

**DONALDSON COMPANY ANNOUNCES RECORD FULL-YEAR RESULTS  
FOR IMMEDIATE RELEASE:**

Wednesday, September 14, 2005

**FOR FURTHER INFORMATION:**

Rich Sheffer(952) 887-3753

**DONALDSON COMPANY ANNOUNCES RECORD FULL-YEAR RESULTS**

*Delivers 16th consecutive year of record earnings*

MINNEAPOLIS, Sept. 14-- Donaldson Company, Inc. (NYSE: DCI) announced fourth quarter diluted earnings per share ("EPS") of \$.29, even with last year. Net income was \$25.1 million compared to \$26.2 million last year. Sales were a record \$422.7 million, up from \$384.0 million in fiscal 2004.

For the year, EPS was a record \$1.27, up from \$1.18 last year. Net income was a record \$110.6 million, versus \$106.3 million last year. Record sales of \$1.6 billion were up from \$1.4 billion in the prior year.

During the fourth quarter, we recognized a \$4.0 million tax charge, or \$.05 per share, for the previously announced \$80.0 million foreign repatriation plan pursuant to the American Jobs Creation Act of 2004. We also increased our reserve related to the previously disclosed patent litigation between Donaldson and Engineered Products Company, Inc. ("EPC") by \$6.4 million, or \$.05 per share.

"We are very pleased to announce our 16th consecutive record year, posting all-time highs for sales, earnings and EPS despite these fourth quarter charges," said Bill Cook, Chairman, President and Chief Executive Officer. "Demand continues to be strong in most of our end markets. Although we have seen rising oil prices affect our raw material costs for petroleum-based commodities and freight, we are working with our customers to offset these increases through a variety of efforts. We enter fiscal 2006 with continued strong orders and backlogs, giving us confidence of delivering another strong year of results."

**Income Statement Discussion**

Stronger foreign currencies contributed to the increase in fourth quarter and full year sales. Translated at constant exchange rates, sales increased 9.2 percent during the quarter and 10.4 percent for the year. The impact of foreign currency translation increased net earnings by \$0.2 million in the fourth quarter and \$2.0 million for the year.

Gross margin of 31.8 percent for the fourth quarter and 31.7 percent for the year compares to prior year margins of 31.2 percent and 31.6 percent, respectively. This year's fourth quarter gross margin was affected by higher costs for petroleum-based raw materials and freight, and a slower than expected ramp up of our new Thailand plant. Last year's fourth quarter gross margin was negatively impacted by \$2.3 million from the unusual expenses discussed in last year's release.

This year's fourth quarter operating expenses were 22.3 percent of sales, down from 22.5 percent in the prior year. For the year, operating expenses were 21.9 percent of sales, down from 22.1 percent last year. Included in this year's fourth quarter operating expenses is the \$6.4 million increase to our reserve for the EPC patent infringement judgment. Last year's fourth quarter operating expenses included \$9.3 million of unusual expenses discussed in last year's release.

Fourth quarter interest expense was \$2.7 million, up from \$1.3 million last year. The increase was driven by additional debt and higher short-term interest rates. For the year, interest expense was \$9.4 million, up from \$5.0 million last year. Other income was \$1.4 million in the quarter versus \$2.5 million last year on lower joint venture income. For the year, other income was \$7.7 million, up from \$5.2 million last year.

The effective tax rate of 35.7 percent for the fourth quarter and 28.6 percent for the year compares to prior year rates of 24.2 percent and 25.0 percent, respectively. Excluding the \$4.0 million tax charge related to the \$80.0 million dividend reinvestment plan pursuant to the American Jobs Creation Act of 2004, the effective tax rate was 25.4 percent for the fourth quarter and 26.0 percent for the year.

No shares were repurchased during the fourth quarter. For the year, we repurchased 3,763,700 shares, or 4.4 percent of outstanding shares, for \$116.3 million.

**Backlog**

Total backlog is strong, setting a new fourth quarter record at \$412 million, up 11 percent relative to last year.

## Engine Products Segment

Engine Products sales were a record \$243.6 million in the quarter, an increase of 10 percent from last year. For the year, Engine Products sales were a record \$923.8 million, an increase of 14 percent from last year.

Truck product sales in the quarter totaled \$45.2 million, up 15 percent from last year. NAFTA truck product sales increased 15 percent due to growing new truck build rates. European truck product sales increased 9 percent on stronger build rates and increased market share. Truck product sales in Asia increased 22 percent from strong sales in Japan. For the year, worldwide truck product sales totaled \$175.0 million, an increase of 12 percent from last year.

Worldwide sales of off-road products in the quarter were \$74.4 million, up 14 percent from last year. NAFTA sales increased 11 percent on continued strength in new construction, agriculture and mining equipment demand. European off-road product sales increased 12 percent while Asian sales increased 26 percent. Worldwide sales totaled \$286.2 million for the year, up 17 percent from last year.

Engine aftermarket or replacement part sales in the quarter were \$124.0 million, an increase of 7 percent from last year. NAFTA aftermarket sales increased 10 percent as equipment utilization rates remained strong and sales of diesel emission retrofit equipment continued ramping up. European sales increased 7 percent and Asian sales were down 6 percent. For the year, worldwide aftermarket sales were \$462.6 million, up 13 percent from the prior year.

## Industrial Products Segment

Industrial Products sales in the quarter were a record \$179.1 million, an increase of 10 percent from last year. For the year, Industrial Products sales were a record \$671.9 million, an increase of 11 percent from last year.

Industrial Filtration Solutions ("IFS") sales in the quarter were a record \$113.5 million, an increase of 10 percent from last year. IFS sales were strong in NAFTA and Asia as sales increased 18 and 12 percent, respectively. European sales increased 3 percent over last year. For the year, worldwide IFS sales totaled a record \$424.7 million, up 15 percent from last year.

Gas turbine product sales in the quarter were \$31.2 million, up 5 percent from last year. Worldwide sales totaled \$112.9 million in fiscal 2005, down 4 percent from last year.

Sales of special application products in the quarter were a record \$34.4 million, an increase of 16 percent from last year. For the year, worldwide special application sales were a record \$134.3 million, up 16 percent from last year.

## Outlook

**Engine Products:** We expect sales growth to be approximately 10 percent in fiscal 2006.

- NAFTA heavy-duty new truck build rates should remain at their current high levels as truck manufacturers are near capacity. Market share gains should continue to fuel international sales growth.
- Off-road sales are expected to remain strong worldwide with robust conditions continuing in the production of new construction and mining equipment.
- Both NAFTA and international aftermarket sales are expected to continue growing as continued strong equipment utilization drives replacement filter sales.

**Industrial Products:** We expect high single-digit sales growth in fiscal 2006.

- IFS sales growth is expected to moderate following two consecutive years of strong growth. Our American and Asian markets remain healthy and our European market remains stable.
- Globally, we expect full-year gas turbine sales to improve modestly. Strength is seen in the Middle East and in the oil and gas markets.
- Market conditions for special applications products are expected to remain strong.

**Other:** We will begin expensing stock options in our first quarter of fiscal 2006, and expect the full year EPS impact to be \$.03 to \$.06 per share.

## About Donaldson Company, Inc.

Donaldson is a leading worldwide provider of filtration systems and replacement parts. Donaldson is a technology-driven company committed to satisfying customer needs for filtration solutions through innovative research and development. Donaldson serves customers in the diesel engine and industrial markets including in-plant air cleaning, compressed air and gas purification, power generation, disk drive filtration, off-road equipment and trucks. Our 11,000 employees contribute to the company's success at over 30 manufacturing locations around the world. Donaldson is a member of

the S&P MidCap 400 Index and Donaldson shares are traded on the NYSE under the symbol DCI. Additional company information is available at <http://www.donaldson.com> .

#### SAFE HARBOR STATEMENT UNDER THE SECURITIES REFORM ACT OF 1995

The company desires to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 (the "Act") and is making this cautionary statement in connection with such safe harbor legislation. This earnings release, the Annual Report to Shareholders, any Form 10-K, 10-Q or Form 8-K of the company or any other written or oral statements made by or on behalf of the company may include forward-looking statements, forecasts and projections which reflect the company's current views with respect to future events and financial performance but involve uncertainties that could significantly impact results. The words "believe," "expect," "anticipate," "intends," "estimate," "forecast," "outlook," "plan," "promises," "project," "should," "will be" and similar expressions are intended to identify "forward- looking statements" within the meaning of the Act.

The company wishes to caution investors that any forward-looking statements are subject to uncertainties and other risk factors that could cause actual results to differ materially from such statements, including but not limited to risks associated with: currency fluctuations, commodity prices, world economic factors, political factors, the company's international operations, including production facilities in China, highly competitive markets, changes in capital spending levels by customers, changes in product demand, cancellations of orders, litigation, including the EPC litigation disclosed in the Company's SEC filings, integration of acquisitions, facility and product line rationalization, research and development expenditures, including ongoing information technology improvements, and governmental laws and regulations, including diesel emissions controls. For a more detailed explanation, see the company's 2004 Form 10-K filed with the Securities and Exchange Commission. The company wishes to caution investors that new factors emerge from time to time, and it is not possible for management to predict all such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or a combination of factors, may cause actual results to differ materially from those contained in any forward- looking statements. Investors are further cautioned not to place undue reliance on such forward-looking statements as they speak only to the company's views as of the date the statement is made. The company undertakes no obligation to publicly update or revise any forward-looking statements.

DONALDSON COMPANY, INC. AND SUBSIDIARIES  
CONDENSED STATEMENTS OF CONSOLIDATED EARNINGS  
(Thousands of dollars, except share and per share amounts)  
(Unaudited)

	Three Months Ended		Year Ended	
	July 31		July 31	
	2005	2004	2005	2004
Net sales	\$422,739	\$383,962	\$1,595,733	\$1,414,980
Cost of sales	288,157	264,346	1,090,158	967,254
Gross margin	134,582	119,616	505,575	447,726
Operating expenses	94,248	86,289	349,085	311,754
Gain on sale of Ome land and building	-	-	-	(5,616)
Operating income	40,334	33,327	156,490	141,588
Other income, net	(1,376)	(2,505)	(7,657)	(5,202)
Interest expense	2,680	1,288	9,414	4,954
Earnings before income taxes	39,030	34,544	154,733	141,836
Income taxes	13,919	8,353	44,179	35,519
Net earnings	\$25,111	\$26,191	\$110,554	\$106,317
Weighted average shares				
outstanding	84,565,352	87,621,312	84,990,739	87,960,423
Diluted shares outstanding	86,626,761	90,053,066	86,883,408	90,429,956
Net earnings per share	\$.30	\$.30	\$1.30	\$1.21
Net earnings per share assuming dilution	\$.29	\$.29	\$1.27	\$1.18
Dividends paid per share	\$.060	\$.055	\$.235	\$.205

DONALDSON COMPANY, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Thousands of dollars)  
(Unaudited)

	July 31 2005	July 31 2004
<b>ASSETS</b>		
Cash and cash equivalents	\$134,066	\$99,504
Accounts receivable - net	294,016	274,120
Inventories - net	151,599	143,418
Prepaid expenses and other current assets	39,141	40,338
Total current assets	618,822	557,380
Other assets and deferred taxes	217,458	182,700
Property, plant and equipment - net	275,493	261,529
Total assets	\$1,111,773	\$1,001,609
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Trade accounts payable	\$134,063	\$124,401
Employee compensation and other liabilities	98,083	87,385
Notes payable	102,004	19,736
Income taxes payable	12,280	9,656
Current maturity long-term debt	7,772	34,346
Total current liabilities	354,202	275,524
Long-term debt	103,302	70,856
Other long-term liabilities	129,653	105,936
Total liabilities	587,157	452,316
Equity	524,616	549,293
Total liabilities and equity	\$1,111,773	\$1,001,609

DONALDSON COMPANY, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Thousands of dollars)  
(Unaudited)

	Year Ended July 31	
	2005	2004
<b>OPERATING ACTIVITIES</b>		
Net earnings	\$110,554	\$106,317
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Gain on sale of Ome land and building	-	(5,616)
Depreciation and amortization	44,284	41,555
Changes in operating assets and liabilities	(14,050)	(31,812)
Other, net	1,800	7,608
Net cash provided by operating activities	142,588	118,052
<b>INVESTING ACTIVITIES</b>		
Net expenditures on property and equipment	(50,198)	(43,030)
Acquisitions and investments in unconsolidated affiliates, net of cash acquired	(13,362)	(4,397)
Net cash used in investing activities	(63,560)	(47,427)
<b>FINANCING ACTIVITIES</b>		
Purchase of treasury stock	(116,268)	(29,765)
Net change in debt	87,973	3,322
Dividends paid	(19,757)	(17,779)
Other, net	2,703	3,298
Net cash used in financing activities	(45,349)	(40,924)
Effect of exchange rate changes on cash	883	2,733
Increase in cash and cash equivalents	34,562	32,434
Cash and cash equivalents - beginning of year	99,504	67,070
Cash and cash equivalents - end of year	\$134,066	\$99,504

SEGMENT DETAIL  
(Thousands of dollars)  
(Unaudited)

	Engine Products	Industrial Products	Corporate & Unallocated	Total Company
3 Months Ended July 31, 2005:				

Net sales	\$243,611	\$179,128	---	\$422,739
Earnings before income taxes	29,528	15,715	(6,213)	39,030
3 Months Ended July 31, 2004:				
Net sales	\$221,089	\$162,873	---	\$383,962
Earnings before income taxes	33,039	11,311	(9,806)	34,544
Year Ended July 31, 2005:				
Net sales	\$923,840	\$671,893	---	\$1,595,733
Earnings before income taxes	125,454	53,709	(24,430)	154,733
Year Ended July, 2004:				
Net sales	\$811,543	\$603,437	---	\$1,414,980
Earnings before income taxes	114,662	42,985	(15,811)	141,836

NET SALES BY PRODUCT  
(Thousands of dollars)  
(Unaudited)

	Three Months Ended July 31		Year Ended July 31	
	2005	2004	2005	2004
Engine Products segment:				
Off-road products	\$74,381	\$65,559	\$286,230	\$244,749
Transportation products	45,201	39,164	175,048	156,373
Aftermarket products	124,029	116,366	462,562	410,421
Total Engine Products Segment	\$243,611	\$221,089	\$923,840	\$811,543
Industrial Products segment:				
Industrial filtration solutions products	\$113,469	\$103,361	\$424,727	\$370,095
Gas turbine products	31,249	29,858	112,872	117,705
Special applications products	34,410	29,654	134,294	115,637
Total Industrial Products segment	\$179,128	\$162,873	\$671,893	\$603,437
Total Company	\$422,739	\$383,962	\$1,595,733	\$1,414,980

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES  
(Thousands of dollars)  
(Unaudited)

	Three Months Ended July 31		Year Ended July 31	
	2005	2004	2005	2004
Free cash flow	\$30,899	\$39,023	\$92,390	\$75,022
Net capital expenditures	15,763	6,470	50,198	43,030
Net cash provided by operating activities	\$46,662	\$45,493	\$142,588	\$118,052
EBITDA	\$51,647	\$45,376	\$205,765	\$186,486
Income taxes	(13,919)	(8,353)	(44,179)	(35,519)
Interest expense (net)	(1,827)	(221)	(6,748)	(3,095)
Depreciation and amortization	(10,790)	(10,611)	(44,284)	(41,555)
Net earnings	\$25,111	\$26,191	\$110,554	\$106,317
Net sales, excluding foreign currency translation	\$419,373	\$374,528	\$1,561,626	\$1,345,020
Foreign currency translation	3,366	9,434	34,107	69,960
Net sales	\$422,739	\$383,962	\$1,595,733	\$1,414,980

Net earnings, excluding foreign currency translation	\$24,945	\$25,528	\$108,516	\$101,603
Foreign currency translation	166	663	2,038	4,714
Net earnings	\$25,111	\$26,191	\$110,554	\$106,317

Although free cash flow, EBITDA, net sales excluding foreign currency translation and net earnings excluding foreign currency translation are not measures of financial performance under GAAP, the company believes they are useful in understanding its financial results. Free cash flow is a commonly used measure of a company's ability to generate cash in excess of its operating needs. EBITDA is a commonly used measure of operating earnings less non-cash expenses. Both net sales and net earnings excluding foreign currency translation provide a comparable measure for understanding the operating results of the company's foreign entities excluding the impact of foreign exchange. A shortcoming of these financial measures is that they do not reflect the company's actual results under GAAP. Management does not intend these items to be considered in isolation or as a substitute for the related GAAP measures.

9/14/2005