





As Donaldson has grown and diversified, our filters are now found in many different industries, environments and applications. More than most people realize, every day our filters are protecting equipment and helping keep our environment clean. We are fully committed to delivering quality products and being a responsible corporate citizen.



## ABOUT DONALDSON COMPANY

Donaldson is a leading worldwide provider of filtration systems that improve people's lives, enhance our Customers' equipment performance and protect the environment. We are a technology-driven company committed to satisfying our Customers' needs for filtration solutions through innovative research and development, applications expertise and our global presence. Our employees contribute to the company's success by supporting our Customers at more than 140 sales, manufacturing and distribution locations around the world.

We have two business segments engaged in the design, manufacture and sale of filtration systems and both first fit and replacement filters for air and liquids: Engine Products and Industrial Products.

The Engine Products segment consists of air filtration systems,

exhaust and emissions systems, liquid filtration systems and replacement parts. This segment sells to original equipment manufacturers (OEMs) in the construction, mining, agriculture, transportation, defense and aerospace markets and to independent distributors, OEM dealer networks, private label accounts and large equipment fleets.

The Industrial Products segment consists of: dust, fume and mist collectors; compressed air purification systems; and static and pulse-clean air filter systems for gas turbines and specialized air filtration systems for diverse applications, including hard disk drives and industrial production printers. This segment sells to various industrial end-users, OEMs of gas-fired turbines and OEMs and end-users requiring highly purified air and fluids.

## Donaldson At A Glance

### Fiscal Year 2015

- Founded in 1915 by Frank Donaldson, Sr.
- Traded on the New York Stock Exchange under the symbol DCI.
- Revenue of \$2.4 billion.
- More than 12,500 employees in 44 countries.
- Donaldson declared its 240th consecutive quarterly cash dividend, paid over a 60-year period.



## Financial Information

Additional financial information is available at [ir.donaldson.com](http://ir.donaldson.com).

(Dollars in millions, except per share data)	Fiscal Year ended July 31,				
	2011	2012	2013	2014	2015
Net sales	\$ 2,294	\$ 2,493	\$ 2,437	\$ 2,473	\$2,371
Gross margin percentage	35.5%	35.0%	34.8%	35.5%	34.1%
Operating income percentage	13.7%	14.6%	14.1%	14.4%	12.2%
Net earnings	\$ 225	\$ 264	\$ 247	\$ 260	\$ 208
Diluted earnings per share*	\$ 1.43	\$ 1.73	\$ 1.64	\$ 1.76	\$ 1.49
Dividend paid per share*	\$ 0.268	\$ 0.320	\$ 0.410	\$ 0.575	\$ 0.665

(\*) 2011 per share amounts reflect the impact of the Company's two-for-one stock split in fiscal 2012.

## Corporate Governance

Donaldson is committed to uniformly applying high standards of ethics and business conduct wherever we do business. Our Board of Directors oversees our governance practices for the benefit of our shareholders. Our long-standing commitment to sound corporate governance and integrity is a key part of our success.

Our Corporate Governance Guidelines reflect these sound practices and include a policy requiring that a significant majority of Donaldson's Directors meet the criteria for independence required by the New York Stock Exchange.

No corporate funds or other assets are paid or furnished, directly or indirectly, to a political party, political candidate or incumbent. Information related to our Corporate Governance Guidelines can be found on the "Corporate Governance" section of Donaldson's Investor Relations site at [ir.donaldson.com](http://ir.donaldson.com).

## Our Commitment

Since 1915, Donaldson has leveraged our core competencies—innovative technology, strong Customer relationships and broad geographic capabilities—to meet the diverse and changing needs of our Customers.

## Our Vision—To Lead the World in Filtration Solutions

There are three things we must do to lead the world in filtration solutions: develop the best technology for our Customers, offer the best Customer support and supply the best value.

## Our Mission

We provide our Customers with solutions that improve people's lives, enhance our Customers' equipment performance and protect the environment. These three words—Improve, Enhance and Protect—convey our mission and help us set our priorities for the future.

## Our Values

Our actions, guided by our shared values, demonstrate what Donaldson stands for. We believe every behavior, decision and contribution we make paves the way for our future success and must be driven by our values of integrity, respect and commitment.

**Integrity**—We must demonstrate the highest ethical standards in all of our actions.

**Respect**—We must foster an inclusive workplace through collaboration and teamwork.

**Commitment**—We must be fully committed to the attainment of our goals and assume individual responsibility for their achievement.



## SUPPORTING DONALDSON EMPLOYEES AROUND THE WORLD

Donaldson attracts, rewards, develops and inspires employees globally to fully engage in achieving our Company's vision.

As of July 31, 2015, there were approximately 12,500 employees on the Donaldson team, with 44% of our employees in the Americas, 30% from Europe, the Middle East and Africa, and 26% from Asia Pacific.

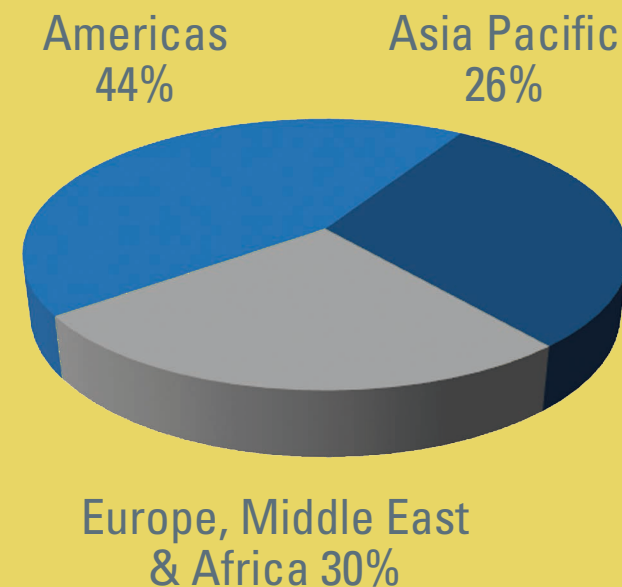
### Compensation and Benefits

We provide our U.S. employees access to quality health care and wellness programs. We offer a variety of medical, dental and vision benefits for employees and eligible dependents, as well as a fitness discount program and an Employee Assistance Program. Additionally, we offer two reimbursement accounts and a health savings account that afford employees the opportunity to use pre-tax income to fund out-of-pocket health and childcare expenses. We also provide disability benefits, life insurance, supplemental medical insurance and an employee company stock purchase plan.

Because it is important that we help our employees build a more secure financial future, we offer a 401(k) Savings Plan for non-union U.S. employees. Donaldson matches 100% of employee contributions—up to 3% of compensation contributed to the plan and 50% on the next 2% of compensation contributed. In fiscal 2015, Donaldson contributed \$7.4 million to this plan.

Many of our international employees participate in either company-sponsored or government retirement plans. For example, at Donaldson India we moved our self-managed fund to a professional, state-backed insurance company. This gives our employees greater investment security and the potential for higher returns.

### Our Worldwide Team Population



## Wellness

Because everyone needs some personal time, we provide paid holidays and a competitive vacation plan. Many employees also gather outside of work to participate in volunteer opportunities and wellness programs.

Our Bloomington headquarters is a tobacco-free facility. In addition, we have a walking path and an on-site fitness center with regular classes.

## Learning and Development

From a development perspective, we have company-wide succession and development programs that encourage internal employee growth and promotion. Individual development plans are prepared so our employees can leverage their strengths and build skills where development is needed. We also provide leadership training and rich experiences for our employees, including one-on-one mentoring and coaching programs intended to develop leadership skills.

Learning is a lifelong ambition for our employees and we encourage continued education by sharing expenses for job-related courses and by providing other internal and external training and development opportunities.

## Donaldson Code of Conduct

At Donaldson, we believe that a key to our success is our long-standing commitment to integrity in our dealings with our Customers, employees, shareholders, government authorities, suppliers, neighbors and the public. We are committed to preventing ethical violations and conflicts and quickly correcting any that may occur.



Our employees are encouraged to discuss any concerns with their manager, Human Resources representative or the Company's Compliance Committee. Our employees are required to promptly report known or suspected violations. Employees who in good faith report wrongdoing to management will not be the subject of reprisals or other punishment based on making a report.

While we have internal controls and procedures that we believe will discourage and prevent improper conduct, we also provide an easy way to report actual or suspected activities that may involve improper conduct or violations of our Code of Conduct. Our Business Conduct Help Line is managed by EthicsPoint, a secure and independent third-party reporting source, ensuring confidentiality and access by telephone or the internet at all times, at all locations across our Donaldson global footprint. Access to the Help Line is available online at [www.donaldson.com](http://www.donaldson.com).



## Diversity and Inclusion

Donaldson believes that our efforts to incorporate a broad base of skills, cultures and values are critical to our continued global leadership. We feel that different points of view will lead to new and innovative ideas.

To that end, our workforce is comprised of individuals with various backgrounds, cultures, abilities and perspectives. We know that talented employees are essential for us to continue to excel. Our goal is to create an atmosphere of mutual respect where all employees are appreciated and can contribute to their full potential.

Since we work with Customers and colleagues from around the world, we have established initiatives to promote and integrate diversity throughout our organization. These include mentoring, leadership development, diversity and inclusion training, succession planning, global meetings and cultural awareness events. Through the combination of our employees' unique talents and perspectives, we will continue to create new business opportunities around the world.

We provide equal employment opportunity without regard to race, color, age, religion, sex, pregnancy, national origin, genetic information, sexual orientation, gender identity, veteran status, the presence of mental, physical, or sensory disability or any other legally protected status. As of July 31, 2015, approximately 9% of our U.S. manager-level population is considered minority as described by the EEOC and approximately 24% are female.





## Community Involvement

The generosity of our employees and our commitment to making a difference in our communities are qualities of which we are very proud.

We encourage employees to participate in volunteer opportunities within their communities, as well as company-sponsored programs. We also provide flexibility so volunteerism can take place during the work day. Some of the employee-led community activities for our Bloomington, Minnesota corporate headquarters are:

- Blood Drives
- Bedrace for Bridging
- The Family Partnership School Backpack Drive
- Full Cycle Bicycle Donations
- Junior Achievement bigBowl and Classroom K-12 Education
- MS 150 Bike Ride
- Science Fusion Educational Series
- Serving Loaves & Fishes Meals
- Toys for Tots
- United Way

In 2015, more than 270 Bloomington-based employees volunteered in the United Way "Portions for a Purpose" Service Project, packing approximately 6,000 pounds of rice and beans. The packages went to two local agencies for distribution to families in the community.

Donaldson's largest volunteer effort is the annual MS 150 bike ride in Minnesota. In 2015, Team Donaldson had the largest group of participants with 304 riders, and raised more than \$322,000. Since 2002, when Team Donaldson was formed, it has raised over \$1.8 million to help find a cure for multiple sclerosis.

Donaldson is also helping build the next generation of scientists and science educators through its sponsorship of the Science Museum of Minnesota's *Science Fusion* program, where all ages are offered interactive opportunities to learn about science, technology, engineering and math (STEM). Our volunteers help inspire attendees on STEM-related topics and professions.

## Donaldson Foundation

The Donaldson Foundation is the primary instrument for our Company's charitable contribution efforts. Overall, our Foundation strives to positively impact the communities in which we live and work by supporting education. The Foundation is led by a group of employees who volunteer their time to help the Foundation realize its mission.

In fiscal 2015, grants totaling \$1.2 million were awarded. Over and

above this, we make significant in-kind contributions. The following list includes some examples of Donaldson Foundation programs:

- United Way—Our employees, retirees and Foundation provide significant support to the Greater Twin Cities and other United Way agencies in our U.S. plant cities.
- Donaldson Scholars—Post-secondary education scholarships to qualifying children of U.S. employees and retirees.
- Donaldson Foundation Student Exchange Program—Annual scholarships for international and U.S. students (open to all children of employees) are available for our Youth For Understanding student exchange program.
- Employee Matching Gifts—The Donaldson Foundation matches U.S. employee donations to elementary, high school and post-secondary educational institutions.

For more information, visit [www.donaldson.com/content/donaldson/en/about-us/company-information/community-involvement.html](http://www.donaldson.com/content/donaldson/en/about-us/company-information/community-involvement.html).



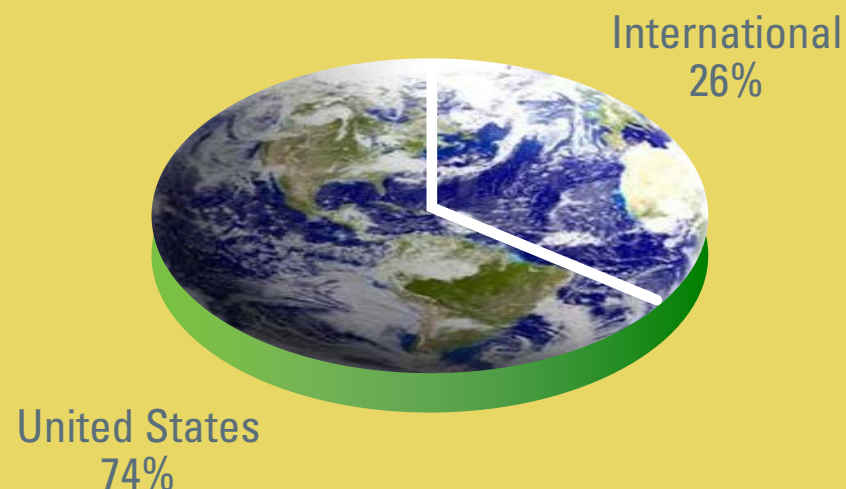
## SUPPORTING DONALDSON CUSTOMERS AROUND THE WORLD

In 1915, we had three employees and one location in St. Paul, Minnesota. Today, our geographic reach spans the globe. Our headquarters are located in Bloomington, Minnesota. Our principal European administrative and engineering offices are in Leuven, Belgium and our Asia Pacific headquarters are located in Shanghai, China.

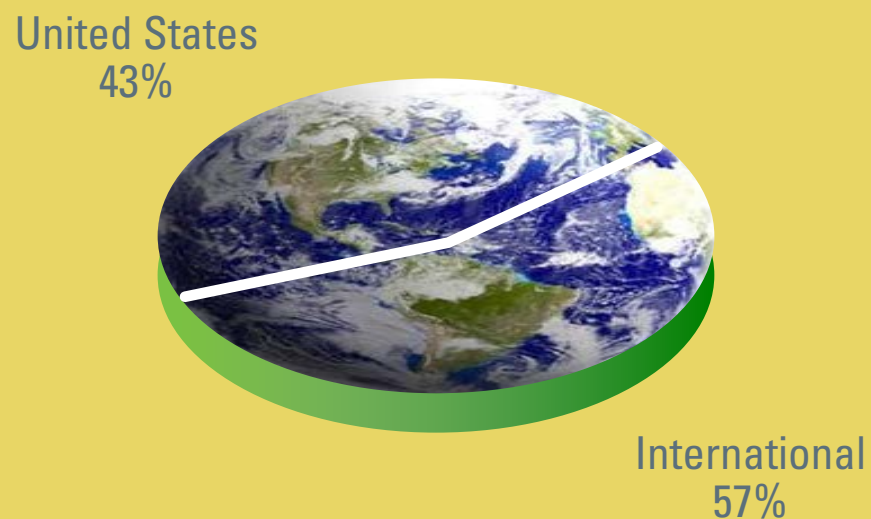
We manufacture our products around the world. Through our worldwide sales, engineering, manufacturing and distribution capabilities, we provide exceptional support to our global Customer base. In fiscal 2015, international sales accounted for approximately 57% of our total revenue.

### Geographic Diversification of Sales

FY1980



FY2015





## Manufacturing in The Americas

Auburn, Alabama  
Riverbank, California  
Valencia, California  
Dixon, Illinois  
Frankfort, Indiana  
Cresco, Iowa  
Grinnell, Iowa  
Waterloo, Iowa  
Nicholasville, Kentucky  
Bloomington, Minnesota  
Chesterfield, Missouri  
Chillicothe, Missouri  
Harrisonville, Missouri  
Philadelphia, Pennsylvania  
Greeneville, Tennessee  
Baldwin, Wisconsin  
Stevens Point, Wisconsin  
São Paulo, Brazil  
Brockville, Canada  
Aguascalientes, Mexico  
Monterrey, Mexico

## Manufacturing in Europe/Middle East/Africa

Kadan, Czech Republic  
Klasterec, Czech Republic  
Domjean, France  
Paris, France  
Dülmen, Germany  
Haan, Germany  
Ostiglia, Italy  
Cape Town, South Africa  
Johannesburg, South Africa  
Abu Dhabi, United Arab Emirates  
Hull, United Kingdom  
Leicester, United Kingdom

## Manufacturing in Asia Pacific

Wyang, Australia  
Wuxi, China  
New Delhi, India  
Gunma, Japan  
Rayong, Thailand

## Joint Venture Facilities

Champaign, Illinois (U.S.)  
Jakarta, Indonesia  
Dammam, Saudi Arabia

## Distribution Centers

Rensselaer, Indiana (U.S.)  
Wyang, Australia  
Brugge, Belgium  
São Paulo, Brazil  
Jakarta, Indonesia  
Aguascalientes, Mexico  
Lozorno, Slovakia  
Johannesburg, South Africa  
Seoul, South Korea

## Third-Party Logistics Providers

Plainfield, Indiana (U.S.)  
Greeneville, Tennessee (U.S.)  
Santiago, Chile  
Wuxi, China  
Mumbai, India  
Chennai, India  
Gunma, Japan  
Lima, Peru  
Singapore

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Location data is as of July 31, 2015.



## CONTINUOUS IMPROVEMENT AROUND THE WORLD

The Donaldson Production System (DPS) is a standardized *Continuous Improvement* approach utilized in our facilities globally. DPS is the operating philosophy aligning our *Continuous Improvement* efforts and company strategy within our manufacturing and distribution operations, business units and support functions. This system combines improvement efforts of multiple methodologies into an integrated Donaldson-specific process. The focus of the DPS is identification and elimination of waste in all areas, including manufacturing, administration, etc.

The DPS assists employees in understanding the philosophy and guiding principles necessary to develop Operational Excellence Centers that provide Customers with exceptional support and value.

DPS leaders exist in each of our global manufacturing and distribution centers. These leaders manage DPS deployment via teaching DPS principles, facilitating our *Continuous Improvement* events, and performing annual on-site assessments. DPS leader knowledge and skills are reflected through three individual certification levels: Bronze (learning), Silver (doing) and Gold (teaching).



## MANAGING RISKS AND DELIVERING SUSTAINABLE RESULTS

Donaldson is committed to understanding risks that can result in illness, injury or non-compliance and applying controls to reduce exposure to these risks. Management is expected to provide leadership, processes and resources that result in incident-free and compliant

### Safety Performance Metrics

Donaldson Region	Final FY15 OSHA Recordable Injuries Rate/100 Employees/Year
Americas	1.9
Europe and South Africa	2.8
Asia Pacific	0.6
<b>Our Total Company</b>	<b>1.8</b>



workplaces while actively involving employees in activities such as safety and health committees to promote and continuously improve our health and safety practices.

In fiscal 2015, employees at 8 of our 45 global production and distribution locations worked without a recordable injury or illness while 15 sites did not experience a single lost workday case.

## EHS Management System

Donaldson utilizes a management system approach to drive continuous EHS improvement. Thirty-two of our sites systematically manage their environmental aspects through third-party certified ISO 14001 processes, while 14 of our sites manage their health and safety hazards through OHSAS 18001 certified processes. In order to enhance this approach and continuously improve results, Donaldson has undertaken the development of a new framework for managing EHS wherever we do business. This framework is being designed to: reduce exposure to our most significant risks; enhance leadership visibility in exposure

reduction activities; increase employee involvement in value-added EHS activities; and provide more robust compliance assurance processes.

## Our Environmental Pledge

Donaldson is an environmentally and socially responsible company. We comply with environmental laws and regulations and are committed to being a responsible corporate citizen. We actively promote:

- Pollution prevention at its source and the responsible management of any residual waste;
- Recycling of raw materials, finished products, and other resources; and
- Conservation of energy and natural resources through prudent use and reuse.

Our Environmental Policy is located online at [www.donaldson.com/en/about-us/ethics-compliance.html](http://www.donaldson.com/en/about-us/ethics-compliance.html).

## ISO 14001

ISO 14001 is an international accreditation that certifies conformance to an effective, site-specific environmental management system. This management system focuses on continuous process improvements and pollution prevention. Donaldson has achieved ISO 14001 registration at the following 32 locations through the Registrar, British Standards Institute:

- Leicester, United Kingdom, 1999
- Frankfort, Indiana (U.S.), 2001
- Stevens Point, Wisconsin (U.S.), 2003
- Wuxi, China (Disk Drive Filter Plant), 2004
- Rayong, Thailand, 2004
- Cresco, Iowa (U.S.), 2004
- Klasterec, Czech Republic, 2005
- Ostiglia, Italy, 2006
- Gunma, Japan, 2006
- Hull, United Kingdom, 2006
- Wuxi, China (Industrial Filtration Solutions Plant), 2007
- Auburn, Alabama (U.S.), 2007
- Dülmen, Germany, 2008
- Greeneville, Tennessee (U.S.), 2008
- Baldwin, Wisconsin (U.S.), 2009
- Gurgaon, India, 2010

- Aguascalientes, Mexico (Liquid Filter Plant), 2010
- Nicholasville, Kentucky (U.S.), 2010
- Ivyland, Pennsylvania (U.S.), 2010
- Kadan, Czech Republic, 2011
- Domjean, France, 2011
- Cape Town, South Africa, 2012
- Riverbank, California (U.S.), 2012
- Rensselaer, Indiana (U.S.), 2012
- Aguascalientes, Mexico (Distribution Center), 2012
- Dixon, Illinois (U.S.), 2012
- Wuxi, China (Tetratex Membranes Plant), 2012
- Wuxi, China (Engine Products Plant), 2012
- Chillicothe, Missouri (U.S.), 2012
- Aguascalientes, Mexico (Air Filter Plant), 2013
- Monterrey, Mexico, 2013
- Atibaia, Brazil, 2015

## OHSAS 18001

OHSAS 18001 is an independent accreditation that certifies compliance to an effective, site-specific occupational health and safety management system. It focuses on continuous process improvements and the reduction and eventual elimination of occupational injuries and illnesses. The following

Donaldson facilities have achieved OHSAS 18001 registration:

- Rayong, Thailand, 2007
- Hull, United Kingdom, 2008
- Gurgaon, India, 2010
- Frankfort, Indiana (U.S.), 2012
- Wuxi, China (Disk Drive Filter Plant), 2012
- Wuxi, China (Tetratex Membranes Plant), 2012
- Wuxi, China (Industrial Filtration Solutions Plant), 2012
- Wuxi, China (Engine Products Plant), 2012
- Nicholasville, Kentucky (U.S.), 2013
- Klasterec, Czech Republic, 2013
- Domjean, France, 2014
- Cape Town, South Africa, 2015
- Kadan, Czech Republic, 2015
- Leicester, United Kingdom, 2015

TIS 18001:1999; Thailand Occupational, Health and Safety Management Systems, Rayong, Thailand, 2007

TLS 18001:2010; Thailand Labor, Ethics, Environment, Occupational Health and Safety, Rayong, Thailand, 2007



## Energy Conservation

We continue to identify potential energy-saving opportunities—both in our North American operations and globally. Some examples of our initiatives include:

- Utility costs at our major U.S. production facilities as a percentage of sales have decreased by 46% over the past seven years.
- A new program available through Minneapolis, Minnesota-based Xcel Energy will allow us to transfer energy tax credits to third-party energy companies, making it financially feasible for them to construct community solar electricity "gardens." If approved, these solar gardens will be connected to the electric grid, and will not only add a new renewable energy source to our energy supply, but also will lower the electricity cost for a significant portion of our Minnesota demand.
- At our Bloomington, Minnesota, headquarters, the installation of new condensing boilers for heating our Corporate Technology Center has reduced natural gas for heating by 25%. In addition, the installation of energy recovery ventilation systems in our upgraded Liquid/Fuel labs has resulted in significant energy savings while also improving indoor air quality for our test operators.
- At our Dixon, Illinois plant, we garnered significant energy savings by replacing an old office air conditioning compressor with a high efficiency unit. We also continued our five-year project to replace task lighting in our shop, an undertaking that will be completed in 2016. In addition, we have begun replacing outside sodium accent lighting, walkway and parking lot lighting with high-efficiency LED lighting.
- In our Nicholasville, Kentucky, plant, we embarked on a multi-faceted energy efficiency program in 2015. These measures included the enclosure of our powder paint line enclosure, which reduces heat loss and associated greenhouse gas emissions from the ovens. We also updated our paint pumps with higher efficiency models and replaced roof and ventilation fans, HVAC and other equipment. In addition, we replaced lighting equipment and introduced zone lighting measures, as well as reorganized portions of the plant to improve material handling, which reduced extraneous forklift traffic.
- For the past several years, our plant in Cresco, Iowa, has been supplying scrap plastic to a local cement plant to fire its kilns rather than landfilling this waste product. For 2015 we expanded this activity by including additional material, such as plastic molds used in molding urethane. In 2015, we estimate that we avoided landfilling 52 tons of plastic (almost 1,300 cubic feet) of scrap plastic.
- In our suburban Sao Paulo plant, we converted 266 high-intensity discharge light bulbs and lamps to energy-saving CFL lamps, resulting in a 60% reduction in lighting energy consumption.



- In our Wyong, Australia plant, Donaldson replaced its roof, adding skylights to 10% of the surface area to provide natural lighting. We also replaced the plant's metal halide lighting with "smart" LED fixtures that contain on-board Lux monitoring and occupancy sensing lights that enable daylight harvesting, automatically dimming and turning off when sufficient natural light illuminates the work area. This new system is saving over half a million kilowatt-hours of power each year, or the equivalent of more than 380 metric tons of carbon dioxide annually.



## Going Green Initiative

Going Green is an employee-led initiative at our Bloomington campus with a mission of identifying and implementing ideas for environmental improvements that will secure a more sustainable future.

Our Bloomington Green Team has adopted a composting program, which reduces the trash headed for landfills. Kitchen food waste and restroom paper towels are now collected and brought to a nearby facility where they are converted to garden compost for commercial and residential consumers.

## Residual Waste Disposal

Recycling programs are in place at a majority of our facilities for common office materials (plastic, aluminum, paper and cardboard) and at our production plants for scrap metal and media.

Residual waste disposal is managed to minimize the use of landfills. Residual wastes are also directed for beneficial reuse, including waste-to-energy and alternative fuel blending (cement kilns, etc.).





## Caterpillar Inc. Supplier Quality Excellence Process (SQEP) Certification

Donaldson strives to meet quality standards in all areas of performance. Caterpillar Inc.'s Supplier Quality Excellence Process (SQEP) is designed to help suppliers drive a zero defects culture within their organizations and achieve performance excellence. Certification levels include Bronze, Silver, Gold and Platinum, reflected in order of increasing difficulty.

Suppliers are certified through SQEP by meeting or exceeding stringent standards, such as product quality and shipping performance, which are measured over the course of a calendar year. The following Donaldson locations received Caterpillar's SQEP Certification in 2015:

- Dixon, Illinois: Platinum
- Chillicothe, Missouri: Bronze
- Cresco, Iowa: Gold
- Greeneville, Tennessee: Bronze
- Frankfort, Indiana: Bronze
- Stevens Point, Wisconsin: Gold
- Klasterec, Czech Republic: Gold
- Hull, England: Silver
- Wuxi, China: Gold
- Aguascalientes, Mexico: Gold





## OUR CONTINUED COMMITMENT

Donaldson is a global innovator, developer and manufacturer of filtration technology solutions that support our Customers' needs. We are committed to continuously improving the sustainability of all our operations and assisting our Customers by providing filtration solutions that positively affect the environment.