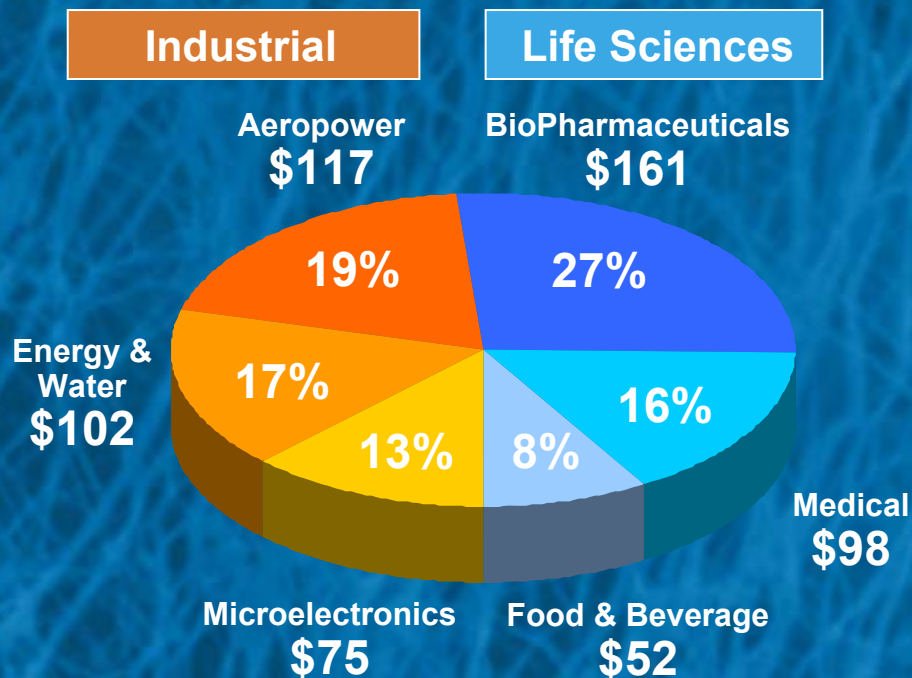
# Forward-Looking Statements

The matters discussed in this presentation contain “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Results for the first quarter of fiscal year 2011 are preliminary until the Company's Form 10-Q is filed with the Securities and Exchange Commission on December 10, 2010.

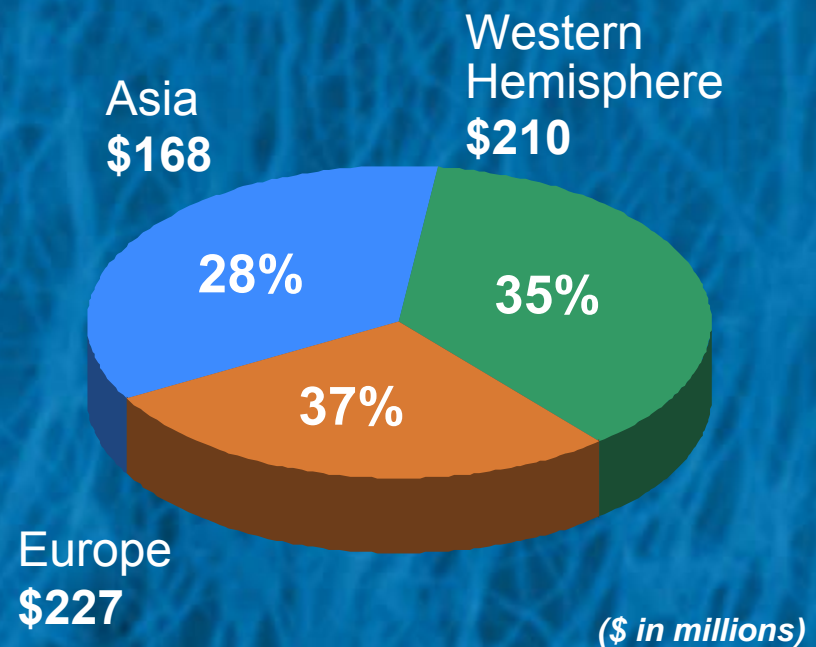
Forward-looking statements are those that address activities, events or developments that the Company or management intends, expects, projects, believes or anticipates will or may occur in the future. All statements regarding future performance, earnings projections, earnings guidance, management's expectations about its future cash needs and effective tax rate, and other future events or developments are forward-looking statements. Forward-looking statements are those that use terms such as "may," "will," "expect," "believe," "intend," "should," "could," "anticipate," "estimate," "forecast," "project," "plan," "predict," "potential," and similar expressions. Forward-looking statements contained in this and other written and oral reports are based on management's assumptions and assessments in light of past experience and trends, current conditions, expected future developments and other relevant factors. They are subject to risks and uncertainties and are not guarantees of future performance, and actual results, developments and business decisions may differ materially from those envisaged by the Company's forward-looking statements. Such risks and uncertainties include, but are not limited to, those discussed in Part I–Item 1A.–Risk Factors in our 2010 Annual Report on Form 10-K, and other reports the Company files with the Securities and Exchange Commission, including the effect of litigation and regulatory inquiries associated with the restatement of our prior period financial statements; the impact of legislative, regulatory and political developments globally and the impact of the uncertain global economic environment and the timing and strength of a recovery in the markets and regions we serve, and the extent to which adverse economic conditions may affect our sales volume and results; demand for our products and business relationships with key customers and suppliers, which may be impacted by their cash flow and payment practices, as well as delays or cancellations in shipments; our ability to obtain regulatory approval or market acceptance of new technologies; our ability to successfully complete our business improvement initiatives, which include integrating and upgrading our information systems and the effect of a serious disruption in our information systems; fluctuations in our effective tax rate; volatility in foreign currency exchange rates, interest rates and energy costs and other macro economic challenges currently affecting us; changes in product mix, market mix and product pricing, particularly relating to the expansion of the systems business; increase in costs of manufacturing and operating costs; our ability to achieve the savings anticipated from cost reduction and gross margin improvement initiatives; the effect of the restrictive covenants in the Company's debt facilities; our ability to enforce patents and protect proprietary products and manufacturing techniques; our ability to successfully complete or integrate any acquisitions; and the impact of pricing and other actions by competitors. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. The Company makes these statements as of the date of this disclosure and undertakes no obligation to update them, whether as a result of new information, future developments or otherwise. Management uses certain non-GAAP measurements to assess the Company's current and future financial performance. The non-GAAP measurements do not replace the presentation of the Company's GAAP financial results. These measurements provide supplemental information to assist management in analyzing the Company's financial position and results of operations. The Company has chosen to provide this information to facilitate meaningful comparisons of past, present and future operating results and as a means to emphasize the results of ongoing operations. Reconciliations of the non-GAAP financial measures used in this presentation to the most directly comparable GAAP measures appear at the end of this presentation in the Appendix and are also available on Pall's website at [www.pall.com/investor](http://www.pall.com/investor).

# Q1 FY 2011 Sales

## Sales By Market



## Sales By Geography

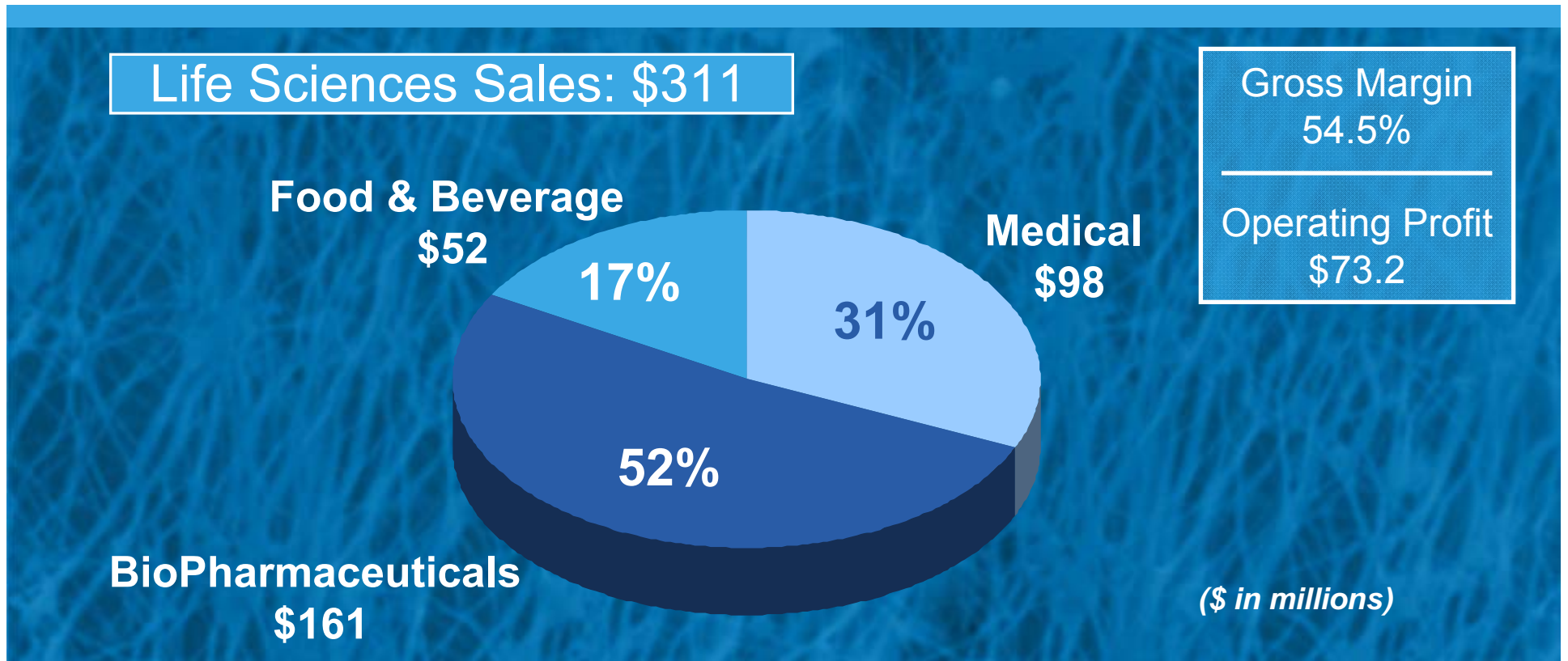


Total Industrial Sales  
**\$294 million**

Total Life Science Sales  
**\$311 million**

Total Sales  
**\$605**  
Million

# Pall Life Sciences – Q1 FY 2011



Life Sciences sales increased 10.4% in Local Currency (“LC”)

# BioPharmaceuticals

## *BioPharmaceuticals Sales*

Q1 FY 2011	Q1 FY 2010	% CHANGE	LC % CHANGE
\$161	\$143	12.7	14.6

- Sales in Pharmaceuticals increased 14.6%
- Sales in Laboratory grew 14.0%
- Consumables sales were up almost 14% and systems sales increased 30%
- Orders for Pharmaceuticals consumables increased more than 25%



# Medical

## *Medical Sales*

Q1 FY 2011	Q1 FY 2010	% CHANGE	LC % CHANGE
\$98	\$96	3.0	4.9

- Blood Filtration sales grew slightly despite lower blood collections in the Western Hemisphere
- OEM sales grew 19%
- Cell Therapy continued double-digit sales growth



# Food & Beverage

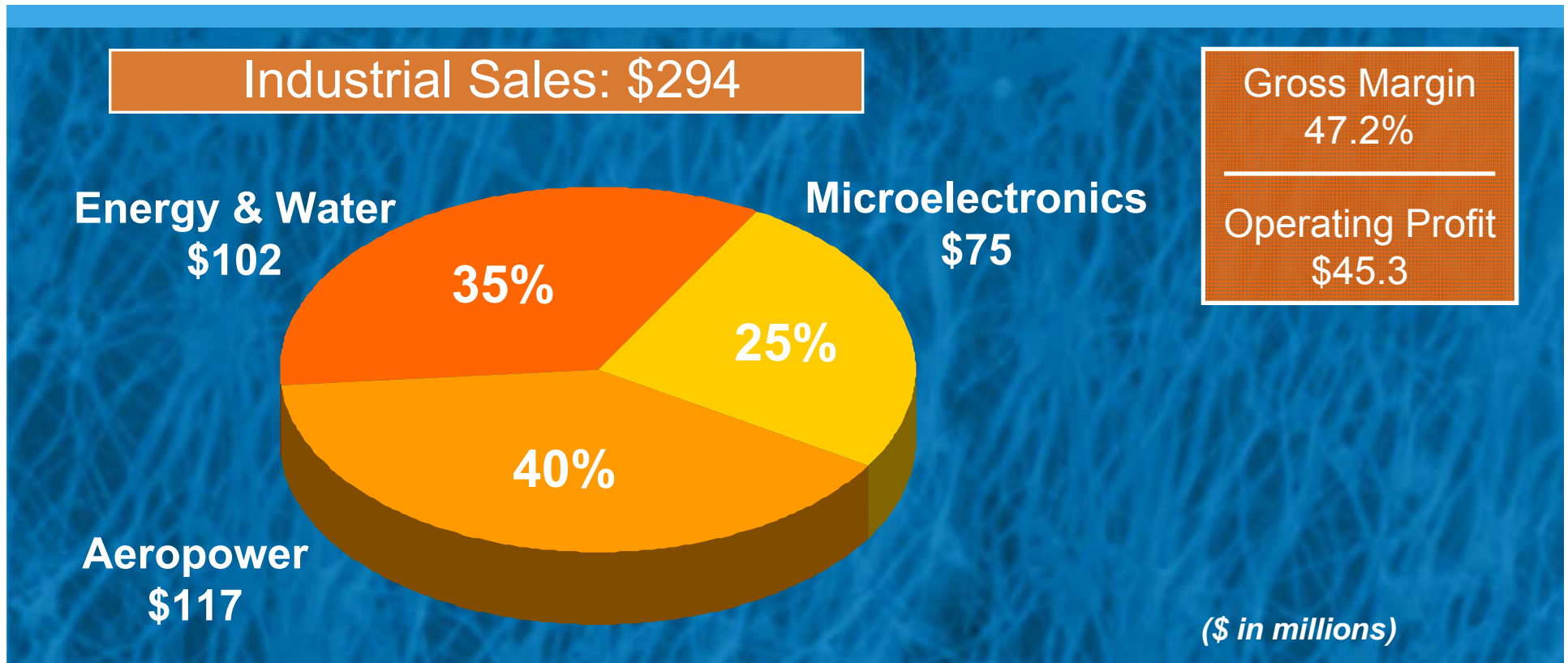
## *Food & Beverage Sales*

Q1 FY 2011	Q1 FY 2010	% CHANGE	LC % CHANGE
\$52	\$49	4.9	8.9

- All regions returned to sales growth led by the Western Hemisphere at 25%
- Consumables sales grew over 11% reflecting increased production and the success of our systems strategy to fuel annuities



# Pall Industrial – Q1 FY 2011



Industrial sales increased 14.1% in LC



# Aeropower

## Aeropower Sales

Q1 FY 2011	Q1 FY 2010	% CHANGE	LC % CHANGE
\$117	\$95	22.7	24.4

- Machinery & Equipment posted double-digit growth for the 3rd quarter in a row
- Sales in Aerospace grew over 15% after 4 quarters of double-digit declines
  - Military Aerospace sales were up 6%
  - Commercial Aerospace sales were up 27%



# Energy & Water

## *Energy & Water Sales*

Q1 FY 2011	Q1 FY 2010	% CHANGE	LC % CHANGE
\$102	\$107	(4.5)	(3.1)

- Fuels & Chemicals sales were down 13%
  - Systems sales were down about 63%
  - Consumables sales were up over 10%
- Power Generation sales increased 11%
- Muni Water sales grew 11% with sales up 25% in the Western Hemisphere



# Microelectronics

## *Microelectronics Sales*

Q1 FY 2011	Q1 FY 2010	% CHANGE	LC % CHANGE
\$75	\$57	32.5	29.4

- All regions and key customer markets grew
- Growth continues to reflect high utilization rates at chip producers and healthier consumer demand for advanced electronics
- Orders increased 22%





Pall Corporation

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**Lisa McDermott**  
CFO & Treasurer  
December 10, 2010

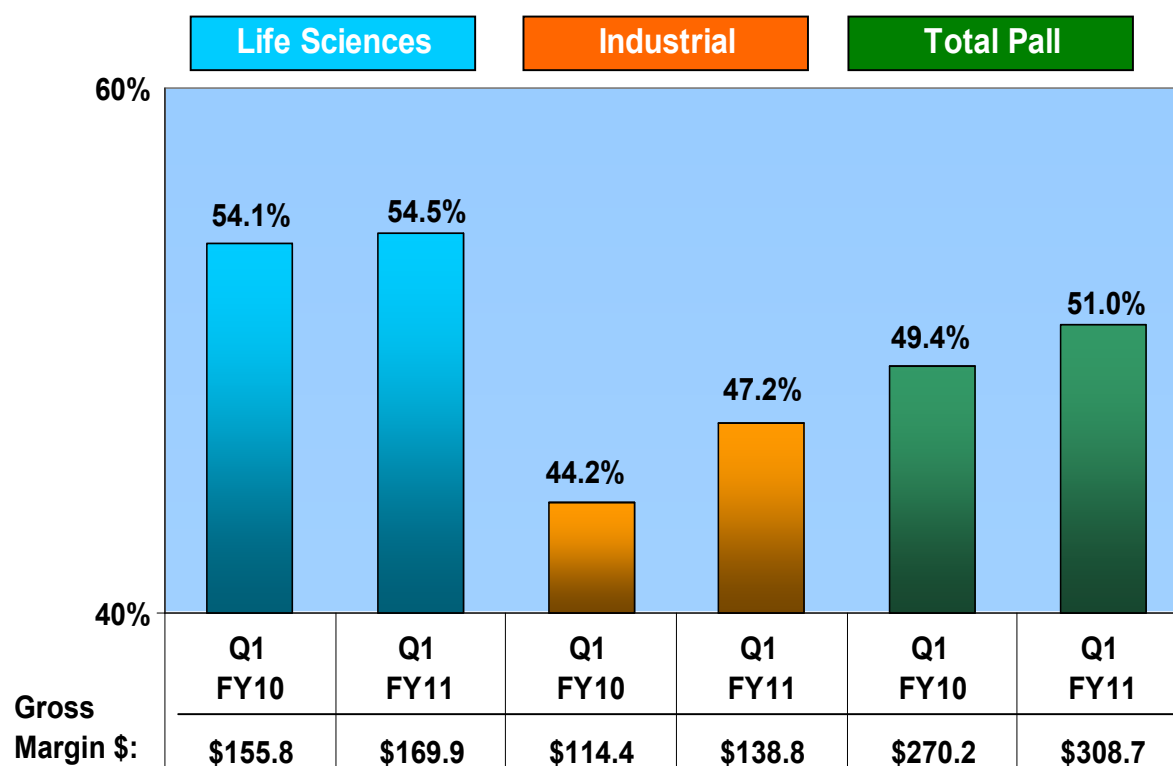
## Earnings Recap Q1 FY 2011 vs. Q1 FY 2010

- For the Quarter
- Net earnings were \$71.4 million vs. \$67.0 million
- EPS were 61¢ vs. 56¢
- Pro Forma EPS were 62¢ vs. 40¢

# Q1 Comparative Income Statements

<i>(\$ in millions, except EPS data)</i>	<b>Q1 FY11</b>	<b>%</b>	Q1 FY10	%
Net Sales	<b>\$ 605</b>		\$ 547	
Cost of Sales	<b>297</b>	<b>49.0</b>	277	50.6
Gross Profit	<b>308</b>	<b>51.0</b>	270	49.4
SG&A	<b>182</b>	<b>30.1</b>	177	32.3
R&D	<b>20</b>	<b>3.3</b>	17	3.2
Earnings before interest, ROTC and taxes	<b>106</b>	<b>17.5</b>	76	13.9
Interest expense/(income), net	<b>7</b>	<b>1.2</b>	(3)	(0.5)
Restructuring & other charges, net (ROTC)	<b>2</b>		4	
Earnings before taxes	<b>97</b>	<b>16.1</b>	75	13.7
Income taxes	<b>26</b>	<b>26.8 *</b>	8	10.5 *
Net Earnings	<b>\$ 71</b>	<b>11.8</b>	\$ 67	12.2
Diluted EPS	<b>\$ 0.61</b>		\$ 0.56	
Pro forma diluted EPS	<b>\$ 0.62</b>		\$ 0.40	

# Gross Margin



(\$ in millions)

**Total Pall Gross Margin (“GM”)** improved 160 bps to 51%

**Life Sciences GM** +40 bps

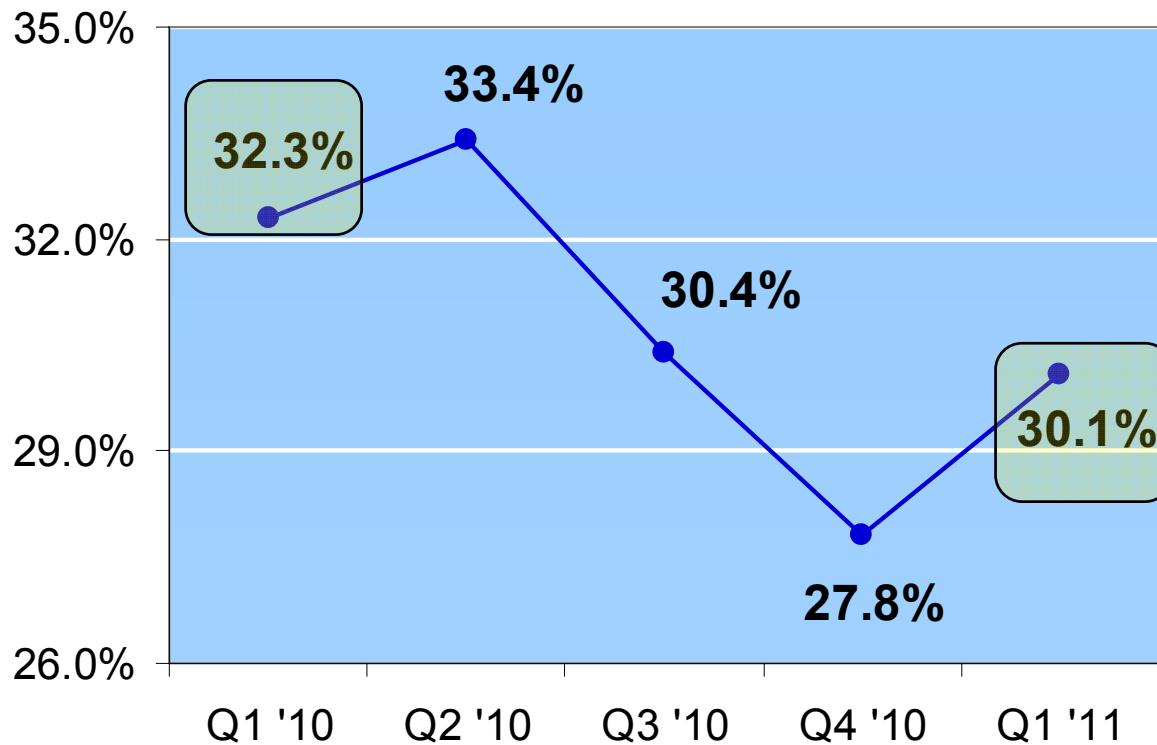
- Continued pricing improvement
- Benefit of sales channel changes
- Manufacturing productivity improvements

**Industrial GM** +300 bps

- Leverage of Increased volume
- Favorable absorption of manufacturing overhead
- Manufacturing productivity improvements

# SG&A

## SG&A as a % of Sales



- Year over year SG&A as a % of sales declined 220 bps
- SG&A spend up 4.7% (LC) year over year
- Approximately 60% of the increase is driven by strategic and infrastructure investments
- Now expect SG&A at or below 30% for the full year



# Liquidity and Working Capital

<i>(\$ in millions)</i>	<b>Q1 FY11</b>	Q1 FY10
Operating Cash Flow	<b>\$ 58</b>	\$ 73
CapEx	<b>(25)</b>	(37)
Free Cash Flow	<b>\$ 33</b>	\$ 36
Other Significant Uses of Cash:		
Stock Buybacks	<b>\$ (25)</b>	\$ -
Dividends	<b>(37)</b>	(34)
Days in Cash Conversion Cycle*	<b>142</b>	161

\*Days in Cash Conversion Cycle = Days Sales Outstanding plus Days Inventory Outstanding less Days Payable Outstanding

# FY 2011 Outlook – *Updated*

	9/15/10 Prior	12/10/10 Current
Total Pall Sales <sup>(1)</sup>	Mid to high single digits	<b>Mid to high single digits</b>
Life Sciences Sales <sup>(1)</sup>	Mid to high single digits	<b>Mid to high single digits</b>
Industrial Sales <sup>(1)</sup>	Mid to high single digits	<b>Mid to high single digits</b>
Gross Margin	50.0% – 51.0%	<b>50.0% – 51.0%</b>
SG&A	~30.5%	<b>≤ 30%</b>
Life Sciences Operating Margin	22.5% – 23.5%	<b>22.8% – 23.8%</b>
Industrial Operating Margin	14.0% – 15.0%	<b>14.5% – 15.5%</b>
Pro forma EBIT <sup>(2)</sup>	16.0% – 17.0%	<b>16.5% – 17.5%</b>
Income Tax Rate <sup>(3)</sup>	~27.0%	<b>~27.0%</b>
Pro forma EPS – Diluted <sup>(4)</sup>	\$2.35 – \$2.55	<b>\$2.48 – \$2.63</b>
<i>\$ in millions</i>		
Operating Cash Flow	\$435 – \$460	<b>\$435 – \$460</b>
Capex	\$165 – \$175	<b>\$165 – \$175</b>

(1) In Local Currency

(2) Excludes Restructuring and Other Charges (ROTC)

(3) Underlying Tax Rate

(4) Excludes ROTC and other Discrete Items (See Appendix on slide 19)

# Appendix: Reconciliation of Non-GAAP Financial Measures

First Quarter	Q1 FY11	Q1 FY10
Diluted EPS as reported	\$ 0.61	\$ 0.56
Interest adjustments, after pro forma tax	-	\$ (0.06)
Tax adjustments	-	(0.12)
ROTC, after pro forma tax effect	<u>\$ 0.01</u>	<u>0.02</u>
Total pro forma adjustments	<u>0.01</u>	<u>(0.16)</u>
<b>Pro forma diluted EPS</b>	<b><u>\$ 0.62</u></b>	<b><u>\$ 0.40</u></b>

Full Year 2011 Guidance	EPS	
	Low End	High End
Guidance range	\$ 2.47	\$ 2.62
ROTC, after pro forma tax effect*	<u>0.01</u>	<u>0.01</u>
<b>Pro forma guidance range</b>	<b><u>\$ 2.48</u></b>	<b><u>\$ 2.63</u></b>

\* Q1 FY2011 Actuals

# Appendix: Reconciliation of Non-GAAP Financial Measures

<i>(amounts in millions)</i>	Q1 FY11	Q1 FY11 Estimated Impact of FX	Q1 FY11 Estimate Excluding FX	Q1 FY10	% Change Excluding FX
<b>Sales:</b>					
BioPharmaceuticals	\$ 161.4	\$ (2.6)	\$ 164.0	\$ 143.2	14.6%
Medical	98.6	(1.9)	100.5	95.7	4.9%
Food & Beverage	51.6	(2.0)	53.6	49.2	8.9%
<b>Life Sciences</b>	\$ 311.6	\$ (6.5)	\$ 318.1	\$ 288.1	10.4%
Aeropower	\$ 116.5	\$ (1.7)	\$ 118.2	\$ 95.0	24.4%
Energy & Water	102.4	(1.5)	103.9	107.2	(3.1%)
Microelectronics	75.0	1.8	73.2	56.6	29.4%
<b>Industrial</b>	\$ 293.9	\$ (1.4)	\$ 295.3	\$ 258.8	14.1%
<b>Total Pall</b>	<b>\$ 605.5</b>	<b>\$ (7.9)</b>	<b>\$ 613.4</b>	<b>\$ 546.9</b>	<b>12.1%</b>
SG&A	\$ 182.3	\$ (2.6)	\$ 184.9	\$ 176.7	4.7%

# Appendix: Reconciliation of Non-GAAP Financial Measures

Operating Profit ( <i>\$ in millions</i> )	Q1 FY11	Q1 FY10
Life Sciences operating profit	\$ 73.2	\$ 64.5
Industrial operating profit	45.3	24.2
<b>Total operating profit</b>	<b>118.5</b>	<b>88.7</b>
General corporate expenses	(12.3)	(12.4)
Earnings before ROTC, interest & income taxes	106.2	76.3
ROTC	(1.4)	(4.1)
Interest (expense)/income, net	(7.3)	2.6
<b>Earnings before income taxes</b>	<b>\$ 97.5</b>	<b>\$ 74.8</b>



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