

DONALDSON COMPANY

Baird 2018 Global Industrials Conference

Tod Carpenter

Chairman, President and Chief Executive Officer

SAFE HARBOR STATEMENT

This presentation includes forward-looking statements which reflect the Company's current views with respect to future events and financial performance, but involve uncertainties that could significantly impact results.

NOTE:

Donaldson's fiscal 2019 first quarter ended October 31, 2018 and the Company will report results Tuesday, December 4. Comments made during this presentation related to the Company's forecast, market conditions or general outlook are as of the previous earnings report from September 6, 2018.

DONALDSON IS A TECHNOLOGY-LED FILTRATION COMPANY

- Technology leader in our markets
- Diversified portfolio of global businesses

VALUE PROPOSITION TO OUR CUSTOMERS

- Technology Advantages
 - Higher efficiency
 - Small system size
 - Longer filter life
 - Reduced operating and maintenance costs
- Better Aftermarket Retention

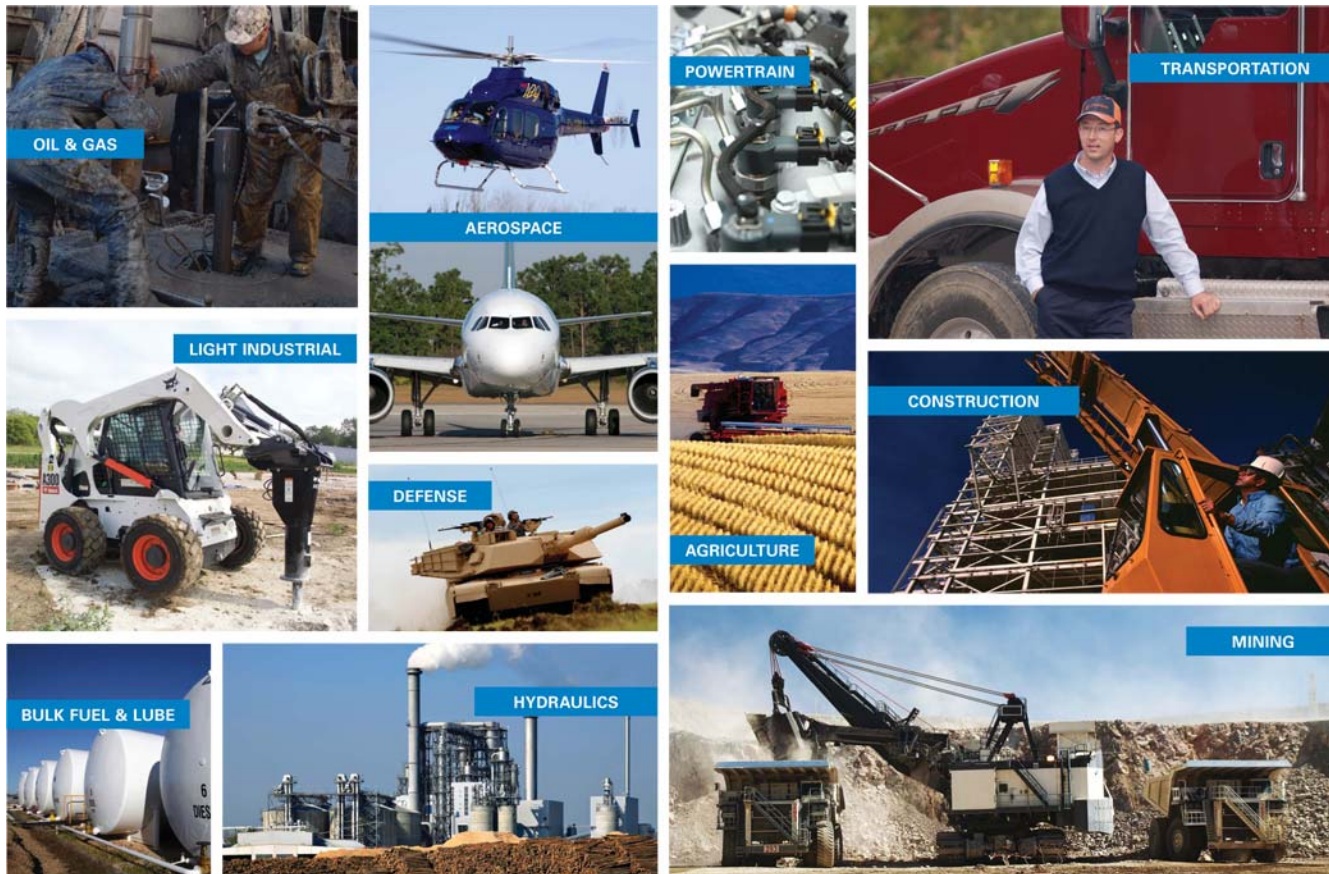
VALUE PROPOSITION TO OUR SHAREHOLDERS

- Diversified portfolio of technology and products
- Global sales, production and distribution footprint
- Committed to growth and financial performance
- Disciplined capital deployment
 - Invest in our company
 - Pay a dividend
 - Repurchase our shares

WE DIVERSIFY THROUGH OUR TECHNOLOGY

Engine Products are ~68% of total revenue*

- ~70% replacement parts; ~30% first-fit products



* Twelve months ended July 31, 2018

WE DIVERSIFY THROUGH OUR TECHNOLOGY

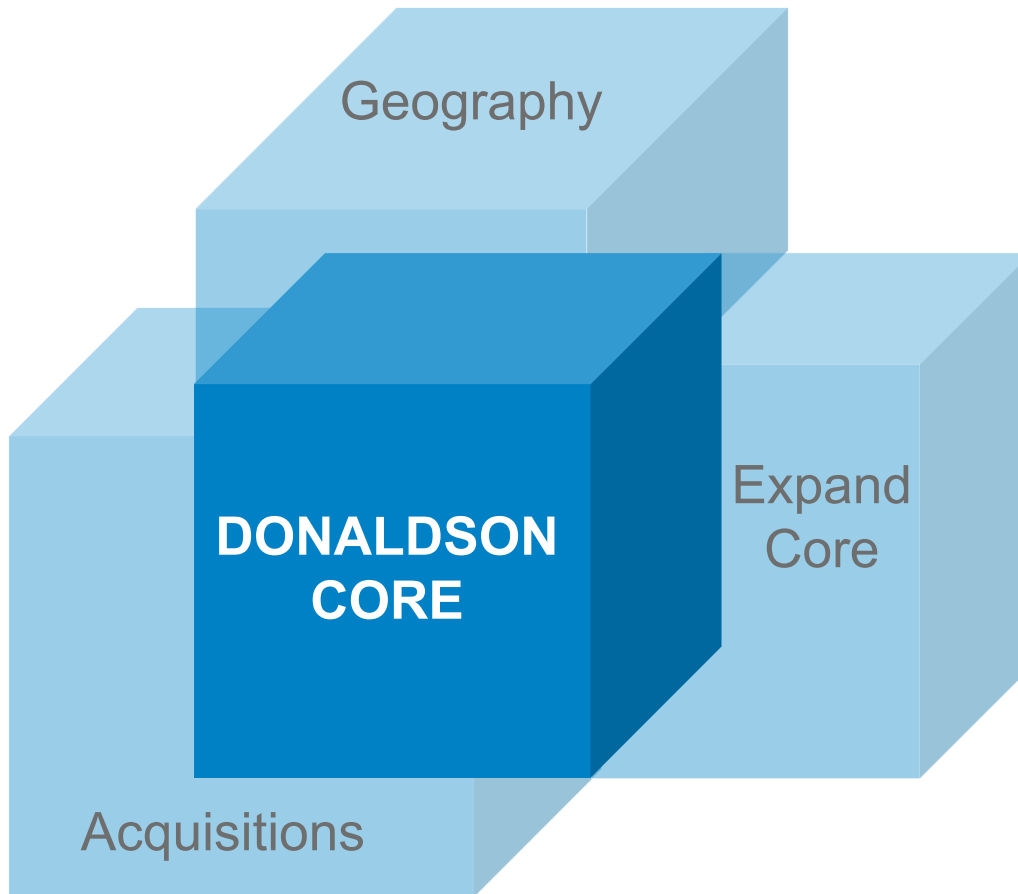
Industrial Products are ~32% of revenue*

- ~40% replacement parts; ~60% first-fit products



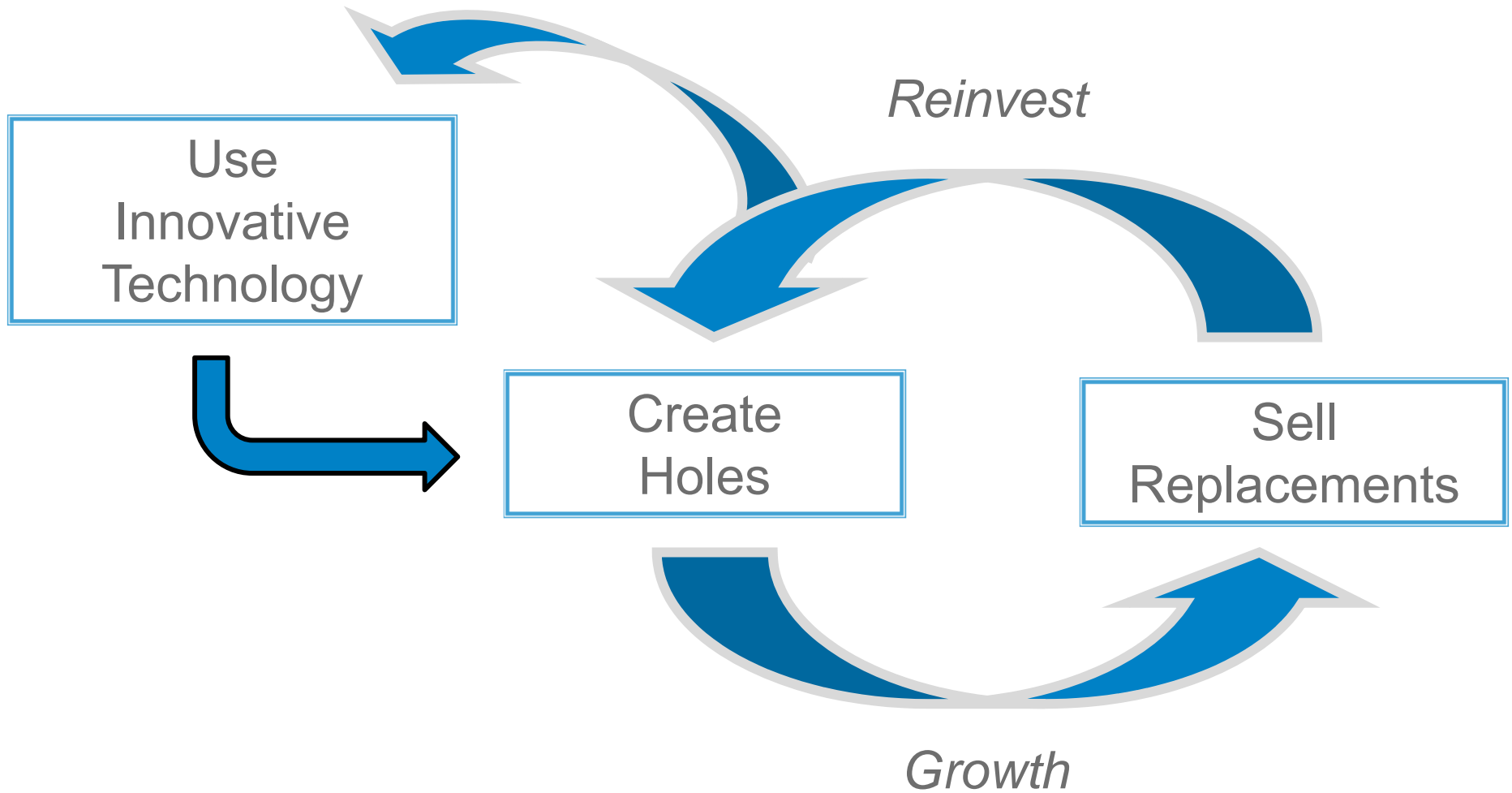
* Twelve months ended July 31, 2018

STRATEGIC GROWTH PLANS



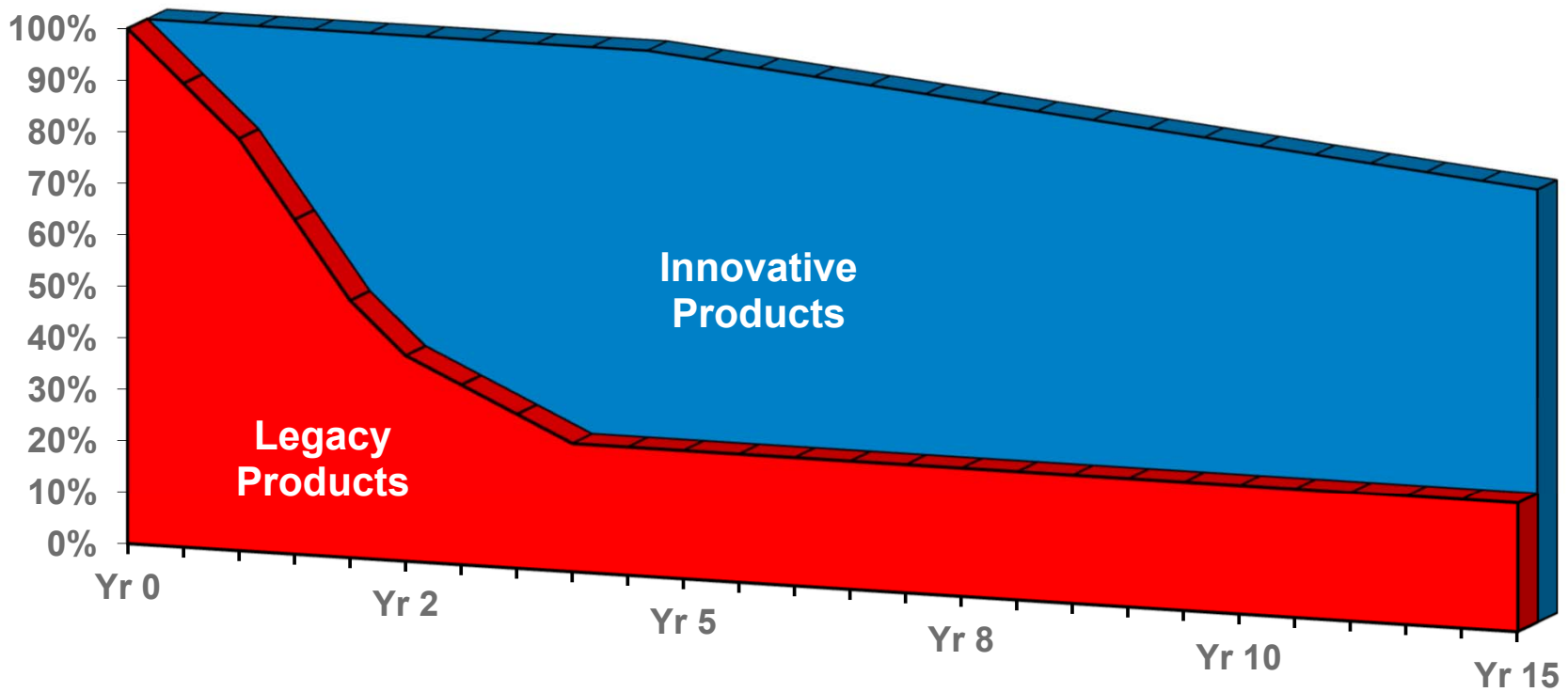
- Expand **core products and technologies**
- Expand **geographically**
- Execute **acquisitions**

SALES GROWTH MODEL



INNOVATIVE PRODUCTS DRIVE RETENTION

Aftermarket retention rate of innovative products is higher than legacy products over time



INNOVATIVE AIR FILTRATION

PowerCore



DownFlo Evolution



INNOVATIVE LIQUID FILTRATION

- Designed for new diesel fuels, higher fuel injector pressure
- Higher efficiency, extended filter life



INNOVATIVE PROCESS FILTRATION

- Filtration for the Food and Beverage industry
- Stronger, longer-lasting, high-efficiency



RECENT PERFORMANCE HAS BEEN STRONG

- Record levels of sales in FY18
 - New program wins
 - New and expanded product offering
 - Market conditions
- Record level of adjusted EPS* in FY18
 - Expense leverage offset gross margin pressure
 - Increased level of investment into the company

**Adjusted EPS is a non-GAAP financial measure that excludes the impact of certain matters not related to the Company's ongoing operations, including charges related to the provisional estimates of the impact from tax reform. See press release from September 6, 2018, for more information.*

PROJECTING ANOTHER STRONG YEAR IN FY19*

- Continued sales momentum in both segments
- Pricing gains expected to offset cost increases
- Focused expense plan
- Incremental margin in line with historic averages
- Robust investment agenda

**Reflects guidance, commentary from fourth quarter earnings release and conference call on September 6, 2018.*

CURRENT INVESTMENTS IN OUR COMPANY

- Sales-driving initiatives
- Technology development
- Capacity expansion
- Strategic acquisitions



BOFA IS NEWEST ACQUISITION



Dynamics are attractive:

- ~\$40 million in revenue
- Above-average margin
- Strong OE business with high aftermarket retention
- In growing markets

Donaldson will leverage:

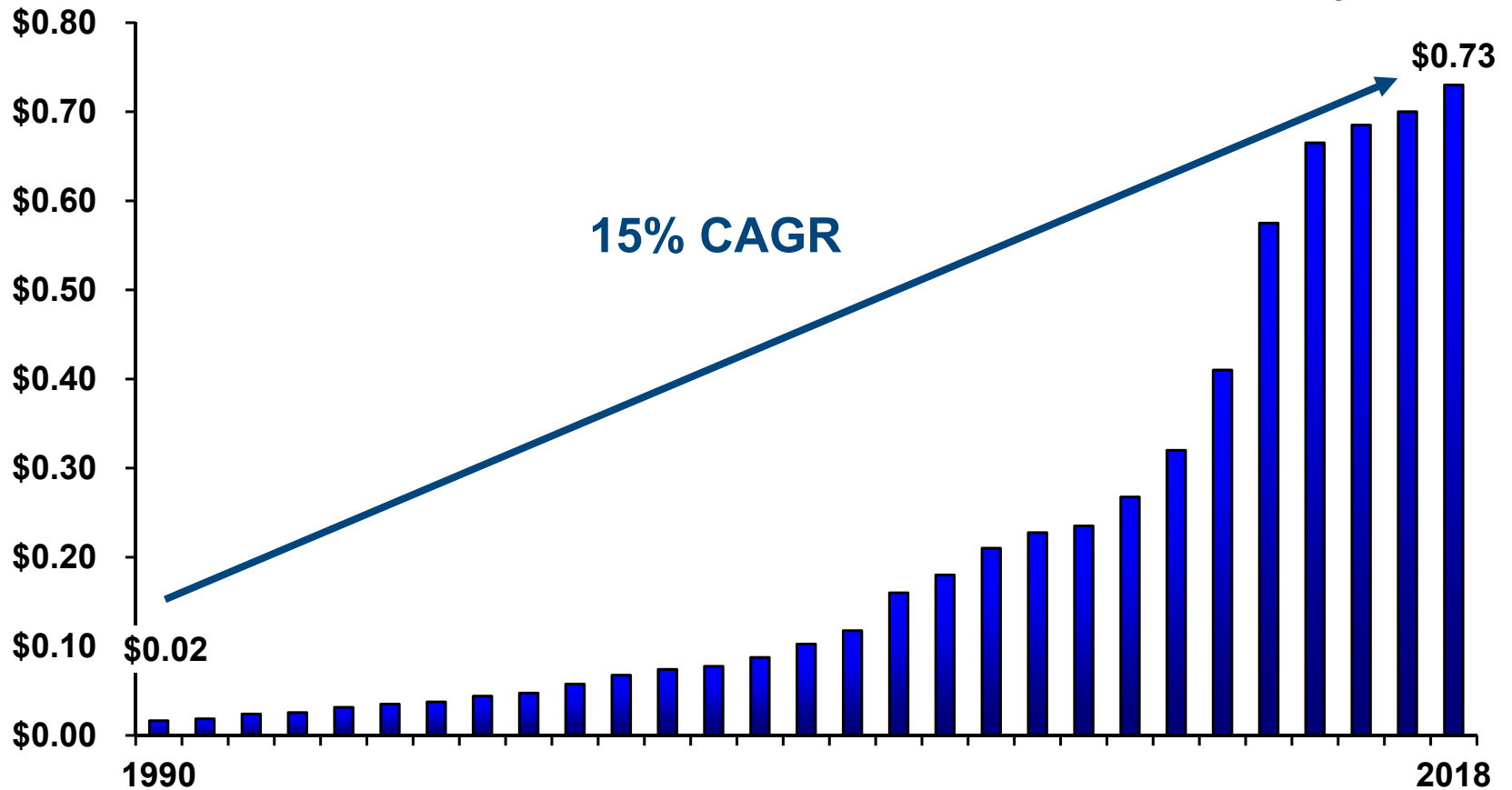
- Technology expertise
- Global footprint



CONSISTENT DIVIDEND GROWTH

- Paid quarterly dividend for 60+ years
- Increased annually for 20+ years
- Announced 5.6% increase in May 2018

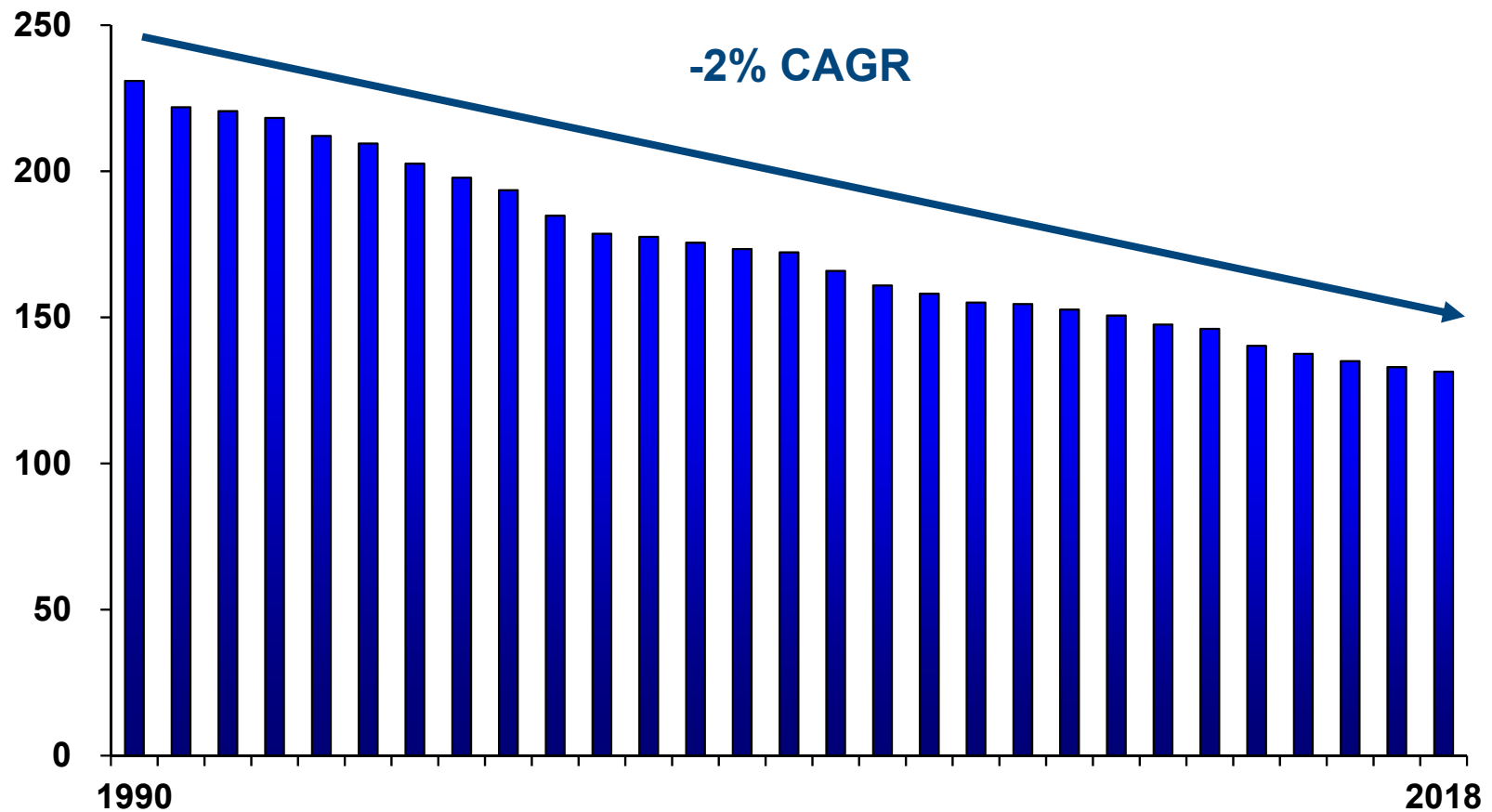
Per Share



CONSISTENT SHARE REPURCHASE

Shares
Outstanding
in Millions

- Very long history of repurchasing shares
- Goal is to at least offset annual dilution of ~1%



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THANK YOU