



## President's Letter – Q1 Fiscal 2015

Dear Colleagues,

PI had an outstanding Q1, thanks to your collective efforts, producing strong 8% organic sales growth which resulted in 18.7% segment profit. In 2012, PI produced 14% profitability and was quite dilutive to Pall's overall performance. In Q1, we are showing top-quartile profit performance for industrial businesses in the world. Our goal is 20% profit in the next two years, becoming world-class in our performance and providing significant value to Pall.

These strong sales results were driven broadly by MicroE, F&C, Aerospace, and Process Systems, and high backlog in M&E. The profitability results came from a combination of strong consumables mix, strong systems gross margins, good productivity and cost control in PI plants, and remarkable SGA and shared service cost reduction.

These results did not happen by chance – they were due to the actions we've taken over the last few years. The separation of systems from base has allowed each business to drive their very different business models to good results. The plant line moves and productivity actions, and the SGA and shared service reductions were often difficult. We did what great businesses do – which is to persevere through difficult actions to control our own fate and deliver over expectations. Our goal now is to make such good performance consistent and sustainable.

We still have much work to do. In Q1, despite strong sales, our global orders growth was only 1% organically. PI must hit mid-single-digit organic orders growth on a consistent basis to allow us to achieve our profit and OROC targets and to invest in our businesses even more.

Our global markets continue to be mixed, so we have to "make our own luck" and execute well on actions within our control. This includes continued focus on driving consumables and annuity-producing systems growth, accompanied by a very strong focus on new products, strategic account growth, pricing, and product rationalization. We will continue cost control and careful discipline while driving our customer and growth initiatives very hard.

You may have heard that Pall has introduced "Customer First" as a fundamental initiative for improving our service to our customers. We all know that the service levels to our customers today are not good enough. We provide "Basic" service at best, and at times our OTD and POR responsiveness has been at "Unacceptable" levels. Our goal is to improve to "Desired," "Surprising," and even "Unbelievable" service levels. Great service, coupled with great technology and our Goal Deployed growth initiatives, will allow Pall to delight our customers and win.



*Ruby Chandy*

The Declaration	The Method	The Journey
<b>CUSTOMER FIRST</b> 	<b>PES</b> 	<b>OUR ASPIRATION</b> 
<p>Our goal is to be the first choice provider to customers by offering value-added solutions.</p> <p>To succeed, Pall must:</p> <ul style="list-style-type: none"><li>• Delight our customers</li><li>• Provide the best technology</li></ul>	<p>The Pall Enterprise System (PES) is our toolbox.</p> <ul style="list-style-type: none"><li>• Standard Tools</li><li>• Custom Applications</li><li>• Continuous Improvement</li></ul>	<p>Pall aspires to consistently deliver <b>DESIRED</b> customer service and <b>UNBELIEVABLE</b> customer experiences.</p> <ul style="list-style-type: none"><li>• We all Take Personal Responsibility</li></ul>

**PI's critical goals in FY2015:**

**Orders**

- Drive SAM/KAM growth and share
- Effective use of sales funnel and CRM tools to improve growth and share
- Achieve pricing above 2%
- Improve growth in emerging regions: China, India, Middle East, Latin America, and SEA

**New Products**

- Improve Vitality Index by 1% through improved Voice of the Customer and Launch Execution
- Achieve >67% on-time launch for new products

**Product Line Health**

- Continue 10% product line rationalization in M&E, Energy, and MicroE

**Business Processes**

- **Customer First: Each Business Unit will drive 2-3 Customer First Initiatives to improve our service and responsiveness**
- Execute Goal Deployment as the PI culture for breakthrough performance improvement
- Execute SIOP as the PI culture for forecast accuracy, inventory reduction and OTD improvement
- Achieve 5-sigma quality standard for all PI businesses
- Continue OROC improvement: achieve 2X GDP sales growth via strategic account share and new product growth, and improve SG&A and cost to serve

We are making good progress on our journey to becoming *Number One*. **Thank you for the great Q1 performance.** Let's grow and make 2015 an *Unbelievable* year for our customers and for Pall.



Ruby Chandy  
President, Pall Industrial



## Pall Industrial Q1 FY'15 Business Performance

Pall Industrial had a great first quarter; sales exceeded last year by 13% (8% organic) and grew 2% (3% organic) over the AOP. Orders exceeded last year by 6% (flat organic) and grew 4% (4% organic) over the AOP. Organically, Process consumables sales exceeded last year's by 8%, driven by F&C and M&E backlog. Microelectronics continues to deliver strong results with sales exceeding last year's by 8%. Aerospace sales exceeded last year's by 4%, driven by large military orders. Process Systems had a strong quarter, sales exceeded last year by 16% and AOP by 13%, driven by F&C and M&E.

Orders: Declining CAPEX, lower utilization rates, and increasing competition continue to negatively impact orders. Organically, Process consumables orders were below last year by 1% and AOP by 2% overall. Orders exceeded last year's by 1% and 3% over the AOP. Microelectronics orders exceeded last year's by 6% and 8% over the AOP. Aerospace fell below last year's number, which was driven by large non-repeat military orders (excluding non-repeat orders, Aerospace exceeded last year's number by 8%). Process Systems orders were higher than last year by 7% and AOP by 21%, driven by Water.

Pricing is a key initiative for the year. We are off to a weak start – each region needs to raise activity level to achieve AOP.

**Segment profit margin was 18.7% (19.2% organic, an improvement of approximately 300 bps over last year).** Gross margin was 160 bps better than last year, where pricing, mix, and manufacturing efficiencies offset adverse FX impact. Pall Industrial continues to show good control in spending while funding investments in R&D.

**Overall, Pall Industrial had a strong Q1 performance, and there is still room for more profit with revenue growth.**

Note: Sales and Orders are in constant dollars (ex FX)



Dan Dhanraj

### Q1 FY'15 Scorecard

Metric	Oct, 2015 AOP	Oct, 2015 Actual
Sales Growth	4.6%	7.5%
Order Growth	-3.7%	0.2%
Pricing	2,544	1,213
Gross Margin	46.5%	48.0%
Commercial SG&A	18.2%	17.3%
SG&A + One Pall Func	27.3%	25.3%
Operating Profit Margin	16.0%	19.7%
Operating Profit Growth	2.2%	29.7%

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## Pall Filter Specialists, Inc.

Orders for Q1 were up 4.8 percent YOY, above Q1 AOP levels. Consumables increased 6.2 percent and capital equipment (vessels) increased 11.7 percent YOY. The solid increases in these categories were partially offset by an intentional action to suspend third-party fiber sales as fiber production will be consumed internally in the production of Pall FSI felt.

Sales lagged behind AOP as Pall FSI received an unusually heavy mix of capital equipment orders with delivery dates extended into future quarters. This resulted in sales being flat with Q1 FY'14.

Q1 operating profit percentage was below AOP levels due to the shipment miss, but 400 basis points above prior year levels.

### New Product Initiatives

- **PolyFold™ Filter Bag** – The recently released extended life bag has shown promise against the CUNO DuoFLO in the pretreatment stages of automotive paint process. Several automotive assembly plants are trialing the product; to date, two facilities have replaced competitive products. Initial tests demonstrate increases in life and capture compared to the comparable DuoFLO product.
- **Ferrx500 High Flow Magnetic Separator** – This is the in-line version of our magnetic separator with flow capability up to 1,800 gpm. A field test is scheduled at an automotive assembly plant in the Midwest U.S. in January. The unit will be installed during the holiday shutdown in December.
- **Pleated Element** – This integrates Pall FSI felt into a pleated element using Marksman™ end caps to create a long-life product. Initial field tests in oil & gas produced water are favorable. An automotive pretreatment trial is scheduled to begin at a GM facility in December.
- **FRP Vessel** – This recently released product is a fiberglass reinforced plastic vessel with flow rates of up to 1,320 gpm targeted at the sea water desalination market.



*Bernie Faulkner*

**Vessel Transition** – The transition of vessels/housings from Timonium, Maryland to Nebraska is well underway. Pall FSI in Grand Island, Nebraska now produces Single Cartridge Housings that were previously produced in Timonium. Additionally, Grand Island has produced many vessel configurations for capability validation. The team has increased staff in Nebraska during the first quarter to train the skilled positions of welding to support the volume being transferred from Timonium. The completion of the transfer is on target for the end of Q2 FY'15. Bob Giddings of Pall Timonium and Gus Roessler of Pall FSI Nebraska deserve credit for their efforts to date.

**Risley UK** – Pall FSI manufacturing in Risley England has transitioned 50% of their manufacturing volume to Pall's new Vrable, Slovakia facility. Deen Harman has been leading this effort and has the team on target for full transition by the end of Q2 FY'15.

**Safety Audits** – Safety audits have occurred at Pall FSI Michigan City, Soddy Daisy, and Grand Island. The audits identified key safety focus items. The Pall FSI team has performed well at accomplishing the tasks to improve safety across the sites. Mike Everett from the Pall Safety team was a key leader in this effort.

During Q1 some of the inherent uncertainties of the transition impacted some of our channel partners, resulting in lower than expected revenue. However, we look forward to an improved second quarter as the vessel backlog begins to ship and our operational improvements begin to take hold. Despite Q1 being below expectations, we look forward to a successful FY2015.



## Aerospace

I closed my FY'14 year-end communication with:

*"As we head into FY'15, it's critical that we do not rest on our laurels and risk becoming complacent, but rather continue to focus on delivering value to our customers and shareholders by maintaining our commitment to conducting business with a sense of urgency."*

I will open my FY'15 Q1 communication by saying, **"Thanks for listening."**

- We ended Q4 strong and started Q1 just as strong, beating prior year revenues by 4.4% and AOP by 3%. Orders were down year-over-year due to major program wins in Q1 FY'14 for the CH47 and C17 programs; excluding these programs we grew at 8%.
- Our performance in Global Operations continues to gain traction with progress in almost every metric. Most importantly, our customers are noticing the increased service levels, not just from Operations, but from the Global Organization as a whole.....**Great job everyone!**
- Our MRO Goal Deployment initiative continues to build momentum with Q1 revenues peaking at \$2.1M in the Americas. It was only two years ago that we shipped just \$3M in a *full* year! We also began to lay the foundation of the NPR 'Business within a Business' model into Redruth in the UK. That should be fully functional in Q2 and will help better serve our European customers.
- Our Supplemental Type Certificates (STC's) Goal Deployment initiative is moving along nicely despite some unforeseen regulatory challenges. The PV100 Bleed Air Filter Kit was awarded FAA certification and is now fitted on a 737 for a 6-month flight trial. Market intelligence thus far informs us that many operators are keen to use this product on their respective 737 fleets. In addition, we launched the PB110D at Helitech International, the largest helicopter trade show in Europe, and it was a resounding success. This launch gained the attention of both our competitors and customers.
- I mentioned last quarter that we took a premium account away from a competitor when the U.S. Army awarded Pall the barrier filter for the UH-60 BLACK HAWK helicopter, leveraging our latest dry barrier technology. The story gets better; the Army has been pulling deliveries of this product forward, which is very encouraging.
- Lastly, we rolled out the 'Customer First' initiative and I am overwhelmed by the response of our global organization in embracing this initiative. **Thank you!**



**Vince Northfield**

Keep up the great work and stay focused on maintaining our momentum to assure we have a strong Q2.



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## Microelectronics

In the first quarter, Microelectronics continued to build on the strength of the previous quarters. Coming off four consecutive quarters of high-single-digit to double-digit YoY growth, Pall Microelectronics delivered 8% growth in Q1 and continues to outperform the market through SAM focus and share gain in Semiconductors and E materials. Order rates are showing signs of a slowdown with OEMs due to reduced CAPEX spend of our leading customers.

The Internet of Things (IoT) is exactly that, the point at which "Things" (or devices) are connected seamlessly to one another. IoT is not only at our doorstep, it is underway. The ability to control lighting, heating, and security in the home from your smart device is just one example. This next wave of growth for devices, their components, and the service sector, is bringing important and interesting challenges and opportunities for the entire Semiconductor industry and Pall Microelectronics.

### Goal Deployment (GD) Update

Our GD initiatives in FY'15 will focus on three areas:

- Increased velocity and impact of new products
- Rationalization of the complexity of our portfolio to increase new product adoption rates
- Strategic Value Pricing

Share of Customer Spend, On-time Delivery, and Quality will still be a focus through standard work processes or regional GD initiatives.

### Product Spotlight:

#### Ultipleat® G2 SP DR 5 nm Filter

Semiconductor manufacturers put a high value on reducing minuscule particles from the chemicals they use in their processes. Particles can cause defects, which in turn cause lost profits. Targeting applications such as process water and dilute chemicals, MicroE's primary competitor introduced a new product rated at 7 nm in February. On paper it was a serious threat to our best product at the time, the 10 nm Ultipleat G2 SP DR filter. We had been working on a 5 nm design for some time and made sure that it was thoroughly field tested and that Operations and Sales teams were ready when we passed Gate 5 in May.

Since the launch, three of the four top Semiconductor manufacturers have adopted the premium Ultipleat G2 SP DR 5 nm filter for their most advanced processes. The exceptional benefits of the filter have customers looking at additional applications to take advantage of the filter's superior flow and retention properties that reduce defects. Sales are exceeding expectations and shipments are expected to continue to grow throughout the year.



**Steve Chisolm**

**The vision for the Microelectronics team is to continually increase share by providing products and services to Detect, Clean, and Control critical fluids to help improve our customers' yields.**



## Energy

The Energy leadership team visited several global EPC and licensor customers and spent time building a firmer strategy and Goal Deployment targets for growth during Q1. We believe that Energy can significantly drive growth and share in the next three years. Our focus is outlined in our goals below.

### Strategic Growth Initiatives

- Focus on key **SAM aftermarket** and **EPC first fit** wins for F&C growth
  - **SAMs:** high service strategy, operating expense value proposition to win, focused replication of wins, and technology partnership
  - **EPCs:** a competitive capital expense-based bid strategy to win using sourcing, sizing, ease of initiatives
- Focus on Rest of Aftermarket for full penetration of advantaged applications
- Drive FSI AOP and synergy achievement
- Achieve growth in PGG through selective geographical expansion, and condensate and wind aftermarket share gain



*Ruby Chandy*

### Customer First Service Excellence: create a competitive advantage with strategic accounts and key EPCs

- We will focus on improving three major service delivery systems for our customers:
  - Improving speed and responsiveness of customer service to our SAM customers across quote, ordering, and other similar touchpoints.
  - Improving the speed and responsiveness of our EPC bid process
  - Improving the speed and responsiveness of our POR and other technical problem solving processes for our strategic customers

### Dynamic Resource Allocation (DRA)

- We will better balance resource allocation of each technology function to improve time to market goals and drive growth through new products and engineered solutions.
- Our target is to launch some exciting, new products in 2H so DRA is critical.

### Efficiency Focus

- There will also be a focus on:
  - Pricing
  - VAVE, sourcing, and low-cost manufacturing for lower product cost
  - Product rationalization for lower manufacturing cost and customer ease-of-use

Energy has an aggressive AOP plan this year. Your efforts in Q1 gave us a great start to the year with strong sales, orders, and plant performance in all geographies. The markets are still mixed, with the global oil price decline potentially slowing investments for a while. Downstream markets such as chemicals and polymer are still expected to show good growth.

The rest of the year is more challenging and competition is tough so we need to keep an unwavering commercial focus on serving our SAMs, fully penetrating the advantaged applications, and winning more with EPCs and licensors. Thank you for your Q1 effort and please maintain your focus and momentum to achieve Q2.

## **Spotlight on the Middle East: Pall Middle East Team Makes a Strong Showing at ADIPEC14**

This year's Abu Dhabi International Petroleum Exhibition & Conference (ADIPEC14), held over four days in the capital of the United Arab Emirates, was the biggest and largest ever, with more than 2,000 exhibitors displaying thousands of products and services for the oil and gas industry. Abu Dhabi holds some 9% of the world's proven oil reserves and almost 5% of the world's natural gas. The exhibition attracted over 60,000 visitors (up from 54,000 in 2013) from 98 countries, and included a lively and varied conference program featuring 81 sessions on the theme of 'Challenges and Opportunities for the Next 30 Years.'

Pall's Middle East team had a very active presence at the exhibition, with six Pall staff present on a dedicated stand displaying the range of technologies and services Pall offers, and showing Pall's presence in the region. Jean-Pierre Cabourdin (VP, Technology and Engineering, Process Systems EMEA) presented a seminar to invited guests from key customers in the Middle East, outlining Pall's recent successes in developing and deploying technologies to remove 'black powder' (fine solids generated by corrosion) from natural gas pipelines to protect downstream processing operations, and provided the audience with a taste for how the technology will develop in the future.

Over the four days, the Pall stand received visits from major customers in the UAE, including the CEO of a major gas plant, several vice presidents and department managers from leading gas & oil companies, and representatives from EPC contractors throughout the region.





## Process Systems Group

### Performance Summary

Process Systems started FY'15 with a strong first quarter. Shipments and orders were up 16% and 6%, respectively, versus Q1 last year and also above AOP. We are seeing increased quoting activity in the U.S. municipal market heading into Q2 and saw good orders growth in our Energy-related systems in Asia and EMEA.

Standard margins continued to increase over last year and AOP, based on the continued success of our value selling approach and product mix. Excellent performance by our Operations teams globally resulted in a significant reduction in variances and greater utilization. Combining this with the strong expense controls we maintained and better leveraging our SG&A and R&D, resulted in our bottom line exceeding AOP and even our most recent projections. This was truly a great quarter.

Our cash management activities have also paid off. Inventories and Accounts Receivable continue to decline. Based on our operating performance and cash management, we are well on our way to achieving our lofty OROC goal for FY'15.



*Mitch Summerfield*

### Portfolio

During Q1, we launched our re-designed packaged water system in the Americas and EMEA – the Pall Aria™ FIT system replaces the previous AP line and provides superior software and controls, configurability, and smaller footprint at a lower cost, allowing us to provide a better experience for our customers, while enabling us to expand margins and market share.

Workshops for our blowback and slurry oil platforms resulted in significant cost savings; we expect this to have a strong revenue impact in the coming quarters. We also completed a workshop in Crailsheim to better align our technologies and capabilities with our sales and marketing activities and have quoted our first Zero Liquid Discharge (ZLD) project in China.

So, while we have pared back our development programs in line with our overall portfolio rationalization, we have been more focused and effective so that our talented R&D resources can enable us to more quickly address product and technology gaps identified by our Marketing team.

### Status Update of our 5 Key Initiatives

- **Strategic Plan:** While we have re-directed and added key talent and resources to our service, aftermarket and annuity initiative, we are not progressing as quickly or effectively as we would like. We are working on capturing the appropriate Voice of the Customer, so that we can develop the appropriate service offerings for each of our platforms and understand the barriers and challenges our organization faces in its implementation.
- **Portfolio Management:** We have made great progress with our portfolio in new product release, development, and cost reduction and I look forward to the completion of the next programs on our roadmap.
- **Sales Excellence:** Sales training for EMEA is still pending and the training of Negotiating Skills was very positively received by our team in the Americas.
- **Operational Excellence:** Our teams made excellent progress in Q1 and, while we currently have certain revenue headwinds in Asia, we are working to fill any early-year orders gaps with the product cost reduction programs I discussed earlier.
- **Service Model:** We held our global service kickoff meeting in September and continue to work on the development of service offerings and associated Marketing materials.

### Conclusion

We performed very well in Q1. Our pipeline continues to grow, our Sales and Applications Engineering teams demonstrate their value to our customers every day and our Operations, Supply Chain, and Service teams are doing a wonderful job working to satisfy our customers, from new product delivery to commissioning and ongoing service support. We still have a long way to go in FY'15, but we are off to a strong start.

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## Machinery & Equipment (M&E)

M&E base sales grew 2.5% in Q1 and 8% in the total business. Orders in the quarter were down about 6% in base, slightly less down in total. About half of this reduction was due to exits in certain markets, but the balance was due to softness in capital spend and reduced run rates especially in Mining and Primary Metals, partially offset by high-single-digit growth in Automotive.



*Greg Collins*

### What is happening in our business and the markets we serve?

- We reduced our outlook for FY'15 based on market weakness in both utilization and capital spend – we have to offset with strong execution of our Plan
  - OEM “first fit” order rates are down as Mining market customers reduce spend on new equipment – but our share remains low
  - CAPEX in Primary Metals, Mining, and Paper end-markets were also reduced as our customers deal with a slow market – but we have opportunities to grow in all regions through share gain
- The Automotive market continues to grow. M&E's Auto market sales grew around 8%, above the market, and on top of double-digit growth last year
- New products revenue gains were made in Versalon™ filters, Red1000 filters, and Cleanliness Cabinets
- Pricing gains were mixed with solid results in Americas offset by flat or down results in EMEA and Asia – we need to make progress in all regions
- Costs to operate came in just above budget – we must watch our spending going forward

### Nothing has changed about our fundamental business plan

- Coralon™ filters launched on December 10<sup>th</sup>. To date, as part of the launch process we have:
  - Completed webinars for more than 500 attendees globally
  - Conducted face-to-face meetings with more than 150 attendees with more scheduled
  - Registered more than 40 sales people to the Coralon SharePoint site. **If you have not asked for access please reach out to Darren Nowicki or Cal Tanck to do so.**
  - Built a large lost business recovery funnel
  - Manufactured plenty of inventory ready for Day 1 launch
  - Performed customer trials with results fully supporting our Value Proposition
- Athalon™ filters will launch in March, 2015, and other products are slated for release this fiscal year
- OEM development continues. Our share is low-single-digits, and even in a challenging market, significant opportunities are available in all regions.
- We will continue our focus on the Automotive market to take advantage of ongoing growth in this segment
- We must focus on share gains in underserved markets/regions

### Organizational Update

- Marty Ladner was appointed to the role of Global Business Development Leader, OEM
- Our BU leadership team is in place as was shared in our first BU Town Hall held in November

In closing, I know we face some challenging market conditions. We cannot let that stop us from striving for growth and share gain. Please stay focused on our primary Plan initiatives and make every day as productive as possible. Thank you.

**Our Vision: Machinery & Equipment team will be viewed by our customers as critical to the Reliability, Productivity, and Profitability of their products, processes, and equipment through product innovation and an evolved business model.**

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## SAM & EPC – Energy Group

We challenged ourselves with a very ambitious growth target for FY'15 and I am very encouraged by everyone's efforts in delivering a strong first quarter. Most impressive has been our Base business – **20% YoY growth!** Keep up the excellent work.

The effort of integrating FSI into the SAM account planning is starting to pay dividends, as we have seen some recent wins come through and more are on the way. Let's not lose momentum!

In an effort to build awareness across Pall, a league table will be published every quarter, showing our Top 5 SAM Accounts growth in the quarter across Energy.

### Top 5 SAM Accounts – Q1 Base revenue only

1. SABIC
2. Solvay
3. BASF
4. Dow Chemicals
5. Evoqua



**Mark Demmink**

Our SAM program continues to be a pivotal part of Energy's growth agenda and for that reason we need to drive a more focused program and accelerate our plan of execution across those accounts where significant revenue gain can be won. We'll accomplish this through our advantaged application initiatives, replication of wins across sites/regions, and Share of Wallet gain. We will direct our efforts to the largest Global and Regional Key Accounts. More details will follow soon.

### Customer First

In the coming months, a team comprised of subject matter experts from various parts of Pall that interface with our SAMs on a daily basis will be leading our efforts towards the creation of the SAM Care program, with the following in mind:

- Pall solves my toughest problems through a broad range of capabilities
- Pall offers me peace of mind
- Pall thinks *like me* and *with me*
- Pall helps me build my business

This will involve reviewing all the various touch points where we interface with our customers. The team will be seeking feedback and incorporating ideas from both our sales community and customers in developing an industry leading customer experience.

**"TALENT WINS GAMES, BUT TEAMWORK AND INTELLIGENCE WINS CHAMPIONSHIPS"**

**- Michael Jordan**

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## Advanced Machinery & Equipment Production Facility Opens in Vrable, Slovakia

On October 8, Pall hosted an event to celebrate the opening of its new state-of-the-art industrial manufacturing facility in Vrable, Slovakia. Executives from several countries were on hand to open the new site, which houses advanced manufacturing technology to be used in the production of Ultipor® III / Coralon and USRT / Athalon brand hydraulic and lubricating fluid filtration products. The Vrable plant also produces SepraSol™ Liquid/Gas coalescer elements and will soon make Pall FSI bag filter products.



"This investment in central Europe will help us better serve customers throughout the region," said Ruby Chandy, President, Pall Industrial. "We are committed to supporting Machinery & Equipment markets around the world from Vrable as well."

The products made in Vrable will be used in a variety of manufacturing markets, including automobile production, steel manufacturing, power generation, mining, paper making, and others.

"Contamination control is more critical than ever, and our customers are not only demanding higher production yields and equipment performance, but they want this along with lower fuel and power consumption costs," said Greg Collins, President, Pall Machinery & Equipment. "The hydraulic and lube oil filtration products manufactured in the 'white room' environment in Vrable will help our customers meet these increasingly difficult challenges."





## Pall Industrial

### CUSTOMER FIRST



As PI rolls out our Customer First Initiative, we will update our findings to you. Here's an early look.

### Aerospace

Aerospace rolled out the '**Customer First**' initiative and would like to share the progress they've made and feedback that they received from one of their largest global customers, UTAS.

- Since April, Pall Aerospace has reduced the number of past due line items to UTAS by 98%
- Pall's On Time Delivery Rating to UTAS has improved from 75% to 95%

This is a great example of improvements made as a result of our "Customer First" initiative. In fact, the UTAS's VP of Supply Chain Management said, "the SIOP data demonstrates that Pall can back up its claims with respect to capacity. UTAS will seek similar data from other suppliers and I will use Pall as the benchmark for supplier's readiness claims."

### Microelectronics

Due to an ongoing problem one of our Strategic accounts was having in their process, they had been changing one of their filters more frequently than normal, and did not realize they had run out of stock. On a Monday night at 7:00 PM, Jim Campbell and Joe Bica began receiving calls from the account informing them that their line would be shut down if they could not get filters by Tuesday morning. They were in a crisis and needed expedited help.

A call was placed to Dan Keefe in Cortland to see what could be done. Dan was on vacation Monday, but immediately made the trip into the plant, and was joined by Mary Beth Austin and Jerry VanLiew, who also came in from their homes to assist. Joe Peri was still in the plant preparing for a 6:00 am trip to the customer site to help them with the same process issue that caused this shortage.

Together, the team located the filters that were required, made sure the packaging was appropriate, and arranged for Joe to hand carry the filters in the morning.

A special thank you goes to Joe Bica, Daniel Keefe, Mary Beth Austin, Jerry Van Liew, Joe Peri, and Jim Campbell for putting the Customer First!

## Energy

Customer First is a very important initiative in Energy. The primary driver is to improve the value of our interactions with SAM and EPC strategic customers and drive Service Excellence for them.

The Customer First objectives center around assurance of Quality, Supply and Responsiveness in three areas:

1. Customer service and fulfillment to SAM customers – quote, ordering, supply, and other similar touch points
2. EPC bid process
3. Our POR and other technical problem solving processes for our strategic customers

We will set service goals around these improvement initiatives. Our process will be to workshop each major external and internal touch point where we interface with our strategic customers in these three areas to define and implement improvement which will make Pall's service desirable, surprising and even sometimes UNBELIEVABLE. Part of this initiative is for Pall Energy to purposefully sell our total service, delivery and relationship value and not only focus on product value. We can and will differentiate from our competitors on these important benefits.

## Process Systems Group

Process Systems is focused on three key areas, to improve our customers' experience:

- Take personal responsibility for resolution of customer problems
- Ensure teams understand the way in which the customer expects to be treated
- Empower our employees to be agile and make decisions that are not always risk free

While this translates into differing regional priorities, they are all related to better understanding our customers' needs and making ourselves easier to do business with; all aligned with our Goal Deployment initiatives to launch our new platforms (e.g. ZLD, Pall Aria FIT system, and service/aftermarket) and further improve our cash management.

## Machinery & Equipment

As previously reported, an important area of focus as a Business Unit is on improving our service levels. Work is under way now to:

- Improve on time delivery to >85% to market required lead times of typically 2-4 weeks for preferred elements and housings while reducing inventory in FY'15 and reaching >95% OTD in FY'16!
- Increase quality by reducing POR / DPPM rates by over 25% in FY'15 and 50% from our 2014 baseline by FY'16.
- Increase customer service responsiveness through improved communications
- Continue our strong launch practices with Athalon filters and all other new products.

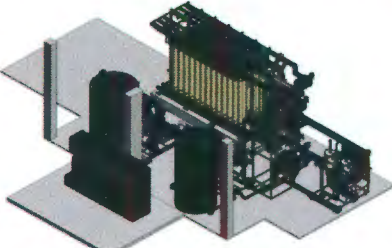


## Recognition


The Industrial management team would like to recognize the following team members for their contributions. Thank you and congratulations on your achievements!


Region and Name(s)	Contribution
<b>Global – Microelectronics</b>  <b>Atsushi Hattori</b> (NPL Sales) <b>Charles Chen</b> (Pall Taiwan, TSMC SAM) <b>Dave Overbaugh</b> (U.S., Engineering) <b>Atsushi Sakamoto</b> (R&D) <b>Mick Hsieh</b> (Pall Taiwan Sales) <b>Katsuhiko Tokuno</b> (MKG) <b>Naoshi Iida</b> (NPL Sales)	<p>The NPL and Pall Taiwan Sales teams worked tirelessly with Marketing, Engineering, and R&amp;D to score a significant win with one of the largest device manufacturers in the world, who purchased Pall's Flexbowl™ housings.</p> <p>Exhibiting great teamwork from NPL / TW sales and our distributor SCH, the team was able to improve the safety rating and succeed despite aggressive competition.</p> <p>A key selling point was the "easy change" feature of the Flexbowl housing.</p>
<b>Asia – Process Systems</b>  <b>Tao Zhang</b> (Sales China) <b>Chen Chenxi</b> (Sales China) <b>Fu Yueqiang</b> (PS Sales Manager China) <b>Lucky Wei Guo</b> (Applications Engineering China) <b>Maggie Chunhong Li</b> (Applications Engineering China) <b>Klaus-Juergen Langer</b> (Subject Matter Expert Germany) <b>Xinghua Wang</b> (Operations/ PM China) <b>Walter Haag</b> (R&D, Germany) <b>Steffen Heidenreich</b> (R&D, Germany)	<p><b>Customer First and global team coordination lead to first win of Large Confined Jet-Pulse (LCJP) Hot Gas Filter System</b></p> <p>A customer in China sought to develop a flexible process for catalyst recovery with minimal OPEX. The Pall Process Systems team in China and Crailsheim R&amp;D successfully supported them in this initiative.</p> <p>The process boasts adaptable blowback regeneration efficiency, providing more safety to our clients, especially when processes are new, challenging, or highly variable. Additionally, it enables the optimization of cleaning efficiencies and hence reduces the OPEX for the client.</p> <p>There were three competitors that bid on the project. The Pall team emerged with the win due to strong technology value selling that put the customer's needs first. The team also put forth a tightly coordinated team effort, with technical efforts well supported by Klaus-Juergen Langer when the customer visited Pall Schumacher in Crailsheim in August. Klaus (who was supposed to be on holiday) delivered a highly impactful presentation about Pall's HGF experience, thereby instilling strong confidence in Pall's technological capabilities. From Applications Engineering and Operations, Maggie Li, Wei Guo and Xinghua Wang ensured our competitiveness. Strong sales efforts were delivered by Tao Zhang, Fu Yueqiang and Chen Chenxi. Key contributions also came from the local and regional OPS, CS, RA, C&amp;C and FIN teams, who developed a process that is new both in China and as an application for our Hot Gas Filters globally, and hence boosting our future chances in securing such projects.</p>

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Region and Name(s)	Contribution
<b>Asia – M&amp;E</b>  <b>Takayuki Shibasaki</b> (Sales) <b>Daigo Hama</b> (Sales)	<p>The team succeeded in developing a new application for an ED line of a Japanese automotive manufacturer.</p> <p>The company utilizes Arkal's Spin Klin® technology for descaling from degreasing washing hot shower water. Pall established a complete three-step filtration solution for the line by deploying a magnet separator, SpinKlin, and Pall FSI bag filters. A key takeaway from this sale is the potential for increased future bag filter sales.</p>
<b>EMEA – M&amp;E</b>  <b>Markus Gruettner</b> (Director) <b>Dirk Albers</b> (Sales)	<p>Pall FSI's European team won an important project with a German automotive EPC. This is the first project awarded to our European team from this EPC. This win displaces a competitor and should enable Pall FSI to leverage a closer partnership with this important player in the automotive market. The order was for forty-four (44) vessels. The end-user is an automotive plant in Wrzesnia, Poland that currently uses Pall FSI bag filters.</p>
<b>EMEA – OEM</b>  <b>Jaroslav Ilnicki</b> (Sales Pall Poland)  With support from the PASS team	<p>Pall secured an order for a Pall Aria Multirack System at a drinking water plant in Poland (capacity of 250 m<sup>3</sup>/h). A great team effort from the Sales and PASS teams secured the business.</p> 
<b>EMEA – Energy</b> <b>Giovanni Barone</b> (Sales Engineer)	<p>Eni Val d'Agri is the largest Italian Crude Oil producer with a capacity of 70,000 bbl/d. The produced crude oil is quite sour and the associated natural gas is sweetened through seven Amine Units.</p> <p>Due to the poor performance of competitors' filter elements, the TSS level in the amine was very high (up to 1,000 ppm), and the sales gas was usually out of spec in terms of H<sub>2</sub>S level.</p> <p>Thanks to the strong relationship that Pall developed with local decision makers and partners, and to the commitment of Giovanni Barone, we can now say that all the amine in Eni Val d'Agri is filtered using Pall products (Profile® filters and Poly-Fine® filters). The TSS level in amine is as low as 40 ppm. Furthermore, the sales gas is always in spec.</p>
<b>EMEA – Energy</b>  <b>Abidin Basal</b> (Sales Turkey)	<p>Pall secured an order from a large F&amp;C account in Turkey for PSS® and DFT elements. The cartridges will be used for catalyst removal after the hydrogenation process. A key driver was our professional effort to illustrate Pall's value to the customer (up to the level of the owner) as we faced strong competition.</p> <p>Pall will also start a new business model where we act as a consultant for the company's larger ownership group.</p>




Region and Name(s)	Contribution
<p><b>EMEA – Energy</b></p> <p><b>Muhyddine Ayoubi</b> (Zone Manager) <b>Sameer Zia</b> (Applications Engineering) <b>Ahmad El Makkawi</b> (Contracts / Risk) <b>Fouad Fares</b> (Value Stream Leader)</p>	<p>Led by Muhyddine, the Pall Team secured a very large new black powder removal project for the Master Gas project, phase 1 of the Kingdom of Saudi Arabia. The team managed to gain favor on the strength of Pall's performance in working references in the Kingdom for more than five years.</p> <p>The order was placed through the EPC contractor, who is a new customer to Pall. The order is expected to generate solid annuity business from spare parts and services.</p>
<p><b>EMEA – Energy</b></p> <p><b>Mieke Heyde</b> (Sales Engineer) <b>Bert Schneider</b> (Applications Engineering) <b>Christian Paulus</b> (SLS) <b>Alex Vandeput</b> (Sales)</p>	<p>Pall received a significant order for Schumacher elements from an Austrian salt producer who is increasing production.</p> <p>By filtering the brine instead of using decantation, the company can increase the flow and, hence, the production. The sale was helped by the fact that Pall has a similar system successfully handling similar processes at a U.S. plant, and was able to demonstrate expertise in the application.</p> <p>This win was a result of an excellent effort on the part of the local sales engineer, Mieke Heyde; great technical support from Bert Schneider; and a successful on-site test done by Christian Paulus.</p>
<p><b>EMEA – Process Systems</b></p> <p><b>Sascha Volkov</b> (Engineering) <b>Viacheslav Glebov</b> (Sales) <b>Andrzej Piatkiewicz</b> (PASS) <b>Jan Bultiau</b> (Applications)</p> <p>With contributions from several other European PASS team members</p>	<p>Pall secured a significant order for a Pall Aria System for mine discharge water from a long wall mine in Siberia. The water is processed at 550 m<sup>3</sup>/h through sedimentation/clarification pretreatment stages before the membranes.</p> <p><b>Success factors:</b></p> <ul style="list-style-type: none"> <li>• Getting the Pall Aria System specified in the design documentation</li> <li>• Demonstrating stable membrane operation vs. less predictable conventional treatment</li> <li>• Providing a more compact installation, enabled by stronger membranes than our competitors</li> </ul> <p><b>Scope:</b> Five dual-racks x 40 modules; PLC, CIP, IC-piping, blower, compressor</p> 

Region and Name(s)	Contribution
<b>EMEA – Process Systems</b>  <b>Amrish Rathi</b> (Pall Dubai Sales) and the MENA team	<p>Two Pall Aria Mobile Containers (PAMC60) were sold to a company in Saudi Arabia to treat industrial waste water for reuse. This opportunity began with a rental unit that was delivered and installed quickly, and eventually grew into the purchase of two units.</p> 
<b>EMEA – Process Systems</b>  <b>Stanny D'souza</b> (Finance)	<p>An order was received for 1,000 plastic X100 vessels for skid-based RO systems for a water treatment application in the UAE. This is the largest single order for X100 vessels in Pall FSI history. Congratulations to the team.</p>
<b>EMEA – Process Systems</b>  <b>Bernhard Doll</b> (Team leader) <b>Patrick de Boissieu</b> (Sales) <b>Steffen Heidenreich</b> (R&D) <b>Mirko Johne</b> (Contracts/Risk)  With technical support from: <b>Walter Haag</b> (R&D) <b>Astrid Walch</b> (New Products)	<p>Pall received a significant order for a demonstration scale off-gas-treatment solution.</p> <p>The team succeeded in communicating the value proposition of this new Pall technology. By being the first customer to adopt this novel technology for this application, they will immediately benefit via lower CAPEX and OPEX costs versus the conventional pollution abatement system option.</p> <p>The project scope included the building of a prototype Compact Blowback System which will treat off-gas to remove particulates, SOx and NOx.</p> <p>Our key innovation is the development of a blowback filter candle that can simultaneously remove NOx and particulate matter in one system. The system is modular and expandable, which enables it to meet future emission targets in addition to current ones.</p> <p>A future commercial scale blowback system would handle a flow rate of around 700,000 Nm<sup>3</sup>/h.</p> <p>Other potential applications for this solution include coal-fired boilers (off-gas), cement (rotary kiln off-gas), FCC flue-gas, metals, and numerous other applications. Congratulations to the team!</p>
<b>Americas – M&amp;E</b>  <b>Andy Stenglein</b> (Sales) <b>Barry Criswell</b> (Engineering)	<p>A US-based EPC that constructs automotive paint shops acquired 51 bag vessels and 23 strainers for a GM paint shop refurbishment project. This project is scheduled to ship in Q2.</p>



Region and Name(s)	Contribution
<b>Americas – M&amp;E</b>  <b>Vlamir Fernandes</b> (Director) <b>Eric Wang</b> (Sales)	Congratulations to Pall FSI Brazil for securing an order for a FerrX 5000 Magnetic Separator order for a major automotive facility in Ecuador. Also of note is that the company renewed our consumables contract for another year, continuing a successful relationship that has been in place for several years.
<b>Americas – Energy</b>  <b>Dale Miller</b> (Sales) <b>Mike Malecha</b> (Sales & Marketing)	This important application combines a Pall FSI vessel with a Marksman element in a produced water application in the oil & gas market. High salinity dictated the use of a 2205 Duplex material. This application uses the Marksman element for absolute filtration as required, with a specified minimum of two weeks service life.

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