



Pall Corporation

# Enabling a Greener Future

2008 Summary Annual Report






Pall Corporation

*Enabling a greener future*

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There is no greater calling or opportunity for a fluid management company than today's challenge – helping customers protect people, the environment and our natural resources. Together we are implementing technologies that purify and conserve water, consume less energy, make alternative energy sources possible and practical, advance medicine and minimize emissions and waste. Our collective efforts are enabling a greener more sustainable future.

 [www.pall.com/green](http://www.pall.com/green)



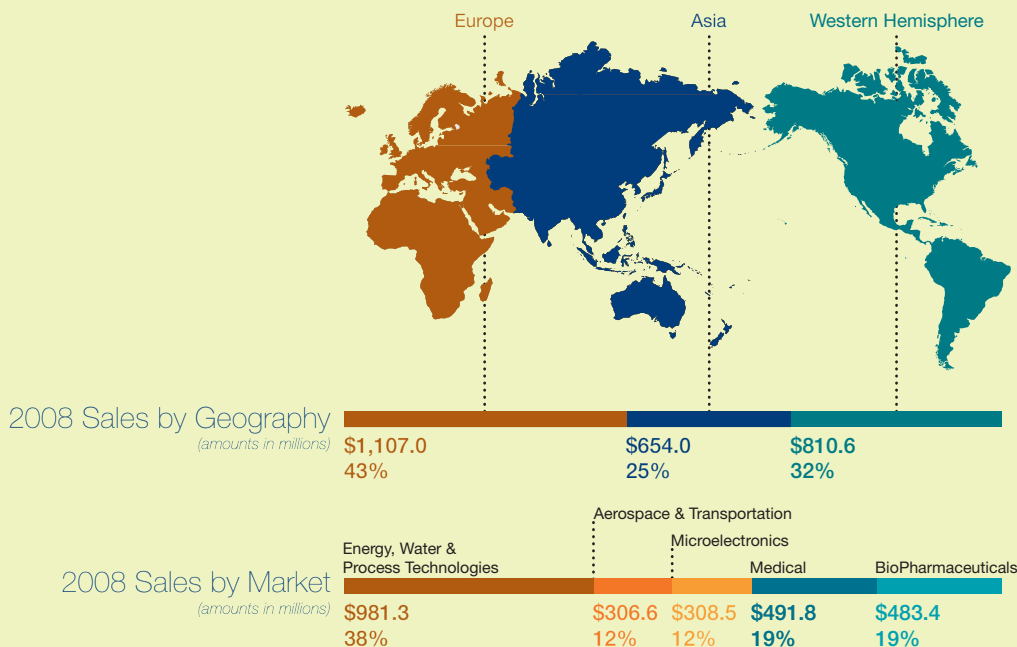
## Company Profile

Pall Corporation has been partnering with customers for over 60 years helping them to solve their most critical and difficult fluid management challenges. One of the earliest calls for assistance came from the fledging commercial aviation industry after landing gear failures grounded a fleet of new jets. The hydraulic systems were much more contamination sensitive than earlier technology and required sophisticated filtration to protect them. Pall's quick response helped customers solve a crippling problem and get the planes flying and landing safely again. Contamination was at the root of the problem then just as it often is today.

Over the years there have been many more calls for assistance – to help increase product quality, yields and efficiency, meet regulations, remove barriers to innovation, or open a new facility. Pall has amassed the broadest filtration, separation and purification capabilities and experience in the world answering them. Our commitment is to continuously enhance our ability to provide customers with the most effective Total Fluid Management<sup>SM</sup> solutions to help ensure their success.

When our customers succeed, Pall succeeds. And so, we will continue to follow the guiding principles that have brought us to where we are today. This means we will strive to do more for customers than others in our field. And we will always do what's right for them and for those who put their trust in us.

 [www.pall.com/profile](http://www.pall.com/profile)



## *Dear Readers,*

2008 will be remembered by those who lived through it and studied by those who follow. One consequence of the crisis of confidence in the financial markets is that investors, customers and employees will look hard at companies to determine which are likely to not only survive, but thrive in challenging times. We believe that those who look closely at Pall will see a company that is well positioned for the long run. Deep customer relationships, diversified investments and a multi-market, international business profile are aimed at achieving sustainable, profitable growth. We take risks we believe are attractive and sensible – and all in our core area of competence – filtration, separation and purification.

### **Pall Technologies Are Essential to Our Customers**

Pall provides enabling and process-enhancing technologies to diverse customers for critical applications in high-growth markets and regions. The advanced filtration, separation and purification technologies we provide are required by customers. Without them, product and process quality are at risk. Innovation can be stymied. Regulations may not be met. Our customers measure the consequences of poor or failed filtration in hard dollars.

Because Pall products provide measurable benefits, we have a large and loyal customer base. Customers reward us with business that repeats and grows. Approximately 75% of our annual revenues come from the sale of consumables. Pall grows apace as our customers manufacture, innovate, improve their processes and comply with the global web of regulations.

### **Demand for Filtration Is Embedded in All Markets**

Industry's requirements for filtration, separation and purification technologies are ubiquitous and escalating making ours a market of enormous proportion and potential. Advanced products and processes are inherently more contamination-sensitive and typically require more advanced filtration and more filtration steps.

On top of the manufacturing output by developed nations, emerging economies are investing heavily to provide high-quality products, infrastructure and services for their own rising middle classes and for export to world markets. Environmentalism is another significant business driver and customers are stepping up their investments accordingly.

Water quality and availability are diminishing while demand for safe drinking water and industrial use is exploding. Even high energy prices drive demand for Pall technologies as manufacturers look to use less of it, energy producers strive to increase production, and alternative sources of supply become more critical and economically viable. Filtration is often the last line of defense against infectious diseases and is an enabler of medical advances. These are today's drivers. Pall is well positioned within our industry to capitalize on all of them.



*Pall's new facility in Buccinasco, Italy incorporates the latest in green technologies to protect the environment and lower operating costs.*

### **Pall's Diversity Is a Great Asset**

Our market, application, product and geographic diversity are among the company's greatest assets and a potent competitive advantage. This diversity helps to insulate us from the natural rhythms of markets. It served us well in fiscal 2008, allowing us to grow revenues over 14%, as reported, despite challenges in two key markets, Blood Filtration and Microelectronics. Seventy-one percent of Pall's business is outside the U.S. with emerging markets growing fast yet still largely untapped.

### **A Customer-Focused Company**

We are continuing to leverage and expand our capabilities to better serve customers and build a stronger Pall. We are simultaneously tackling major areas of the company to improve efficiency. We've made progress and much opportunity remains.

And finally, Pall has a culture of fiscal conservatism that has served us well and will continue to guide us. We take calculated and prudent risks to grow the business. Our financial position is solid.

This is no ordinary time. It is a time for cautious optimism and vigilance...a time for focused execution of our plans. And there is no better time or opportunity to help our customers achieve the same measure of success we seek for ourselves – sustainable, profitable growth.

Sincerely,

**Eric Krasnoff**

*Chairman & Chief Executive Officer*

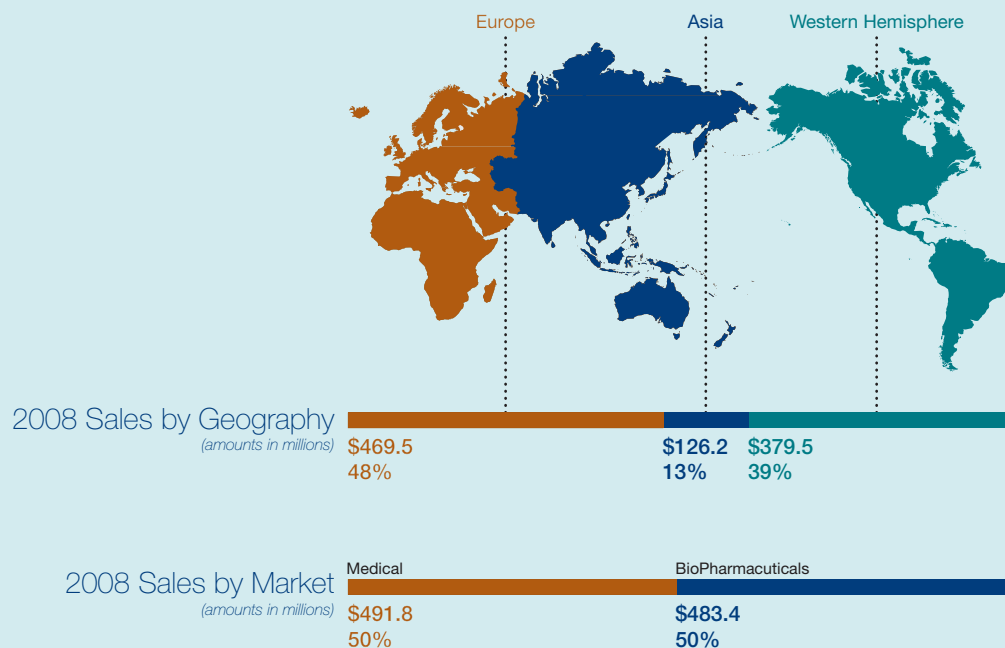
# Pall Life Sciences

Pall Life Sciences provides leading-edge products and services to meet the demanding needs of customers discovering, developing and producing biotech drugs, vaccines and chemically synthesized pharmaceuticals, and to help protect patients in hospitals and nursing homes.

Our membranes and membrane devices optimize detection and sample preparation in drug research and clinical diagnostics, as well as in the growing genomics and proteomics markets. Pall is a leading provider of separation systems and single-use filtration and purification technologies to pharmaceutical and biotechnology companies to support faster development of new drugs and vaccines that are safer and require less energy and water to produce.

Within Medical, Pall technologies are often a patient's last line of defense from dangerous pathogens. Some of our fastest growing products for this market are helping the medical community to prevent hospital-acquired infections. These infections take too many lives, cost billions of dollars and are largely preventable. A newer product family is revolutionizing how blood is processed. Acrodose™ platelet systems enable blood centers to tap into an abundant, but often discarded, supply of whole blood platelets.

Pall has become a trusted partner to this market by meeting its exacting standards for innovation, product performance and global service.



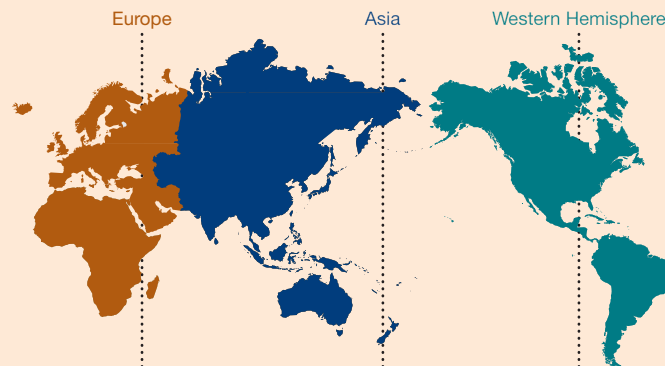
# Pall Industrial

Pall Industrial serves an extremely diverse range of customers in fast-growing and established markets and regions. Pall's engineered solutions help municipal and industrial customers economically address mounting water quality, scarcity and demand issues. They enable manufacturers to minimize emissions, waste and operator exposure to chemicals. They're helping energy companies to maximize production and develop commercially successful cleaner-burning and alternative fuels.

Pall is a key supplier to the rapidly innovating and technically demanding semiconductor and consumer electronics industries. Integrated circuits, which control almost every device and machine in routine use today, require sophisticated fluid management technologies. Comparable purification standards are also essential to the efficient and economical production of products such as computer gaming consoles, MP3 players, flat panel displays and multimedia cell phones.

Pall's roots are in providing filtration products for use in critical applications on military and commercial aerospace vehicles. Our products are also a key to the reliability of construction and mining equipment.

Customers specify Pall products because they optimize performance and provide measurable economic benefits. Since product life cycles can span decades, Pall's longevity and financial strength are essential selection criteria that lead customers in both the Industrial and Life Sciences markets to choose us.



2008 Sales by Geography <i>(amounts in millions)</i>		
Europe	Asia	Western Hemisphere
\$637.5	\$527.8	\$431.1
40%	33%	27%

2008 Sales by Market <i>(amounts in millions)</i>		
Energy, Water & Process Technologies	Aerospace & Transportation	Microelectronics
\$981.3	\$306.6	\$308.5
62%	19%	19%



**CONSERVATION IS NO LONGER JUST SOCIALLY RESPONSIBLE,  
IT'S AN ECONOMIC NECESSITY.**





## Conserving Energy & Resources

With oil prices at record high levels, conservation is no longer just socially responsible, it's an economic necessity.

The impact of steep oil prices ripples throughout industry driving up the cost of fuel, electricity and petroleum-based raw materials. Pall technologies are helping customers conserve energy, increase fuel efficiency and maximize the life and yields of their petroleum-based chemicals and process fluids. This is good news for the environment and for customers' profits.

Pall's highly-engineered systems conserve energy while the company's filter technologies provide optimal fluid quality and long service life. This longer life translates into increased yields and production time. It also means less employee exposure to process chemicals and fluids, reduced emissions and less waste for disposal. Customers are embracing these Pall solutions to help them achieve their production targets while simultaneously reducing their carbon footprints. These technologies are proving that protecting the environment and preserving profits are not mutually exclusive goals.

**INCREASING AVAILABILITY OF PLATELETS** Platelet recipients often receive single donor platelets while those collected from whole blood are typically discarded. This practice exacerbates platelet shortages. Pall's enabling technology, Acrodose™ Systems, safely and economically increase platelet availability. As a result Acrodose<sup>SM</sup> Platelets are beginning to set a new standard of care.

 [www.pall.com/acrodose](http://www.pall.com/acrodose)





## *Ensuring Energy Meets Demand*


Economic growth in developed and developing nations has fueled an insatiable global appetite for energy. The need not just for more energy but clean and sustainable energy is urgent.

Pall is working with energy producers across the full spectrum of available and emerging eco-friendly technologies to help them achieve both imperatives. Pall technologies are widely used by energy producers to maximize production, protect expensive equipment and meet regulations or even tougher internal emissions targets. They're also playing an essential role in the development and implementation of cleaner methods of treating oil, coal and natural gas.

Increased use of alternative and clean energy technologies is critical to reducing greenhouse gas emissions and dependence on fossil fuels. We are working with the producers of emerging, renewable energy sources like wind, solar and biofuels to help them overcome issues of capacity, efficiency, convenience and economics. Removing these impediments will help clear the way for broad adoption and a sustainable energy supply.



**SOLAR ENERGY RISING** The solar energy industry is constrained by a shortage of silicon feedstock. Pall has recently introduced a silicon recovery system for use by the solar and semiconductor industries. This enables customers to recapture and reuse silicon and up to 95% of the deionized water used in the production process. This results in significant environmental and economic benefits and increases the availability of silicon for solar power.

 [www.pall.com/micro](http://www.pall.com/micro)

THE NEED FOR **SUSTAINABLE ENERGY** IS URGENT.





3/4 OF THE EARTH'S SURFACE  
IS COVERED BY WATER BUT  
**ONLY 1% IS**  
**AVAILABLE FOR USE.**



## *Protecting & Preserving Fresh Water*

Three-quarters of the Earth's surface is covered by water. Incredibly, less than 1% of it is the fresh water agricultural, industrial and residential users depend on.

Pall's water filtration experts employ a variety of technologies to purify water for households, hospital patients and industrial users around the world. We're helping municipalities provide high-quality drinking water to the communities they serve and to redeploy waste water for irrigation. We're helping manufacturers to produce the caliber of water their operations require, recycle and reuse it within their plants and ultimately to discharge it safely. Advanced membrane technology is also being used to tap into alternative water sources thereby helping to ensure the long-term availability of fresh water.

Pall scientists and engineers are also working with customers in the biopharmaceuticals industry, among others, to engineer as much water as possible out of their manufacturing processes. The decrease in water consumption and ability to recycle it not only provides environmental and economic benefits but opens the possibility of expanding into arid or drought-stricken regions.

**CONSERVING WATER SUPPLIES** Agriculture is by far the largest global consumer of water. Pall's advanced membrane technologies enable municipalities to treat wastewater and reuse it for irrigation and industrial purposes. Customers are also using Pall products to treat wastewater and reinject it into aquifers for future use as drinking water. The practice of reconditioning wastewater is becoming the norm in water-starved regions as municipalities look to preserve and stretch fresh water supplies.

 [www.pall.com/thefutureofwater](http://www.pall.com/thefutureofwater)





## *Minimizing Emissions & Waste*

Companies are implementing environmental protection measures because it's the right thing to do. They're finding that doing what is good for the environment is also good for business.

Pall technologies are helping companies reduce their environmental footprints and keep their production levels high. Filters that maintain optimal fluid quality and have a long service life provide a raft of benefits. They decrease purchasing requirements for additional production fluids and filters. They result in less fluids and filters to dispose of and reduce employee exposure to them. They enable customers to spend more time producing their high-quality products and less time maintaining equipment. Our technical solutions are also helping companies to meet or exceed extremely stringent emissions requirements.

Customers come to us with their most difficult and critical fluid management challenges. They expect the best performing products at the lowest cost of ownership. This is where Pall excels and customers are rewarding us for it.



**REDUCING CHEMICAL USE** The FDA and its global counterparts go to extraordinary lengths to ensure the medicines we take are safe. This rigor applies to the entire process including the sterilization and cleaning requirements for equipment between batches. Cleaning and steam sterilization are energy, water and chemical intensive. Customer data shows that pre-sterilized single-use systems such as Pall's can cut water and cleaning chemical consumption almost in half and enable drug manufacturers to reduce their carbon footprints more than a third.

 [www.pall.com/biopharm](http://www.pall.com/biopharm)



PROTECTING AND PRESERVING  
**THE ENVIRONMENT**  
IS THE RIGHT THING TO DO.



OUR GOAL IS TO  
**REDUCE PALL'S  
CARBON FOOTPRINT  
10% BY 2010.**





## *Caring for the Environment*

Pall's commitment to green practices extends to every aspect of our company. It encompasses how we partner with customers, the products we make, how we make them and the ways in which we conduct our daily business.

We are continually implementing new practices to strengthen our own green initiatives and those of our customers. From an internal standpoint, we are shrinking our manufacturing footprint. By operating fewer factories located closer to major markets, we'll improve service to customers and substantially reduce CO<sub>2</sub> emissions.

We are also incorporating green principles into our renovation and construction initiatives whenever possible. Among the ways we're doing this is by adhering to LEED guidelines, by specifying recycled building materials and by using natural light sources. Our sustainability objectives are also supported by ISO 14001 certification of our facilities. To further our environmental goals and strengthen our internal sustainability framework, we joined the U.S. EPA's Climate Leaders Program.

 [www.pall.com/green](http://www.pall.com/green)

**BUILDING GREENER FACILITIES** Pall's newest facilities incorporate the latest in green technologies to protect the environment and lower operating costs. Our new offices and scientific laboratories in Buccinasco, Italy are a model of eco-friendly architecture. Among many green features, solar panels heat water. Water for the HVAC system is drawn from a reflecting pool which is also the source for the irrigation and fire protection systems. The facility was a finalist for the prestigious Urban Land Institute's 2008 Awards for Excellence program.



## Five-Year Financial History

(In millions, except per share data)

	2008	2007	2006	2005	2004
<b>Results for the Year:</b>					
Net sales	<b>\$2,571.6</b>	\$2,249.9	\$2,016.8	\$1,902.3	\$1,770.7
Cost of sales	<b>1,360.8</b>	1,190.5 <sup>(a)</sup>	1,072.8 <sup>(a)</sup>	978.9 <sup>(a)</sup>	899.1
Gross profit	<b>1,210.8</b>	1,059.4	944.0	923.4	871.6
Selling, general and administrative expenses	<b>749.5</b>	675.0	641.0	621.4	583.5
Research and development	<b>71.6</b>	62.4	57.3	56.2	57.3
Restructuring and other charges, net	<b>31.5</b>	22.4	12.3	38.8	12.5
Interest expense, net	<b>32.6</b>	39.1	30.2	30.0	23.6
Earnings before income taxes	<b>325.6</b>	260.5	203.2	177.0	194.7
Provision for income taxes	<b>108.3</b>	133.0	151.1	63.3	71.0
Net earnings	<b>\$ 217.3<sup>(b)</sup></b>	\$ 127.5 <sup>(b)</sup>	\$ 52.1 <sup>(b)</sup>	\$ 113.7	\$ 123.7
Earnings per share:					
Basic	<b>\$ 1.77</b>	\$ 1.04	\$ 0.42	\$ 0.91	\$ 0.98
Diluted	<b>1.76</b>	1.02	0.41	0.91	0.98
Dividends declared per share	<b>0.62</b>	0.35	0.43	0.39	0.36
Capital expenditures	<b>\$ 123.9</b>	\$ 97.8	\$ 96.0	\$ 86.2	\$ 61.3
Depreciation and amortization of long-lived assets	<b>\$ 93.2</b>	\$ 94.0	\$ 95.7	\$ 90.9	\$ 88.9
<b>Year-end Position:</b>					
Working capital	<b>\$1,085.7<sup>(c)</sup></b>	\$ 774.2	\$ 653.3	\$ 598.1	\$ 542.7
Property, plant and equipment, net	<b>663.0</b>	607.9	621.0	608.8	600.4
Total assets	<b>2,956.7</b>	2,708.8	2,461.3	2,185.3	2,112.7
Long-term debt, net of current portion	<b>747.1</b>	591.6	640.0	510.2	488.7
Total liabilities	<b>1,817.5</b>	1,648.2	1,524.2	1,193.2	1,179.2
Stockholders' equity	<b>1,139.2</b>	1,060.6	937.1	992.1	933.5

a) Includes \$2.8, \$1.7 and \$0.8 of adjustments recorded in cost of sales in fiscal years 2007, 2006 and 2005, respectively. The adjustments include a one-time purchase accounting adjustment to record, at market value, inventory acquired from the BioSeptra® Process Division ("BioSeptra") of CIPHERGEN Biosystems, Inc. This resulted in a \$2.4 increase in acquired inventories in fiscal year 2005, in accordance with SFAS No. 141, Business Combinations ("SFAS No. 141"), in the opening balance sheet and an increase in cost of sales of \$0.6, \$0.9 and \$0.8 in fiscal years 2007, 2006 and 2005, respectively, concurrent with the sale of a portion of the underlying inventory. The adjustment is considered non-recurring in nature because, although the Company acquired the manufacturing operations of BioSeptra, this adjustment was required by SFAS No. 141 as an elimination of the manufacturing profit in inventory acquired from BioSeptra and subsequently sold in the period. The adjustments recorded in cost of sales also reflect \$2.2 and \$0.8 in fiscal years 2007 and 2006, respectively, primarily comprised of incremental depreciation from the planned early retirement of certain fixed assets recorded in conjunction with the Company's facilities rationalization initiatives in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets ("SFAS No. 144").

b) Effective August 1, 2005, the Company adopted SFAS 123(R), Share Based Payment ("SFAS No. 123(R)"). The years ended July 31, 2008, July 31, 2007 and July 31, 2006 include stock-based compensation expense related to stock options and the employee stock purchase plan of \$5.2, \$4.7 and \$7.2, respectively, after pro forma tax effect (4, 4 and 6 cents per share, respectively).

c) Non-cash working capital at July 31, 2008 has been impacted by the adoption of a new accounting standard, FIN No. 48, Accounting for Uncertainty in Income Taxes ("FIN No. 48"). Consistent with the provisions of FIN No. 48, the Company has reclassified certain tax related assets and liabilities from current to non-current. Such reclassifications had the effect of increasing non-cash working capital at July 31, 2008 by approximately \$137.0.

# Corporate Information

## Corporate Leadership

Eric Krasnoff  
*Chairman & Chief Executive Officer*

Donald Stevens  
*President*

Lisa McDermott  
*Chief Financial Officer & Treasurer*

Roberto Perez  
*President, Life Sciences*

Sandra Marino  
*Senior Vice President, General Counsel  
& Corporate Secretary*

## Corporate Headquarters

2200 Northern Boulevard  
East Hills, NY 11548-1289  
Telephone: 516.484.5400  
Toll Free: 1.800.645.6532

## Investor Relations

Investor relations inquiries should be directed to:

Patricia Iannucci  
V.P. Investor Relations &  
Corporate Communications  
Pall Corporation  
2200 Northern Boulevard  
East Hills, NY 11548-1289  
Telephone: 1.866.898.7255  
E-mail: piannucci@pall.com

The Pall 2008 Annual Report is available online at [www.pall.com/ar08](http://www.pall.com/ar08).

For additional news and information regarding our businesses and strategy, please visit our pressroom online at [www.pall.com/news](http://www.pall.com/news) and Investor Relations site at [www.pall.com/investor](http://www.pall.com/investor).

## Independent Registered Public Accounting Firm

KPMG LLP  
Melville, NY 11747

## Legal Counsel

Cleary Gottlieb Steen & Hamilton LLP  
New York, NY 10006

## Registrar & Transfer Agent

Computershare Trust Company, N.A.

The transfer agent is responsible for shareholder records, changes of address, stock transfers, changes of ownership, issuance of stock certificates, and distribution of dividends and IRS Forms 1099.

Requests concerning these matters are most efficiently answered by contacting:

Computershare Trust Company, N.A.  
P.O. Box 43078  
Providence, RI 02940-3078  
Telephone: 1.800.633.4236  
[www.computershare.com](http://www.computershare.com)

## Dividend Reinvestment Plan

Pall Corporation's Dividend Reinvestment Plan allows shareholders to reinvest dividends and invest additional cash to purchase Pall Corporation Common Stock. You must be a registered shareholder with a minimum of 50 shares in order to participate. For more information, contact:

Computershare Trust Company, N.A.  
250 Royall Street  
Canton, MA 02021-1011  
Telephone: 1.800.633.4236  
[www.computershare.com](http://www.computershare.com)

## Compliance with NYSE Governance Requirements

On December 21, 2007, we filed with the New York Stock Exchange ("NYSE") the Annual CEO Certification regarding the Company's compliance with the NYSE's Corporate Governance listing standards as required by Section 303A.12(a) of the NYSE Listed Company Manual. In addition, the Company has filed as exhibits to the annual report on Form 10-K for the year ended July 31, 2008, the applicable certifications of its Chief Executive Officer and its Chief Financial Officer required under Section 302 of the Sarbanes-Oxley Act of 2002, regarding the quality of the Company's public disclosures.

## Forward-Looking Statements

The matters discussed in this report contain "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on current Company expectations and are subject to risks and uncertainties, which could cause actual results to differ materially. Statements about 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 "anticipate", "should", "believe", "estimate", "expect", "intend", "plan", "predict", "potential" or similar expressions about matters that are not historical facts. Such risks and uncertainties include those discussed in our Annual Report on Form 10-K and other reports the Company files with the Securities and Exchange Commission. The Company makes these statements as of the date of this disclosure and expressly disclaims any obligation to update them.



**Pall Corporation**

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*Filtration. Separation. Solution.<sup>SM</sup>*



**Recycled**

Supporting responsible use  
of forest resources

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