

DONALDSON REPORTS RECORD FIRST QUARTER SALES AND EARNINGS

 [Attachment](#)

18 percent sales growth drives 23 percent EPS increase

MINNEAPOLIS (Nov. 26, 2007) — Donaldson Company, Inc. (NYSE: DCI) announced first quarter diluted earnings per share ("EPS") of \$0.53, up 23 percent from \$0.43 last year. Net income was \$43.3 million, up 20 percent from \$36.0 million last year. Sales were \$525.6 million, up from \$446.4 million in the first quarter of 2007.

"Our first quarter results proved once again the power of our well diversified portfolio of filter businesses around the world, as the strength in many of our businesses offset the weakness in others. Although the much publicized NAFTA heavy truck and residential construction end markets are cycling downward, many of our other end markets - especially those internationally - are strong," said Bill Cook, Chairman, President and CEO. "Our overall sales increased 18 percent, 13 percent excluding the impact of exchange rates."

"Sales in our Engine Products segment increased 11 percent driven primarily by 29 and 24 percent increases in Europe and Asia, respectively. Our Industrial Products segment sales were up 27 percent in the quarter as all three product groups posted strong growth."

"We are optimistic about our business prospects during the balance of fiscal 2008," said Bill Cook. "Our global presence is expected to continue delivering solid top-line growth, and we have increased our sales forecasts for the full year. As a result of our strong first quarter and solid outlook, we are confident that we will deliver our 19th consecutive year of record earnings."

Financial Statement Discussion

Translated at constant exchange rates, sales increased \$58.5 million, or 13.1 percent. The impact of currency translation increased the reported sales growth to \$79.2 million, or 17.7 percent. The impact of foreign currency translation increased reported net earnings by \$3.3 million.

Gross margin of 32.9 percent compares to a prior year margin of 32.2 percent. We continued to improve our distribution efficiencies, although these costs continue to be higher than normal as we invest in people, processes, and technology to enhance our capabilities. Also benefiting gross margin was a \$0.7 million decrease in plant rationalization and start-up costs compared to last year.

Operating expenses were 20.8 percent of sales, up from 20.2 percent last year. The increase in operating expenses was driven in part by increased investments in people, particularly sales and technical personnel, to capture the growth opportunities we see over the next few years.

The effective tax rate of 27.1 percent for the quarter compares to a prior year rate of 31.2 percent. The lower tax rate for the quarter is driven primarily from a German tax rate decrease as well as the expiration of the statute of limitations on certain matters previously reserved.

As part of our ongoing share repurchase program, we repurchased 52,700 shares during the quarter for \$2.1 million.

Fiscal 2008 Outlook

Engine Products: We have increased our outlook and now expect 7 to 9 percent full year sales growth.

- Due to the impact of the EPA diesel emission standards, we expect our NAFTA Transportation Products sales to decrease \$30 to \$40 million over our first three quarters before growth returns in our fourth quarter.
- We expect the NAFTA residential construction market to remain weak. Production of new agriculture equipment by our Customers is projected to remain strong globally.
- Our Aftermarket sales are expected to continue growing due to strong equipment utilization internationally, while NAFTA equipment utilization rates are expected to moderate. We expect to continue benefiting from the increasing amount of equipment in the field with our PowerCore™ filtration systems.

Industrial Products: We increased our outlook and now expect 11 to 13 percent full year sales growth.

- Full year Industrial Filtration sales are projected to grow 10 to 15 percent due to continued strong global manufacturing investment and production utilization conditions.
- We expect Gas Turbine Products sales to increase 15 to 20 percent for the full year. Continued strength is expected from both the international power generation and the oil and gas markets.
- Special Applications Products sales are expected to grow 5 to 10 percent for the full year.

Other:

- In our guidance, we assume exchange rates will remain at current levels.
- Continued progress on our operating initiatives should deliver a minimum full year operating margin of 11 percent. Our operating income is projected to be up 13 to 18 percent.
- Our full year tax rate is expected to be between 29 to 32 percent, although it will vary by quarter.
- We expect our full year EPS to be between \$1.97 and \$2.07 per share, which would be our 19th consecutive earnings record.

To view a complete copy of the earnings release, including financial statements, see the attached PDF file.

About Donaldson Company, Inc.

Donaldson is a leading worldwide provider of air and liquid filtration systems and replacement parts that improve people's lives, enhance our Customers' equipment performance and protect our environment. We are a technology-driven company committed to satisfying our Customers' needs for diesel engine equipment and industrial filtration solutions through innovative research and development, superior technology, and global presence. Our 12,000 employees contribute to the company's success by supporting our Customers at more than 100 sales, manufacturing, and distribution locations around the world.

Donaldson is a member of the S&P MidCap 400 and Russell 1000 indices, and our shares trade on the NYSE under the symbol DCI. Additional information is available at 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 announcement contains forward-looking statements, including forecasts, plans and projections relating to our business and financial performance, which involve uncertainties that could materially impact results.

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, highly competitive markets, governmental laws and regulations, and other factors included in our Annual and Quarterly Reports. We undertake no obligation to publicly update or revise any forward-looking statements.

FOR IMMEDIATE RELEASE:

Monday, November 26, 2007

FOR FURTHER INFORMATION:

Rich Sheffer (952) 887-3753

###

11/26/2007