PALL CORP
Form 10-K
September 08, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
þ Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended July 31, 2014
or
o Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to

Commission File Number 001- 04311

PALL CORPORATION
(Exact name of registrant as specified in its charter)

New York	11-1541330
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
25 Harbor Park Drive, Port Washington, NY	11050
(Address of principal executive offices)	(Zip Code)
(516) 484-5400	
(Registrant's telephone number, including area code)	

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.10 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No þ
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule12b-2 of the Act). Yes o No þ

The aggregate market value of the registrant’s common stock held by non-affiliates of the registrant, computed by reference to the closing price of a share of common stock on January 31, 2014 (the last business day of the registrant’s most recently completed second fiscal quarter) was $8,771,818,031.

On September 2, 2014, there were 106,804,232 outstanding shares of the registrant’s common stock, $.10 par value.

DOCUMENTS INCORPORATED BY REFERENCE:
Portions of the registrant's proxy statement for the 2014 annual meeting of shareholders, scheduled to be held on December 10, 2014 (hereinafter referred to as the "Proxy Statement"), are incorporated by reference into Part III of this report.

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PART I

ITEM 1. BUSINESS.
As used herein, the terms “we,” “us,” “our,” the “Company,” or “Pall,” unless the context otherwise requires, mean Pall Corporation and its subsidiaries. United States (“U.S.”) Dollar amounts discussed below are in thousands, unless otherwise indicated.
General
We are a leading supplier of filtration, separation and purification technologies. Our products are used to remove solid, liquid and gaseous contaminants from a variety of liquids and gases, and are principally made by us, using our engineering capability, fluid management expertise, proprietary filter media and manufacturing expertise.
Our products are used across a wide array of applications, including to:
• discover, develop, validate and produce biotechnology drugs and make vaccines;
• protect critical care hospital patients with infection control devices;
• enhance the quality and efficiency of manufacturing processes;
• keep equipment (such as manufacturing and mining equipment and airplanes) running efficiently; and
• produce safe drinking water and protect the environment.
We have more than a 60-year history of commercializing innovative products and continue to develop new materials and technologies for our customers and their increasingly difficult fluid filtration, purification and separation challenges. We have an array of core materials and technologies that can be applied in many ways to solve complex fluid separation challenges.
Our proprietary materials and technologies, coupled with our ability to engineer them into useful forms and place them into fully integrated systems, are the cornerstone of our capabilities. Our deep customer process knowledge and related engineering know-how enable us to provide our customers with products that are well matched to their needs. These capabilities also allow us to develop new and innovative products and enter new markets.
Global drivers for the filtration, separation and purification market include:
• growth of the use of large-molecule biopharmaceuticals;
• need for anti-infective products in hospitals and by other medical providers;
• increased sophistication of semiconductor manufacturing;
• higher efficiency performance mechanical equipment and factory processes;
• urbanization and related infrastructure and environmental investments;
• changes in global demographics with aging population;
• global growth of the middle class driving increasing standards of living; and
• increasing government regulations, particularly with respect to pharmaceuticals and the environment.
Business and Strategy
We serve customers through two businesses globally: Life Sciences and Industrial. The Life Sciences business group is focused on developing, manufacturing and selling products to customers in the BioPharmaceutical, Food & Beverage and Medical markets. The Industrial business group is focused on developing, manufacturing and selling products to customers in the Process Technologies, Aerospace and Microelectronics markets.
These all require more efficient and ever finer levels of filtration, separation and purification. We have a broad portfolio of products that are sold into diversified markets around the globe. Our strategy for growth includes expansion in high-growth geographies such as Asia, Eastern Europe, the Middle East, Africa and Latin America as well as continuing to focus on high-growth markets such as biotechnology, diagnostics, cell therapy, vaccine production, microelectronics, next-generation aircraft, energy and water.
We actively pursue markets and applications in which our products can make a substantial difference to customers. We especially target projects in which our integrated filtration, purification and separation solutions are able to enhance performance and economics. This strategy leverages our resources and capabilities to help our customers improve operating efficiencies within their processes. We make extensive use of our engineering and scientific

expertise in fluid management to provide unique and cost-effective solutions for customers.

In addition to organic growth through pursuit of high growth markets and applications, we expect to use our strong cash generation and balance sheet capacity for relevant acquisitions. We evaluate potential targets in a disciplined manner for strategic fit and financial returns.

Our products primarily consist of:

- Consumables. Consumable filtration products are principally filters made with our proprietary filter media produced by chemical film casting, melt blowing of polymer fibers, papermaking and metallurgical processes, as well as smaller capital goods products, including housings; and
- Systems. Systems, including larger capital goods, typically include our proprietary consumable filtration and associated hardware. When fully commissioned, we generally expect these systems to provide an ongoing annuity stream for our consumables.

Our consumables sales constituted 88% of our sales and systems accounted for 12% in fiscal year 2014. Our consumables typically are either used in a system sold by us or a third-party, or are integrated in a customer's own process infrastructure and do not require a systems purchase for their use.

Life Sciences Segment

Our Life Sciences technologies facilitate the process of drug discovery, development, regulatory validation and production, and are used extensively in research laboratories, and the pharmaceutical and biotechnology industries. We also supply products and technologies for food and beverage industries and in hospitals at the point of patient care. We sell into these markets through our direct sales force as well as distributors.

Consumables sales accounted for 91% of Life Sciences segment sales, and systems sales accounted for 9% in fiscal year 2014. This compares to 92% and 8%, respectively, in fiscal year 2013.

Key requirements of our Life Sciences customers include: safety, quality, efficacy, ease of use, technical support and price.

BioPharmaceuticals Market

We sell a broad line of filtration and purification technologies, associated hardware and engineered systems primarily to pharmaceutical and biotechnology companies for use in the development and commercialization of chemically synthesized and biologically derived drugs, plasma and vaccines. We provide a broad range of advanced solutions for each critical stage of drug development through drug production. In addition, our validation services assist drug manufacturers through the regulatory process to commercialization.

The fastest growing part of this market, in which we participate, is the biotechnology industry, representing an increasingly important portion of total BioPharmaceuticals sales. Biotechnology drugs, plasma and biologically derived vaccines are filtration and purification intensive. A key growth driver is increasing adoption of single-use processing technologies for drug production as a replacement for "hard-piped" steel factories. Disposable single-use systems provide customers many advantages including smaller capital outlays and higher productivity. They reduce the risk of cross-contamination between batches and eliminate costly and time-consuming cleaning and cleaning validation steps.

Sales to Biotechnology customers are made through our sales force and distributors.

Our laboratory product line is used in areas such as drug research and discovery, quality control testing and in environmental monitoring applications for a host of industries. In the Americas and Europe, laboratory products are sold to customers principally through our distribution partner, VWR International.

Principal competitors in the BioPharmaceuticals market include Merck Millipore (a division of Merck KGaA), The Sartorius Group and GE Healthcare (a unit of General Electric Company ("GE")).

Food & Beverage Market

Within the Food & Beverage market, we serve the filtration needs of the beer, wine, dairy, alcohol-free beverage, bottled water, and food ingredient markets. Our comprehensive product portfolio and capabilities are used in manufacturing processes to help customers ensure the quality of their products while lowering operating costs and minimizing waste.

Sales to Food and Beverage customers are made through our sales force and distributors.

Principal competitors in the Food & Beverage market include 3M Purification, Pentair, Inc., Filtrox Group, The Sartorius Group, Eaton Corporation and Parker Domnick Hunter (a division of Parker Hannifin).

Medical Market

Our medical products help control the spread of infections in hospitals. Hospital-acquired infections are a growing problem for patients and the world’s health care systems. Products such as our breathing circuit and intravenous filters and our point-of-use Pall-Aquasafe™ water filters help protect people from these infections. Our cell therapy product portfolio provides enabling technologies for the emerging regenerative medicine market.

Sales to Medical customers are made through our sales force and distributors.

Principal competitors in the Medical market include Merck Millipore, GE Healthcare, Teleflex Incorporated, Covidien plc and Intersurgical, Ltd.

As described in detail in Note 19 (Discontinued Operations) to the accompanying consolidated financial statements, on August 1, 2012, we sold certain assets of our blood collection, filtration and processing product line (the “Blood Product Line”) to Haemonetics Corporation (“Haemonetics”). The Blood Product Line has been reported as a discontinued operation in our accompanying consolidated financial statements, and all discussions regarding our results of operations throughout this Form 10-K are on a continuing operations basis (excluding cash flow information which is presented on a total operations basis).

Industrial Segment

We provide enabling and process-enhancing technologies throughout the industrial marketplace. These include the Process Technologies, Aerospace and Microelectronics markets. We have the capability to provide customers with integrated solutions using our proprietary consumable filtration products for their process fluids. We also supply associated hardware and engineered systems. Virtually all of the raw materials, process fluids and waste streams that course through industry are candidates for multiple stages of filtration, separation and purification.

Consumables sales accounted for 84% of Industrial segment sales, and systems sales accounted for 16% in fiscal year 2014. This compares to 82% and 18%, respectively, in fiscal year 2013.

Key product requirements of our Industrial customers include: product efficiency, performance and quality, service and price.

Process Technologies Market

The Process Technologies market consists of a broad range of end-markets, including producers and users of energy, oil, gas, renewable and alternative fuels, power, chemicals and water. This market also includes what we refer to as the Machinery & Equipment submarket, consisting of producers of mobile equipment and trucks, pulp and paper, automobiles and metals.

Within these end-markets, demand is driven by end users and original equipment manufacturers (“OEM”) working to increase production and efficiency, reduce costs, produce cleaner burning fuels, conserve water, meet environmental regulations and develop alternative fuel sources.

Sales to Process Technologies customers are made through our sales force, distributors, manufacturers’ representatives and architectural and engineering firms.

Principal competitors in the Process Technologies market include CLARCOR Inc., Donaldson Company, Inc., Parker Hannifin Corporation, HYDAC International GmbH, GE Infrastructure (a unit of GE), Pentair, Inc., 3M Purification, U.S. Filter (a unit of Siemens AG) and ESCO Technologies Inc.

Aerospace Market

We sell filtration and fluid monitoring equipment to the Aerospace industry for use on commercial and military aircraft, marine and land-based military vehicles to help protect critical systems and components. Demand typically is driven by passenger air miles flown, military budgets and production and demand for new military and commercial aircraft.

We sell to customers through a combination of direct sales to airframe manufacturers and other customers, including the United States (“U.S.”) military, and through our distribution partner, Satair A/S, to commercial airlines for the commercial aerospace “aftermarket.”

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Competition varies by product and application. Principal competitors in the Aerospace market include Donaldson Company, Inc. and ESCO Technologies Inc.

Microelectronics Market

We sell highly sophisticated filtration and purification technologies for the semiconductor, data storage, graphic arts, advanced display and electronic components markets. We provide a comprehensive suite of contamination control solutions for chemical, gas, water, chemical mechanical polishing and photolithography processes to meet the needs of this demanding industry. Our products help enable the production of tablet computers, smart phones, computer gaming consoles, MP3 players, flat screen TVs and monitors and ink jet printers and cartridges. Newer applications served by our Microelectronics business include the production of solar cells and the emerging "high bright" LED market.

We sell to customers through a combination of our direct sales force, distributors and manufacturers' representatives. Principal competitors in the Microelectronics market include Entegris, Inc., Parker Hannifin Corporation and Mott Corporation.

* * *

For financial information by operating segment and geography, please see Note 18 (Segment Information and Geographies) to the accompanying consolidated financial statements and the information under the caption "Segment Review" in Management's Discussion and Analysis of Financial Condition and Results of Operations (Part II - Item 7. of this report).

Backlog

The table below presents our total backlog by market as well as the amount of that backlog expected to be shipped during fiscal year 2015.

(dollars in thousands)	Total Backlog at July 31, 2014	Percentage Shippable in Fiscal Year 2015		Total Backlog at July 31, 2013
BioPharmaceuticals	$231,965	99	%	$191,266
Food & Beverage	41,675	100	%	33,365
Medical	32,509	97	%	23,761
Total Life Sciences	306,149	99	%	248,392
Process Technologies	295,846	90	%	302,571
Aerospace	148,170	78	%	151,504
Microelectronics	34,680	100	%	29,879
Total Industrial	478,696	87	%	483,954
Total Pall	$784,845	92	%	$732,346

Research and Development

Our research and development activities are primarily sponsored by us alone and are largely directed at the commercialization of our core technologies. We also focus on basic research of core filtration media and continuously improving the efficacy of filtration devices.

Research and development expenses totaled $102,601 in fiscal year 2014, $94,216 in fiscal year 2013 and $82,932 in fiscal year 2012.

Customers

No one customer accounted for 10% or more of the Company's consolidated sales in fiscal years 2014, 2013, or 2012. Accordingly, our business is not dependent on any single customer or group of customers.

Competition

The competition is intense in all of our markets and includes numerous large companies and many smaller regional competitors. In some instances, our primary competition comes from alternative, often older technologies, such as chemical additives, sand filtration, and pasteurization as opposed to the finer level of membrane filtration that we provide. In many markets, there are barriers to entry limiting the number of qualified suppliers. These barriers result from stringent product performance standards, product qualification protocols and requirements for consistent levels of global service and support. Our broad array of materials and product designs coupled with our engineering and manufacturing expertise and global reach enable us to provide customers with differentiated product performance and value and global customer support.

Compliance with Environmental and Other Governmental Regulations

We are in substantial compliance with federal, state and local laws regulating the discharge of materials into the environment or otherwise relating to the protection of the environment. To date, compliance with environmental matters has not had a material effect upon our capital expenditures or competitive position. For a further description of environmental matters in this report, see Note 14, Contingencies and Commitments, to the accompanying consolidated financial statements.

Employees and Employee Relations

At July 31, 2014, we employed approximately 10,400 persons. Some of our employees around the world are covered by collective bargaining agreements and/or are represented by unions or workers' councils. We believe we generally have good relations with our employees. In the U.S., some of our workforce at our Cortland, New York facility are represented by the United Auto Workers ("UAW"). The employees covered under this collective bargaining agreement represent approximately 7% of our global consumables production capacity. Our contract with the UAW expired in April 2014 and we continue to operate as we negotiate a new agreement. Depending on the course of our negotiations, we could incur additional costs and/or experience work stoppages which could adversely affect our business operations through a loss of revenue and strained relationships with customers.

Raw Materials

The vast majority of the raw materials and/or components that we use in the production of our products are available from multiple sources. A limited number of such purchased materials are proprietary or otherwise sole sourced; primarily those which are plastic resin based. Although we believe we could obtain reasonably equivalent materials should supply become restricted or made unavailable, it remains a possibility our supply chain could be interrupted while we identify, evaluate, and obtain certification on such satisfactory substitutes. Progress has been made toward implementing a global supply chain continuity plan with the initial focus of mitigating risks regarding single source suppliers.

Intellectual Property

We have a robust intellectual property portfolio comprised of patents, proprietary trade secrets and know-how, trademarks and licensed technology. We own numerous U.S. and foreign patents directed to filtration materials, devices, systems, improvements and applications of these technologies and we have numerous patent applications pending in the U.S. and abroad. We possess a wide array of proprietary trade secret technology and know-how directed to our manufacturing operations and quality systems, business methods and competitive intelligence. In addition to our patent position and trade secrets, we also hold numerous U.S. and foreign trademarks and have applications pending for registration of trademarks throughout the world. Finally, we also license intellectual property rights from third parties, some of which bear royalties and are terminable in specified circumstances. We believe that our patents, proprietary trade secrets and know-how, trademarks, and licensed technology are important to our competitive strength. We do not believe that the expiration of any individual patent or any patents due to expire in the foreseeable future will have a material impact on our business, financial condition or results of operations in any one year.

Company Information

Pall Corporation was incorporated in New York in 1946.

We are subject to the informational requirements of the Securities Exchange Act of 1934 (the "Exchange Act"). We therefore file periodic reports, proxy statements and other information with the United States Securities and Exchange Commission ("SEC"). Such reports may be obtained by visiting the Public Reference Room of the SEC at 100 F Street, NE, Washington, D.C. 20549, or by calling the SEC at (800) SEC-0330. In addition, the SEC maintains an internet website (www.sec.gov) that contains reports, proxy and information statements and other information.

Our website address is www.pall.com. In the Investor Relations Section of our website, we make available, free of charge, copies of our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after filing such material electronically or otherwise furnishing it to the SEC. Financial and other information can also be accessed on our website.

Copies of financial and other information are also available free of charge by calling (516) 484-5400 or by sending a request to Pall Corporation, Attn: Investor Relations, 25 Harbor Park Drive, Port Washington, NY, 11050.

Information on our website is not incorporated into this Form 10-K or our other securities filings and is not a part of them.

EXECUTIVE OFFICERS OF THE REGISTRANT:

Name	Age[(1)]	Current Positions Held	First Appointed an Executive Officer
Lawrence D. Kingsley	51	Chairman and Chief Executive Officer	2011
Akhil Johri	53	Chief Financial Officer	2013
Yves Baratelli	49	Group Vice President and President, Life Sciences	2010
Ruby Chandy	52	Group Vice President and President, Industrial	2012
Wolfgang Platz	56	President, Pall Europe	2011
Eric Garnier	53	President, Pall Asia	2012
Roya Behnia	48	Senior Vice President, General Counsel and Corporate Secretary	2012
Kenneth V. Camarco	51	Senior Vice President, Global Operations and Business Systems	2012
Michael Egholm, Ph.D	51	Senior Vice President, President, BioPharmaceuticals	2012
Kenneth Frank	56	Senior Vice President, BioPharmaceuticals Strategy	2013
Richard Jackson	45	Senior Vice President, Operations	2013
R. Brent Jones	44	Senior Vice President, Corporate Development & Treasurer	2013
H. Alex Kim	43	Senior Vice President, Corporate Strategy	2012
Julie R. Taylor	46	Senior Vice President, Human Resources	2013

(1) Age as of September 8, 2014.

None of the persons listed above are related.

Lawrence D. Kingsley was elected Chairman in October 2013 and has served as President and Chief Executive Officer since October 2011. Prior to joining Pall, Mr. Kingsley served as President and Chief Executive Officer of IDEX Corporation (“IDEX”) from March 2005 until October 2011, and as Chairman of IDEX from April 2006 until December 2011.

Akhil Johri has served as Chief Financial Officer since May 2013. Prior to joining Pall, Mr. Johri held various executive positions of increasing responsibilities during his 26-year tenure with United Technologies Corporation (“UTC”), most recently Vice President of Finance and Chief Financial Officer of UTC’s Propulsion and Aerospace Systems Group from November 2011 to April 2013 and Vice President Financial Planning and Investor Relations from May 2009 to October 2011.

Yves Baratelli has served as Group Vice President and President, Life Sciences, since May 2010. Mr. Baratelli began his employment with Pall in 2002 as President of Pall Medical, Europe. He was promoted to President of Pall Life Sciences Europe two years later and thereafter, assumed the additional responsibility for Pall Life Sciences Asia.

Ruby Chandy has served as Group Vice President and President, Industrial, since April 2012. Prior to joining Pall, Ms. Chandy was Chief Marketing Officer of Rohm and Haas from 2007 until 2009. She subsequently served as Chief Marketing Officer and later as Managing Director at Dow Chemical Company until 2012.

Wolfgang Platz has served as President, Pall Europe, since March 2012. Mr. Platz began his employment with Pall in 1981 as a Sales Engineer. He has held many management positions with the Company, including President, Food and

Beverage, President Industrial, Europe, and President, Pall Industrial.

Eric Garnier has served as President, Pall Asia since February 2011. Mr. Garnier began his employment with the Company in 2004 as President, Pall Medical Europe, and served in increasingly senior positions including Vice President Life Sciences, South Europe and President, Life Sciences, Asia.
Roya Behnia has served as Senior Vice President, General Counsel and Corporate Secretary since June 2012. Prior to joining Pall, Ms. Behnia served as Senior Vice President, General Counsel and Secretary of Rewards Network Inc. from 2006 to 2010. Ms. Behnia served as Assistant General Counsel and Group General Counsel of SPX Corporation from 2001 to 2005.
Kenneth V. Camarco was appointed Senior Vice President of Global Operations and Business Systems in March 2012. Prior to joining Pall, Mr. Camarco was President and Owner of WaxWing Group, LLC, a strategic business advisory practice. Mr. Camarco held several management positions with Cooper Industries, Ltd., including serving as President of Cooper Notification from 2006 to 2008.
Michael Egholm, Ph.D. was appointed Senior Vice President, President, BioPharmaceuticals in July 2014. Prior to that, Mr. Egholm served as Chief Technology Officer since June 2010. Prior to joining Pall, Dr. Egholm served in various roles for 454 Life Sciences, a center of excellence at Roche Applied Science, including as Vice President of Research and Development, Vice President of Molecular Biology and most recently, Chief Technology Officer from 2008 to 2010.
Kenneth Frank was appointed Senior Vice President, BioPharmaceuticals Strategy in July 2014. Since 1988, Mr. Frank has held several positions of increasing responsibility with the Company, becoming global BioPharmaceuticals business leader in 2002, President of the BioPharmaceuticals business in 2004, and then Senior Vice President, President of Pall BioPharmaceuticals Division in October 2013.
Richard Jackson has served as Senior Vice President, Operations since March 2012. He joined the Company in 2004 as Supply Chain Director for Pall Europe and has also served as head of operations and engineering for Pall Advanced Separation Systems.
R. Brent Jones was appointed Senior Vice President for Corporate Development in March 2014 in addition to his role as Treasurer. He was appointed Treasurer in January 2013. Mr. Jones joined the Company in 2012 as Vice President, Finance. He has broad responsibility for corporate development, treasury, investor relations and corporate communications. Prior to joining Pall, Mr. Jones was a Managing Director in the Corporate Finance group at Bank of America Merrill Lynch.
H. Alex Kim was appointed Senior Vice President, Corporate Strategy in March 2014. Prior to that, Mr. Kim served as Senior Vice President, Business Development and Strategic Planning since August 2012. Prior to joining Pall, Mr. Kim served in various roles with Danaher Corporation (“Danaher”) since 2002, most recently, from 2007 to 2012, as Vice President of Business Development for Danaher’s Water Quality Group.
Julie Taylor was appointed Senior Vice President, Human Resources in August 2013. She began her career at the Company as Vice President, Human Resources in 2010. Prior to Pall, she was Vice President, Human Resources at Bristol Myers Squibb Company.
None of the above persons has been involved in any legal proceeding required to be disclosed by Item 401(f) of Regulation S-K during the past ten years.

ITEM 1A. RISK FACTORS.

The risk factors described below identify what we believe to be the most significant risks that could materially adversely affect our financial and/or operational performance. These risk factors should be considered and evaluated together with information incorporated by reference or otherwise presented elsewhere in this Form 10-K. Additional risks not currently known to us or that we believe are immaterial also may impair our business, financial condition, results of operation or cash flows.

Disruptions in the supply of raw materials and key components for our products from suppliers, including limited or single source suppliers, could have an adverse effect on the results of our business operations and could damage our relationship with customers.

The manufacturing of our products is dependent on an adequate supply of raw materials and key components. Our ability to maintain an adequate supply of such materials and components, especially those materials and components that are single-sourced or have a limited number of suppliers (primarily those which are plastic resin based), could be impacted by the availability and price of those raw materials and components and related commodities and maintaining relationships with key suppliers. Even where multiple sources of materials and components are available, the quality of the alternative materials (including the composition of such supplies), regulatory and contractual requirements to qualify materials for use in manufacturing, and the time required to establish new relationships with reliable suppliers could result in manufacturing delays and possible loss of sales. If our supply of raw materials and key components is adversely affected, our relationship with current and prospective customers could be damaged, a short-fall in our expected sales could occur and our operating results and financial condition could be adversely affected.

Terrorist acts, conflicts and wars or natural disasters may adversely affect our business, financial condition and results of operations.

While we have taken precautions to prevent production and service interruptions at our global facilities, the occurrence of a major earthquake, fire, flood, power outage or other catastrophic event or natural disaster could disrupt or delay critical business operations, which may result in significant liability to customers, cause reputational damage or have a material adverse effect on our business, operating results or financial condition. Of note are our manufacturing facilities located along the Florida coast line, the United States Eastern seaboard and Japan, which have experienced and weathered significant storms and other natural disasters over the last few years.

We operate with a large international footprint. As such, we are subject to increased risk of damage or disruption to our business, employees, facilities, suppliers, distributors or customers due to terrorist acts, conflicts, acts of war or political instability (wherever located around the world). The potential for future terrorist attacks, the national and international responses to terrorist attacks, political instability, and other acts of war or hostility have created many economic and political uncertainties, which could adversely affect our business. Any such events could decrease the demand for our products, make it difficult or impossible to deliver our products to customers or to receive materials from suppliers or create delays and inefficiencies in our supply chain, which in turn could adversely affect our business, financial condition or results of operations.

Our international operations are subject to special U.S. and foreign government laws and regulations, such as the Foreign Corrupt Practices Act and the U.K. Bribery Act, and regulations and procurement policies and practices, including regulations on import-export control, which may expose us to liability or impair our ability to compete in international markets.

Our international operations are subject to the U.S. Foreign Corrupt Practices Act (the “FCPA”), the U.K. Bribery Act and similar laws and regulations that prohibit improper payments or offers of payments to foreign governments and their officials and political parties or business entities for the purpose of obtaining or retaining business. We have operations and transact business with governmental customers in countries known to experience corruption. Our activities in these countries create the risk of unauthorized payments or offers of payments by one of our employees, distributors, consultants or contractors that could be in violation of various laws, including the FCPA and the U.K. Bribery Act, even though these parties are not always subject to our control. We are also subject to import-export control regulations restricting the import-export of certain components and products, including the SEC rules for disclosing use of conflict minerals.

Although we have developed and instituted a corporate compliance program, we cannot guarantee that our employees, distributors, consultants or contractors are or will be in compliance with all potentially applicable U.S. federal and state or foreign regulations and/or laws. If our agents fail to comply with the FCPA and similar anti-bribery laws and regulations or applicable import-export control regulations, we could be subject to substantial civil and criminal penalties, including fines and incarceration for responsible individuals, and the possible loss of export or import privileges which could have a material adverse effect on our business and results of operations.

If we experience a significant disruption in, or a breach in security of, our information technology systems or if we fail to implement, manage or integrate new systems, software and technologies successfully, it could harm our business.
Our information technology ("IT") systems are an integral part of our business. We depend on our IT systems to process transactions, manage logistics, keep financial records, prepare our financial reporting and operate other critical functions. Security breaches, cyber-attacks or other serious disruption of our IT systems can create systemic disruptions, shutdowns or unauthorized disclosure of confidential information. If we are unable to prevent or adequately respond to such breaches, attacks or other disruptions, our operations could be adversely affected or we may suffer financial or reputational damage.
In addition, our ability to effectively implement our business plans in a rapidly evolving market requires effective planning, reporting and analytical processes and systems. We are improving and expect that we will need to continue to improve and further integrate our IT systems, reporting systems and operating procedures on an ongoing basis. If we fail to do so effectively, it could adversely affect our ability to achieve our objectives.
Emerging markets are a focus of our international growth strategy and we may be adversely affected by the greater economic, political, social and regulatory instability and other risks characteristic of doing business in emerging markets.
Our strategy to grow our business includes continued expansion of international activities within developing markets and areas, such as Asia, Eastern Europe, the Middle East, Africa and Latin America. In some cases, countries in these regions have greater political and economic volatility, greater vulnerability to infrastructure and labor disruptions and differing local customer product requirements than our other markets. Operating and seeking to expand business in a number of different regions and countries exposes us to multiple and potentially conflicting cultural practices, business practices and legal, compliance and regulatory requirements that are subject to change, including those related to tariffs and trade barriers, investments, property ownership rights, taxation and repatriation of earnings. Such expansion efforts may also require the use of capital and other resources of ours that could be invested in other areas. As these emerging geographic markets become more important to us, our competitors are also seeking to expand their production capacities and sales in these same markets, which may lead to industry overcapacity that could adversely affect pricing, volumes and financial results in such markets. These risks and uncertainties may adversely impact our ability to implement our business strategy in these markets, and as a result, our sales growth and operating profits may be adversely affected.
Fluctuations in foreign currency exchange rates and interest rates may materially affect operating results.
In fiscal year 2014, we derived approximately 73% of sales from outside the U.S. Although sales and expenditures outside the U.S. with third parties are typically made in the local currencies of those countries providing a natural hedge against fluctuations in foreign currency rates, we retain significant exposure to the value of foreign currencies relative to the U.S. Dollar and the currencies of inter-company trading partners. Accordingly, operating results may be materially affected by changes in foreign currency rates. The primary foreign currency exposures relate to relative changes among the U.S. Dollar, the Euro, the British Pound, the Brazilian Real, the Japanese Yen, the Australian Dollar, the Canadian Dollar, the Swiss Franc and the Singapore Dollar.
Our debt portfolio was approximately 48% variable rate and cash and cash equivalents was 100% variable rate at July 31, 2014. Pension obligations, and attendant pension expense, are recognized on a discounted basis using long-term interest rates. Accordingly, fluctuations in short and long-term interest rates may also materially affect operating results.
We may not be able to successfully complete or integrate acquisitions.
We have expressed the intention to undertake acquisitions, in part as a means to obtain new products and new technologies. In the event such acquisitions are undertaken, there is no assurance of our ability to complete any such transactions due to a number of risks and uncertainties, including, but not limited to, competition for opportunities, increase in costs and price for acquisition candidates and the ability to obtain any necessary financing. In the event any acquisitions are completed, we may experience delays or unexpected difficulties in the integration process, which could adversely impact our business. Moreover, even if we are successful in integrating acquired businesses, we may

not achieve the operating efficiencies and synergies or other expected transaction benefits or such benefits may not be achieved within the expected time frame. Our inability to complete, integrate or gain expected benefits and synergies from acquisitions could adversely impact our operating results, financial condition and ability to obtain our objectives including the impairment of intangible assets recorded at the time of acquisition. Businesses that we acquire may have unknown or contingent liabilities which could adversely affect our business. Although we typically attempt to exclude significant liabilities from transactions and seek indemnification for at least a portion of these matters, we may experience difficulty enforcing those contractual provisions.

Product defects and unanticipated use or inadequate disclosure with respect to our products could adversely affect our business, reputation and financial statements.

Manufacturing or design defects (including in products or components that we source from third parties), unanticipated use of, or inadequate disclosure of risks relating to, the use of products that we make and sell may lead to personal injury, death or property damage. These events could lead to recalls or alerts relating to our products, result in the removal of a product from the market or result in product liability claims being brought against us. Product recalls, removals and liability claims can lead to significant costs, as well as negative publicity and damage to our reputation that could reduce demand for our products.

Our future growth depends on new products and new technology innovation.

Our future growth depends in part on maintaining our competitive advantage with current products in new and existing markets, as well as our ability to develop new products and technologies to serve such markets. To the extent that competitors develop competitive products and technologies, or new products or technologies which achieve higher customer satisfaction, our business prospects could be adversely impacted. In addition, regulatory approvals for new products or technologies may be required, these approvals may not be obtained in a timely or cost effective manner, adversely impacting our business prospects.

We may be adversely affected by global and regional economic conditions and legislative and political developments.

We conduct operations around the globe. We expect to continue to derive a substantial portion of sales and earnings from outside the U.S. The uncertain global macroeconomic environment, particularly the current economic concerns in Europe and Asia wherein we derived approximately 40% and 28% of sales, respectively, in fiscal year 2014, and other countries from which we derive significant sales could continue to have a negative impact on demand for our products. The prospects, strength, sustainability and timing of an improvement in the current environment remain uncertain as does the possibility of an economic downturn in the U.S. and other countries around the globe.

The uncertainty or deterioration of the global economic environment could adversely affect us. Customers or suppliers may experience cash flow problems and as a result, may modify, delay or cancel plans to purchase our products and suppliers may significantly and quickly increase their prices or reduce their output. Additionally, if customers are not successful in generating sufficient sales or are precluded from securing financing, they may not be able to pay, or may delay payment of, amounts owed to us. Any inability of current and/or potential customers to purchase our products and/or to pay us for our products may adversely affect our sales, earnings and cash flow. Sales and earnings could also be affected by our ability to manage the risks and uncertainties associated with the application of local legal requirements or the enforceability of laws and contractual obligations, trade protection measures, changes in tax laws, regional political instability, war, terrorist activities, severe or prolonged adverse weather conditions and natural disasters as well as health epidemics or pandemics.

We are subject to significant regulatory obligations.

Our operations are subject to a broad array of regulatory requirements globally. In particular, a number of our Life Science business units must satisfy domestic and international standards in the medical, biopharmaceutical and other health sciences areas involving products and technologies which impact human health and safety. In addition, some of our Industrial operations, particularly Aerospace, must meet governmental requirements in terms of contracting, sourcing, financial accounting standards, product testing and reporting. There are also business operations which produce products regulated by import/export regulations because their actual or potential use is considered sensitive and involves substantial licensing and record-keeping obligations. Failure to meet one or more of these various regulatory obligations could have adverse consequences in the event of material non-compliance. Conversely, compliance with these regulatory obligations and the new SEC rules for disclosing use of conflict minerals, may require us to incur significant expenses.

We may be adversely affected by the loss of one or more members of our senior management team or the inability to recruit and retain qualified management personnel.

Our business depends, in large part, on the continued efforts of our senior management team. The unplanned loss of key personnel could negatively impact our ability to manage our business. In addition, if we are unable to hire and retain highly qualified individuals, including those in middle management positions, our business and operations may be impaired or disrupted. There is substantial competition for highly qualified individuals and there is no assurance that we will be successful in attracting or retaining individuals to fill vacant or newly created positions. The resulting gaps in key senior and middle management positions could adversely affect our operations.

Changes in demand for our products and business relationships with key customers and suppliers may affect operating results.

To achieve our objectives, we must develop and sell products that are subject to the demands of our customers. This is dependent on many factors including, but not limited to, managing and maintaining relationships with key customers, responding to the rapid pace of technological change and obsolescence, which may require increased investment by us or result in greater pressure to commercialize developments rapidly or at prices that may not fully recover the associated investment, and the effect on demand resulting from customers' research and development, capital expenditure plans and capacity utilization. If we are unable to keep up with our customers' demands, our sales, earnings and operating results may be negatively affected.

Changes in product mix and product pricing may affect our operating results particularly with systems products and associated hardware and devices (together "Capital Goods") for our consumable filtration products, in which we experience significantly longer sales cycles with less predictable revenue and no certainty of future revenue streams from related consumable product offerings and services.

Our business strategy is partially reliant on sales of Capital Goods. As these are generally sold at lower gross margins than many other products, our overall gross margin could decline if these Capital Goods sales grow as a percentage of total sales and the anticipated future revenue streams from related consumable product offerings and services are not realized. Our Capital Goods generally also experience significantly longer sales cycles and involve less predictable revenue and uncertainty of future revenue streams from related consumable product offerings and services. Current slow growth global business conditions typically affect Capital Goods sales more than consumables sales. In addition, the profitability of our Capital Goods sales depends substantially on the ability of management to accurately estimate the costs involved in manufacturing and implementing the relevant capital product according to the customer's specifications. Our estimates can be adversely affected by disruptions in a customer's plans or operations, on-time completion of third party equipment and infrastructure required prior to delivery of our Capital Goods, and unforeseen events, such as manufacturing defects. Failure to accurately estimate our cost of Capital Goods sales can adversely affect the profitability of those sales, and we may not be able to recover lost profits through pricing or other actions.

We may be unable to deliver our backlog on time, which could affect future sales and profitability and our relationships with customers.

Our ability to meet customer delivery schedules for backlog is dependent on a number of factors including, but not limited to, sufficient manufacturing plant capacity, adequate supply channel access to raw materials and other inventory required for production, an adequately trained and capable workforce, project engineering expertise for certain large projects and appropriate planning and scheduling of manufacturing resources. Many of the contracts we enter into with our customers require long manufacturing lead times and contain penalty clauses related to on-time delivery. Failure to deliver in accordance with customer expectations could subject us to financial penalties, may result in damage to existing customer relationships and could have a material adverse effect on our business, financial condition and results of operations.

Increases in manufacturing and operating costs and/or the ability to achieve the savings anticipated from our structural cost improvement initiative may affect operating results.

Our costs are subject to fluctuations, particularly due to changes in commodity prices, raw materials, energy and related utilities and cost of labor. The achievement of our financial objectives is reliant on our ability to manage these fluctuations through cost savings or recovery actions and efficiency initiatives.

We continue to pursue a number of structural cost improvement initiatives. These efforts may not improve our financial performance or produce the full efficiencies and benefits we expect due to delays or other factors affecting our execution of these initiatives.

Our operations and products are subject to environmental, health and safety laws and regulations, and violations could adversely affect our operating results.

Our operations and products are subject to environmental laws and regulations that impose limitations on the discharge of pollutants into the environment and establish standards for the use, generation, treatment, storage and disposal of hazardous and non-hazardous wastes. We must also comply with various health and safety regulations in the U.S. and other jurisdictions in which we do business. We cannot assure that our environmental, health and safety compliance program has been, or will at all times be, effective. Failure to comply with any of these laws could result in civil and criminal, monetary and non-monetary penalties and damage to our reputation. In addition, we cannot provide assurance that our costs of complying with current or future environmental protection and health and safety laws will not exceed our estimates or adversely affect our financial statements.

We currently incur costs and may incur additional costs related to remedial efforts of alleged environmental damage associated with past or current waste disposal practices or other hazardous materials handling practices. We may also become subject to additional remedial or compliance costs due to future events such as changes in existing laws or regulations, changes in agency direction or enforcement policies, developments in remediation technologies, changes in the conduct of our operations and changes in accounting rules. We cannot make assurance that our liabilities arising from past or future releases of, or exposures to, hazardous substances will not exceed our estimates or adversely affect our financial statements and reputation or that we will not be subject to additional claims for cleanup in the future based on our past, present or future business activities.

We may not successfully enforce patents or protect proprietary products and manufacturing techniques.

We own numerous patents, trademarks, trade secrets and other intellectual property and licenses to intellectual property owned by others. Some of these patented technologies and other intellectual property require substantial resources to develop. Our intellectual property rights may not be sufficiently broad or otherwise may not provide us with a significant competitive advantage, and patents may not be issued for pending or future patent applications owned by or licensed to us. In addition, steps taken to maintain and protect our intellectual property may not prevent it from being challenged, invalidated, circumvented or designed-around. The failure to obtain or maintain our intellectual property rights or the costs to adequately protect our intellectual property, including costs to detect or prevent circumvention, unauthorized use and enforcement of rights, could adversely impact our competitive position and operating results.

We are subject to a variety of litigation and similar proceedings in the course of our business that could adversely affect our financial statements.

We may be subject to various litigations and similar proceedings incidental to our business that arise in the ordinary course of our business, including claims for damages arising out of the use of our products and claims relating to intellectual property matters, employment matters, tax matters, commercial disputes, environmental matters and personal injury. These lawsuits may include claims for compensatory damages, punitive and consequential damages and/or injunctive relief. The defense of these lawsuits may divert management's attention, we may incur significant expenses in defending these lawsuits and we may be required to pay damage awards or settlements or become subject to equitable remedies that could adversely affect our financial statements. Moreover, any insurance or indemnification rights that we have may be insufficient or unavailable to protect us against such losses and expenses. In addition, developments in legal proceedings in any given period may require us to revise our expectations regarding the outcome of certain matters or adjust the loss contingency estimate that is recorded in our financial statements, which could adversely affect our results of operations or cash flows in any particular period. We cannot assure that our liabilities in connection with litigation and similar proceedings will not exceed estimates or adversely affect our financial statements or reputation.

Changes in our effective tax rate may affect financial results.

Fluctuations in our effective tax rate may affect financial results. Our effective tax rate is subject to fluctuation based on a variety of factors, such as:

- the geographical mix of income derived from the countries in which we operate;
- the nature, timing and impact of permanent or temporary changes in tax rates, laws or regulations;
- the timing and amount of our repatriation of foreign earnings;
- the timing and nature of our resolution of uncertain income tax positions;
- acquisitions and dispositions of businesses; and
- our success in managing our effective tax rate through the implementation of global tax and cash management strategies.

We operate in numerous countries and are subject to taxation in all of the countries in which we operate. The tax rules and regulations in such countries can be complex and, in many cases, uncertain in their application. In addition to challenges to our tax positions arising during routine audits, disputes can arise with the taxing authorities over the interpretation or application of certain rules to our business conducted within the country involved and with respect to intercompany transactions when the parties are taxed in different jurisdictions.

We face certain risks associated with potential labor disruptions.

Some of our employees around the world are covered by collective bargaining agreements and/or are represented by unions or workers' councils. While we believe that our relations with our employees are generally good, we cannot provide assurances that the company will be completely free of labor disruptions such as work stoppages, work slowdowns, union organizing campaigns, strikes, lockouts or that any existing labor disruption will be favorably resolved. We could incur additional costs and/or experience work stoppages that could adversely affect our business operations through a loss off revenue and strained relationships with customers.

We are subject to domestic and international competition in all of our global markets.

We are subject to competition in all of the global markets in which we operate. Our achievement of our objectives is reliant on our ability to successfully respond to many competitive factors including, but not limited to, pricing, technological innovations, product quality, customer service, manufacturing capabilities and hiring and retention of qualified personnel. Our inability to compete effectively may adversely affect our operating results.

Restrictive covenants in our debt facilities could adversely affect our business.

Agreements governing our indebtedness include certain covenants, which among other things, can restrict our ability to incur additional indebtedness, make investments and other restricted payments, enter into sale and leaseback transactions, create liens and sell assets. Moreover, certain of these agreements require us to maintain specified financial ratios. These and other covenants in our agreements may restrict our ability to fully pursue our business strategies. Our ability to comply with such covenants may be affected by events beyond our control. Failure to comply with these covenants could result in an event of default which, if not cured or waived, may have a material adverse effect on our financial condition, results of operations and cash flow.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

Our primary facilities (i.e., facilities with square footage in excess of 25,000 square feet), which support our Life Sciences, Industrial and Corporate Services Groups, are comprised of facilities whose principal activities relate to manufacturing, research & development and validation, warehousing, and selling, marketing and administration, which in the opinion of management are suitable and adequate to meet our requirements:

	Square Footage		
Location	Owned	Leased	Total
Americas	2,103,000	764,000	2,867,000
Europe	1,669,000	203,000	1,872,000

Asia	126,000	913,000	1,039,000
Total	3,898,000	1,880,000	5,778,000

ITEM 3. LEGAL PROCEEDINGS.

Certain legal proceedings in which we are involved are discussed in Note 14, Contingencies and Commitments, to the accompanying consolidated financial statements, which is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES.
Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.
The Company's common stock is listed on the New York Stock Exchange under the symbol PLL. The table below sets forth quarterly data relating to the Company's common stock prices and cash dividends declared per share for the past two fiscal years.

		Price per share					
		2014		2013		Cash Dividends Declared Per Share	
		High	Low	High	Low	2014	2013
Quarter:	First	$81.44	$68.43	$65.82	$52.00	$0.275	$0.250
	Second	85.58	78.40	69.05	58.18	—	0.250
	Third	91.83	78.34	69.17	62.72	0.550	0.250
	Fourth	87.39	77.46	73.19	64.00	0.275	0.250

As of September 2, 2014 there were approximately 1,941 holders of record of the Company's common stock.
Dividends are paid when, as and if declared by the board of directors of the Company.

PERFORMANCE GRAPH

The following graph compares the annual change in the cumulative total return on the Company's common stock during the Company's last five fiscal years with the annual change in the cumulative total return of the Standard & Poor's Composite-500 Index and the Standard & Poor's Industrial Machinery Index (which includes the Company). The graph assumes an investment of $100 on July 31, 2009 (the last trading day of the Company's fiscal year 2009) and the reinvestment of all dividends paid during the last five fiscal years.

There were no purchases made by or on behalf of the Company or any "affiliated purchaser" of our common stock during the quarter ended July 31, 2014.

ITEM 6. SELECTED FINANCIAL DATA.

The following table sets forth selected financial data for the last five fiscal years. This selected financial data is not necessarily indicative of results of future operations and should be read in conjunction with Item 7. –Management's Discussion and Analysis of Financial Condition and Results of Operations and the accompanying consolidated financial statements and related notes included elsewhere in this Form 10-K.

(In millions, except per share data)	2014	2013	2012	2011	2010
RESULTS FOR THE YEAR:					
Net sales	$2,789.2	$2,648.1	$2,671.7	$2,517.2	$2,185.7
Cost of sales	1,363.0	1,276.1	1,291.6	1,232.3	1,064.2
Gross profit	1,426.2	1,372.0	1,380.1	1,284.9	1,121.5
Selling, general and administrative expenses	814.5	810.4	843.2	790.3	716.6
Research and development	102.6	94.2	82.9	80.5	68.8
Restructuring and other charges, net	40.2	40.2	66.9	26.5	17.7
Interest expense, net [(a)]	17.5	15.6	20.2	18.9	14.3
Loss on extinguishment of debt [(a)]	—	—	—	—	31.5
Earnings from continuing operations before income taxes	451.4	411.6	366.9	368.7	272.6
Provision for income taxes	87.4	81.6	86.0	89.5	70.2
Net earnings from continuing operations	364.0	330.0	280.9	279.2	202.4
Earnings from discontinued operations, net of income taxes	—	244.9	38.4	36.3	38.8
Net earnings	$364.0	$574.9	$319.3	$315.5	$241.2
Earnings per share from continuing operations:					
Basic	$3.29	$2.93	$2.42	$2.40	$1.72
Diluted	$3.25	$2.89	$2.39	$2.36	$1.70
Earnings per share from discontinued operations:					
Basic	$—	$2.17	$0.33	$0.31	$0.33
Diluted	$—	$2.14	$0.32	$0.31	$0.33
Earnings per share:					
Basic	$3.29	$5.10	$2.75	$2.71	$2.05
Diluted	$3.25	$5.03	$2.71	$2.67	$2.03
Dividends declared per share	$1.100	$1.000	$0.805	$0.685	$0.625
Capital expenditures[(b)]	$74.7	$110.2	$158.9	$160.8	$136.3
Depreciation & amortization of long-lived assets[(b)]	$116.4	$106.3	$111.1	$98.1	$93.6
YEAR-END POSITION:					
Working capital[(c)]	$1,039.6	$1,321.0	$1,000.3	$1,019.2	$1,065.6
Property, plant and equipment[(c)]	805.3	774.9	751.0	794.6	706.4
Total assets	3,852.5	3,472.8	3,347.9	3,232.4	2,999.2
Long-term debt, net of current portion	375.8	467.3	490.7	492.0	741.4
Total liabilities	1,957.2	1,657.9	1,837.9	1,742.6	1,816.9
Stockholders' equity	1,895.3	1,814.9	1,510.0	1,489.8	1,182.3

(a) Refer to Note 8, Notes Payable and Long-term Debt, to the accompanying consolidated financial statements.

(b) Includes capital expenditures and depreciation & amortization of both continuing and discontinued operations.

(c) The year-end position figures for fiscal year 2012 reflect the impact of classifying assets held for sale related to the previously discussed sale of certain assets of the Blood Product Line as current assets, including amounts that had been classified as property, plant and equipment and goodwill in prior fiscal years. The year-end position figures for fiscal year 2013 reflect the impact of the net proceeds from the sale of the Blood Product Line.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion should be read together with the accompanying consolidated financial statements and notes thereto and other financial information in this Form 10-K. Certain information is presented below excluding the impact of foreign exchange translation ("translational FX") (i.e., had exchange rates not changed year over year). We consider year over year change excluding translational FX to be an important measure because by excluding the impact of volatility of exchange rates, underlying impact of volume and rate changes are evident. United States ("U.S.") Dollar amounts discussed below are in thousands, unless otherwise indicated, except per share dollar amounts. In addition, per share dollar amounts are discussed on a diluted basis. Our gross margin is impacted by the fluctuation of the costs of products that are sourced in a currency different from the currency they are sold in ("transactional FX") and our discussion of gross margin below may include references to this. We utilize certain estimates and assumptions that affect the reported financial information as well as to quantify the impact of various significant factors that contribute to the changes in our periodic results included in the discussion below.

FORWARD-LOOKING STATEMENTS AND RISK FACTORS

The matters discussed in this Annual Report on Form 10-K contain "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are those that address activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future. All statements regarding future performance, earnings projections, earnings guidance, management's expectations about our future cash needs and effective tax rate, and other future events or developments are forward-looking statements. Forward-looking statements contained in this and other written and oral reports are based on management's assumptions and assessments in light of past experience and trends, current conditions, expected future developments and other relevant factors. They are subject to risks and uncertainties and are not guarantees of future performance, and actual results, developments and business decisions may differ materially from those envisaged by the Company's forward-looking statements. Such risks and uncertainties include, but are not limited to, those discussed in Part I–Item 1A.–Risk Factors in this Form 10-K. We make these statements as of the date of this disclosure and undertake no obligation to update them, whether as a result of new information, future developments or otherwise.

OVERVIEW

We are a leading supplier of filtration, separation and purification technologies. Our products are used to remove solid, liquid and gaseous contaminants from a variety of liquids and gases, and are principally made by us, using our engineering capability, fluid management expertise, proprietary filter media and manufacturing expertise. Our products primarily consist of consumable filtration products and filtration systems.

We serve customers through two businesses globally: Life Sciences and Industrial. The Life Sciences business group serves customers in the BioPharmaceutical, Food & Beverage and Medical markets. The Industrial business group serves customers in the Process Technologies, Aerospace and Microelectronics markets. We operate globally in three geographic regions: the Americas; Europe (in which we include the Middle East and Africa); and Asia.

Our reporting currency is the U.S. Dollar. Because we operate through subsidiaries or branches that transact in over thirty foreign currencies around the world, our earnings are exposed to translation risk when the financial statements of the subsidiaries or branches, as stated in their functional currencies, are translated into the U.S. Dollar. We estimate that translational FX decreased sales by approximately $10,600 and earnings per share by approximately 5 cents in fiscal year 2014 when compared to fiscal year 2013.

On August 1, 2012, we sold our blood collection, filtration and processing product line (the "Blood Product Line") to Haemonetics Corporation for $550,000. We received a total of approximately $535,000 upon closing, with the balance payable upon transfer of related blood media manufacturing capabilities and assets. The Blood Product Line was a component of our Life Sciences segment and has been reported as a discontinued operation for all periods presented.

During fiscal year 2014, we completed four acquisitions – in the first quarter, Medistad Holding BV ("Medistad"), a European manufacturing entity; in the second quarter, SoloHill Engineering, Inc. ("SoloHill"), a U.S. technology company; in the third quarter, the Life Sciences business of ATMI, Inc. ("ATMI LifeSciences"), a technology leader in the field of single-use bioprocess equipment and consumables for the biopharmaceutical and biotechnology industries; and in the fourth quarter, Filter Specialists, Inc. ("FSI"), a U.S. based worldwide supplier of filtration products and solutions. The aggregate consideration for the Medistad and Solohill acquisitions was approximately $31 million, net of cash acquired, and included $3 million of contingent consideration. We paid a cash purchase price, inclusive of working capital adjustments, of approximately $191 million for the ATMI LifeSciences acquisition and approximately $127 million for the FSI acquisition.

The acquisition of ATMI LifeSciences complements our upstream presence in bioprocessing and our established downstream capabilities. Combined with Medistad and SoloHill, both innovators in the single-use market, and our already solid portfolio of biopharmaceutical solutions, the addition of the ATMI LifeSciences assets positions us well to capitalize on opportunities in the rapidly growing single-use market segment. The addition of FSI's products and technologies complements and expands our existing solutions offerings and creates value for our customers in the oil and gas, chemical, and other industrial markets. These acquisitions did not have a material impact on our results from operations or financial position. See Note 20, Acquisitions, to the accompanying consolidated financial statements for further detail.

In the U.S., some of our workforce at our Cortland, New York facility are represented by the United Auto Workers ("UAW"). The employees covered under this collective bargaining agreement represent approximately 7% of our global consumables production capacity. Our contract with the UAW expired in April 2014 and we continue to operate as we negotiate a new agreement. Depending on the course of our negotiations, we could incur additional costs and/or experience work stoppages which could adversely affect our business operations through a loss of revenue and strained relationships with customers.

RESULTS FROM CONTINUING OPERATIONS

Net Sales

(dollars in thousands)

By Segment	2014	2013	2012
Life Sciences	$1,453,669	$1,309,375	$1,253,594
Industrial	1,335,478	1,338,688	1,418,062
Total Sales	$2,789,147	$2,648,063	$2,671,656

(dollars in thousands)

By Product	2014	2013	2012
Consumables	$2,444,462	$2,295,685	$2,291,691
Systems	344,685	352,378	379,965
Total Sales	$2,789,147	$2,648,063	$2,671,656

The percentage change in sales year-over-year by segment, with and without the impact of translational FX are presented below:

	2014 compared to 2013			2013 compared to 2012		
By Segment	% Change excluding translational FX	Translational FX	Total % Change	% Change excluding translational FX	Translational FX	Total % Change
Life Sciences	10.6	0.4	11.0	6.3	(1.9)	4.4
Industrial	1.0	(1.2)	(0.2)	(3.9)	(1.7)	(5.6)
Total	5.7	(0.4)	5.3	0.9	(1.8)	(0.9)

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The percentage change in sales year-over-year by product, with and without the impact of translational FX are presented below:

By Product	2014 compared to 2013 % Change excluding translational FX	Translational FX	Total % Change	2013 compared to 2012 % Change excluding translational FX	Translational FX	Total % Change
Consumables	6.8	(0.3)	6.5	2.1	(1.9)	0.2
Systems	(1.4)	(0.8)	(2.2)	(6.3)	(1.0)	(7.3)
Total	5.7	(0.4)	5.3	0.9	(1.8)	(0.9)

2014 Compared with 2013

Total sales increased approximately 6% (excluding translational FX) reflecting growth in all markets in the Life Sciences segment, and in the Microelectronics market in the Industrial segment, partly offset by declines in the Process Technologies and Aerospace markets in the Industrial segment. The acquisitions of ATMI LifeSciences, Medistad, SoloHill and FSI contributed in the aggregate approximately 250 basis points to total sales growth compared to last year. More details regarding sales by segment can be found in the discussions under the section "Segment Review."

The approximate 7% increase in consumables sales (excluding translational FX) reflects the same trend as total sales discussed above. The acquisitions of ATMI LifeSciences, Medistad, SoloHill and FSI contributed in the aggregate approximately 290 basis points to consumables sales growth compared to last year. Increased pricing contributed approximately $22,000, or about 100 basis points, to consumables sales growth, reflecting increases in both segments.

The decrease in system sales of approximately 1% (excluding translational FX) primarily reflects declines in the Fuels & Chemicals and Municipal Water submarkets of Process Technologies in the Industrial segment, partly offset by some large projects with BioPharmaceuticals and Food & Beverage customers in the Life Sciences segment.

2013 Compared with 2012

Total sales increased approximately 1% (excluding translational FX) reflecting growth in the Life Sciences segment, principally driven by the BioPharmaceuticals market, partly offset by weakness in the Process Technologies and Microelectronics markets in the Industrial segment.

The approximate 2% increase in consumables sales (excluding translational FX) reflects solid growth in the Life Sciences segment, principally driven by the BioPharmaceuticals market, largely offset by weakness in the Industrial segment in the Process Technologies and Microelectronics markets. Increased pricing contributed approximately $21,000, or about 90 basis points to consumables sales growth, reflecting increases in both segments.

The decline in system sales of approximately 6% (excluding translational FX) primarily reflects:

- weak capital spending by Food & Beverage customers in the Life Sciences segment; and
- weakness in Municipal Water, which is part of the Process Technologies market in the Industrial segment, as customers delayed projects, given that funds available to the municipalities to support these projects have diminished.

Gross Margin

(dollars in thousands)	2014	2013	2012
Gross Profit	$1,426,163	$1,372,003	$1,380,098
Gross Margin (% of sales)	51.1	51.8	51.7
% Change year-over-year	3.9	(0.6)	

2014 Compared with 2013

The decrease in overall gross margin of 70 basis points primarily reflects the impact of the following unfavorable factors:

- lower gross margin rates from the Medistad, ATMI LifeSciences and FSI acquisitions, including purchase accounting adjustments related to the step-up of acquired inventory that was sold in the period;
- transactional FX (principally related to the weaker Yen); and
- lower margin systems projects in the current year.

These factors were partly offset by improved pricing and the impact of a lower proportion of systems sales to total sales. More details regarding gross margin can be found in the discussions under the section "Segment Review."

2013 Compared with 2012

The increase in overall gross margin of 10 basis points reflects a combination of many offsetting factors. Factors that improved gross margin include pricing, lower obsolescence and warranty costs and our consumables products, which typically have higher margins than our systems products, comprising a larger proportion of our total sales. These were largely offset by unfavorable consumables market mix.

Selling, General and Administrative

(dollars in thousands)	2014	2013	2012
Selling, general and administrative	$814,461	$810,358	$843,221
% of sales	29.2	30.6	31.6
% Change year-over-year	0.5	(3.9)	

2014 Compared with 2013

The decrease in selling, general and administrative expenses ("SG&A") as a percent of sales of 140 basis points reflects savings generated by our structural cost improvement initiative and better fixed cost leverage. This was partly offset by:

- select investments in high growth markets; and
- inflationary increases in payroll and related costs.

2013 Compared with 2012

The decrease in SG&A as a percentage of sales reflects savings generated by our structural cost improvement initiatives. This was partly offset by:

- incremental depreciation expense resulting from the go live of the last significant phase of our ERP system implementation;
- select investments in high growth markets; and
- inflationary increases in payroll and related costs.

Research & Development

(dollars in thousands)	2014	2013	2012
Research and development	$102,601	$94,216	$82,932
% of sales	3.7	3.6	3.1
% Change year-over-year	8.9	13.6	

2014 Compared with 2013

The increase in research and development expenses ("R&D"), reflects our strategy to increase innovation investment in the Life Sciences and Industrial segments. This was driven by our focus on new product development and development of our media and instrumentation capabilities. Additionally, the increase in R&D reflects incremental spend from our recent acquisitions.

2013 Compared with 2012

The increase in R&D, reflects our strategy to increase innovation investment as discussed above. The year-over-year comparative also reflects spend related to ForteBio (which was acquired in the third quarter of fiscal year 2012).

Restructuring and Other Charges, Net

(dollars in thousands)	2014	2013	2012
Restructuring and other charges, net	$40,154	$40,182	$66,858

In fiscal year 2012, we announced a multi-year strategic cost reduction initiative ("structural cost improvement initiative"). This initiative impacts both segments as well as the Corporate Services Group. Our goal is to properly position our cost structure globally to perform in the current economic environment without adversely impacting our growth or innovation potential.

Key components of the structural cost improvement initiative include:

- the strategic alignment of our manufacturing, sales and R&D facilities to cost-effectively deliver high-quality products and superior service to our customers worldwide,
- creation of regional shared financial services centers for the handling of accounting transaction processing and other accounting functions,
- reorganization of sales functions, to more cost- efficiently deliver superior service to our customers globally, and
- reductions in headcount across all functional areas, enabled by efficiencies gained through our ERP systems, as well as in order to align to economic conditions.

The structural cost improvement initiative is now expected to generate $125,000 in annualized cost savings ("targeted savings") over a four year period, which will allow us to invest in resources where needed. Previously, the savings target was $100,000 in annualized cost savings over a three year period. We achieved over 40% of the targeted savings by the end of fiscal year 2013 and about 30% in fiscal year 2014. We expect to achieve more than 20% of the targeted savings in fiscal year 2015 and the balance in fiscal year 2016. We expect to fund these restructuring activities with cash flows generated from operating activities.

Restructuring and other charges ("ROTC") in fiscal year 2014 primarily reflect the expenses incurred in connection with our structural cost improvement initiative, as discussed above, including severance costs of $27,803. ROTC in fiscal year 2014 also includes the impairment of assets of $4,002 related to the discontinuance of a specific manufacturing line due to excess capacity as a result of recent acquisitions. In addition, fiscal year 2014 includes an increase of $4,440 to our previously established environmental reserves related to a matter in Pinellas Park, Florida.

ROTC in fiscal year 2013 primarily reflect the expenses incurred in connection with our structural cost improvement initiative, as discussed above, including severance costs of $22,526. In addition, fiscal year 2013 includes $3,316 related to certain employment contract obligations and an increase of $8,415 to our previously established environmental reserves primarily related to matters in Ann Arbor, Michigan and Glen Cove, New York.

ROTC in fiscal year 2012 primarily reflect the expenses incurred in connection with our structural cost improvement initiative, as discussed above, including severance costs of $61,852. In addition, fiscal year 2012 includes $11,436 related to certain employment contract obligations. These costs were partly offset by a gain of $9,196 on the sale of our investment in Satair A/S.

The details of ROTC, as well as the activity related to restructuring liabilities that were recorded related to our structural cost improvement initiative, can be found in Note 2, Restructuring and Other Charges, Net, to the accompanying consolidated financial statements.

Interest Expense, Net

(dollars in thousands)	2014	2013	2012
Interest expense, net	$17,532	$15,621	$20,177

2014 Compared with 2013

Interest expense, net, in fiscal year 2014 reflects the reversal of accrued interest of $4,520, related to the resolution of foreign tax audits. Interest expense, net, in fiscal year 2013 reflects the reversal of accrued interest of $6,704, related to the resolution of a U.S. tax audit. Excluding these benefits, interest expense, net, in fiscal year 2014 and fiscal year 2013 would have been $22,052 and $22,325, respectively. The resulting decrease in net interest expense of $273 was primarily driven by a reduction in other income tax related interest expense (excluding the items referenced above) and an increase in interest income, partly offset by increased interest expense primarily related to higher commercial paper borrowings.

2013 Compared with 2012

Interest expense, net, in fiscal years 2013 and 2012 reflect the reversal of accrued interest of $6,704 and $4,435, respectively, primarily related to the resolution of U.S. tax audits. Excluding these benefits, interest expense, net, in fiscal year 2013 and fiscal year 2012 would have been $22,325 and $24,612, respectively. The resulting decrease in net interest expense of $2,287 in fiscal year 2013 compared to fiscal year 2012 was primarily driven by a reduction in other income tax related interest expense (excluding those referenced above).

Income Taxes

(dollars in thousands)	2014	2013	2012
Income taxes	$87,459	$81,664	$85,963
Effective tax rate (%)	19.4	19.8	23.4

2014 Compared with 2013

The effective tax rate for fiscal year 2014 reflects a net tax benefit of $16,028 primarily from the resolution of foreign tax audits. The effective tax rate for fiscal year 2013 reflects a net tax benefit of $7,757 primarily from the resolution of a U.S. tax audit partly offset by the establishment of deferred tax liabilities for the repatriation of foreign earnings. Excluding these impacts, as well as the impact of ROTC and inventory step-up in cost of sales discussed above, the effective tax rate for fiscal year 2014 and fiscal year 2013 would have been 22.2% and 22.0%, respectively.

2013 Compared with 2012

The effective tax rate for fiscal year 2013 reflects a net tax benefit of $7,757 primarily from the resolution of a U.S. tax audit partly offset by the establishment of deferred tax liabilities for the repatriation of foreign earnings. Excluding these impacts, as well as the impact of ROTC and interest discussed above, the effective tax rates for fiscal years 2013 and 2012 would have been 22.0% and 23.2%, respectively. The reduction in the tax rate is a result of the extension of the federal research credit in fiscal year 2013 and a favorable geographical mix of earnings.

During the first quarter of fiscal year 2013, the Internal Revenue Service (“IRS”) concluded its audits of fiscal years 2006 through 2008, including the matter previously disclosed for those years in Note 2, Audit Committee Inquiry and Restatement, to the consolidated financial statements included in the 2007 Form 10-K. In closing the audit, the IRS did not assess any penalties. We did not make any further cash payments to the IRS or receive any refunds with respect to these matters.

Net Earnings

(dollars in thousands, except per share data)	2014	2013	2012
Net Earnings	$363,956	$329,962	$280,947
Diluted earnings per share	$3.25	$2.89	$2.39
Diluted average shares outstanding	111,949	114,236	117,663

We estimate that foreign currency translation decreased earnings per share by 5 cents in fiscal year 2014 when compared to fiscal year 2013 and decreased earnings per share by 10 cents in fiscal year 2013 when compared to fiscal year 2012. The decrease in share count in fiscal year 2014 compared to fiscal year 2013 benefited diluted earnings per share in fiscal year 2014 by approximately 6 cents. The decrease in share count in fiscal year 2013 compared to fiscal year 2012 benefited diluted earnings per share in fiscal year 2013 by approximately 9 cents.

RESULTS FROM DISCONTINUED OPERATIONS

(dollars in thousands, except per share data)	2014	2013	2012
Sales	$—	$8,975	$230,826
Net Earnings	—	244,973	38,362
Diluted Earnings per share	$—	$2.14	$0.32

The increase in net earnings in fiscal year 2013 compared to fiscal year 2012 primarily reflects the gain on the sale of the Blood Product Line. More details regarding discontinued operations can be found in Note 19, Discontinued Operations, to the accompanying consolidated financial statements.

SEGMENT REVIEW

(dollars in thousands)	2014	2013	2012
Sales:			
Life Sciences	$1,453,669	$1,309,375	$1,253,594
Industrial	1,335,478	1,338,688	1,418,062
Total	$2,789,147	$2,648,063	$2,671,656
Segment profit:			
Life Sciences segment profit	$357,129	$319,271	$319,312
Industrial segment profit	219,172	214,798	198,747
Total segment profit	576,301	534,069	518,059
Corporate Services Group	67,200	66,640	64,114
ROTC	40,154	40,182	66,858
Interest expense, net	17,532	15,621	20,177
Earnings before income taxes from continuing operations	$451,415	$411,626	$366,910

Life Sciences

(dollars in thousands)	2014	% of Sales	2013	% of Sales	2012	% of Sales
Sales	$1,453,669		$1,309,375		$1,253,594	
Cost of sales	639,406	44.0	552,651	42.2	523,902	41.8
Gross margin	814,263	56.0	756,724	57.8	729,692	58.2
SG&A	391,540	26.9	375,970	28.7	357,722	28.5
R&D	65,594	4.5	61,483	4.7	52,658	4.2
Segment profit	$357,129	24.6	$319,271	24.4	$319,312	25.5

(dollars in thousands)			
SALES:	2014	2013	2012
By Market and Product			
BioPharmaceuticals	$917,542	$812,328	$754,906
Food & Beverage	185,223	177,633	182,294
Medical	226,039	208,544	195,149
Total Consumables sales	$1,328,804	$1,198,505	$1,132,349
Systems Sales	124,865	110,870	121,245
Total Life Sciences Sales	$1,453,669	$1,309,375	$1,253,594
By Region			
Americas	$435,132	$416,170	$384,757
Europe	742,512	627,647	606,397
Asia	276,025	265,558	262,440
Total Life Sciences Sales	$1,453,669	$1,309,375	$1,253,594

The percentage change in sales year-over-year, with and without the impact of translational FX are presented below:

	2014 compared to 2013			2013 compared to 2012		
SALES % CHANGE	% Change excluding translational FX	Translational FX	Total % Change	% Change excluding translational FX	Translational FX	Total % Change
By Market and Product						
BioPharmaceuticals	12.3	0.7	13.0	9.6	(2.0)	7.6
Food & Beverage	5.6	(1.3)	4.3	(0.3)	(2.3)	(2.6)
Medical	7.2	1.2	8.4	8.5	(1.6)	6.9
Total Consumables sales	10.4	0.5	10.9	7.8	(2.0)	5.8
Systems Sales	12.7	(0.1)	12.6	(7.4)	(1.2)	(8.6)
Total Life Sciences Sales	10.6	0.4	11.0	6.3	(1.9)	4.4
By Region						
Americas	6.5	(1.9)	4.6	9.0	(0.8)	8.2
Europe	13.5	4.8	18.3	4.8	(1.3)	3.5
Asia	10.1	(6.2)	3.9	6.0	(4.8)	1.2
Total Life Sciences Sales	10.6	0.4	11.0	6.3	(1.9)	4.4

2014 Compared with 2013

The acquisitions of ATMI LifeSciences, Medistad and SoloHill contributed approximately 400 basis points to Life Sciences consumables sales growth compared to last year.

BioPharmaceuticals consumables sales growth reflects overall market strength, particularly in Europe and Asia, growth in single use systems and new products, augmented by acquisitions.

Food & Beverage consumables sales growth was driven by strength in Latin America and Asia.

Medical consumables sales growth primarily reflects an increase in sales to OEMs, augmented by the acquisition of Medistad, partly offset by lower blood media sales.

Life Sciences systems sales growth reflects some large projects with BioPharmaceuticals and Food & Beverage customers.

Life Sciences segment profit grew 11.9%. The impact of translational FX on segment profit growth was immaterial. Segment profit margin increased 20 basis points reflecting the benefit of increased leverage of fixed cost SG&A on a higher sales base and a decline in R&D as a percentage of sales, partly offset by a decrease in gross margin. The 180 basis point decline in gross margin is primarily due to:

- lower gross margin rates from the Medistad and ATMI LifeSciences acquisitions, including purchase accounting adjustments related to the step-up of acquired inventory that was sold in the period;
- unfavorable transactional FX (principally Yen related); and
- certain low margin systems projects in the current year.

These factors were partly offset by the benefit of favorable pricing.

2013 Compared with 2012

BioPharmaceuticals consumables sales growth reflects continued strength in the biotech sector in all three regions. The ForteBio acquisition (acquired in the third quarter of fiscal year 2012) added approximately 200 basis points, in BioPharmaceuticals consumables sales growth compared to last year.

Food & Beverage consumables sales were down slightly (excluding translational FX). This reflects overall softness in Eastern Europe and weakness in the wine sector in France and Australia, partly offset by the impact of geographic expansion in Latin America.

Medical consumables sales growth reflects an increase in sales to hospitals primarily driven by point of use water filtration sales, principally in Europe. Furthermore, media sales, under a supply agreement with the purchaser of our Blood Product Line, contributed approximately 600 basis points to Medical consumables sales growth year-over-year.

Life Sciences systems sales were down primarily due to weak capital spending in the Food & Beverage market in the Americas and Asia.

Life Sciences segment profit was essentially flat year-over-year despite the growth in sales. The impact of translational FX reduced segment profit growth by approximately 200 basis points. Excluding translational FX, segment profit increased 2.3%. Segment profit margin decreased 110 basis points. This reflects the impact of the decline in gross margin percentage combined with an increase in SG&A and R&D. The decline of 40 basis points in gross margin percentage is primarily due to:

- unfavorable product mix, and
- unfavorable transactional FX (principally Yen related), particularly in the second half of fiscal year 2013.

These factors were partly offset by the benefit of favorable pricing. The increase in SG&A reflects increased investments we are making for future growth, partly offset by savings achieved by our structural cost improvement initiatives. The increase in R&D spend was driven by our focus on new product development and innovation, particularly for development of our instrumentation capabilities.

Industrial

(dollars in thousands)	2014	% of Sales	2013	% of Sales	2012	% of Sales
Sales	$1,335,478		$1,338,688		$1,418,062	
Cost of sales	723,578	54.2	723,409	54.0	767,656	54.1
Gross margin	611,900	45.8	615,279	46.0	650,406	45.9
SG&A	355,721	26.6	367,748	27.5	421,385	29.7
R&D	37,007	2.8	32,733	2.4	30,274	2.1
Segment profit	$219,172	16.4	$214,798	16.0	$198,747	14.0

(dollars in thousands)			
SALES:	2014	2013	2012
By Market and Product			
Process Technologies	$576,062	$584,125	$627,644
Aerospace	236,480	237,371	224,016
Microelectronics	303,116	275,684	307,682
Total Consumables sales	$1,115,658	$1,097,180	$1,159,342
Systems Sales	219,820	241,508	258,720
Total Industrial Sales	$1,335,478	$1,338,688	$1,418,062
By Region			
Americas	$453,990	$433,316	$455,227
Europe	397,917	406,868	416,555
Asia	483,571	498,504	546,280
Total Industrial Sales	$1,335,478	$1,338,688	$1,418,062

The percentage change in sales year-over-year, with and without the impact of translational FX are presented below:

	2014 compared to 2013			2013 compared to 2012		
SALES % CHANGE:	% Change excluding translational FX	Translational FX	Total % Change	% Change excluding translational FX	Translational FX	Total % Change
By Market and Product						
Process Technologies	(0.4)	(1.0)	(1.4)	(5.2)	(1.7)	(6.9)
Aerospace	(1.3)	0.9	(0.4)	6.8	(0.8)	6.0
Microelectronics	13.5	(3.5)	10.0	(7.3)	(3.1)	(10.4)
Total Consumables sales	2.9	(1.2)	1.7	(3.4)	(2.0)	(5.4)
Systems Sales	(7.9)	(1.1)	(9.0)	(5.8)	(0.9)	(6.7)
Total Industrial Sales	1.0	(1.2)	(0.2)	(3.9)	(1.7)	(5.6)
By Region						
Americas	6.0	(1.2)	4.8	(4.1)	(0.7)	(4.8)
Europe	(5.5)	3.3	(2.2)	(1.0)	(1.3)	(2.3)
Asia	1.8	(4.8)	(3.0)	(5.8)	(2.9)	(8.7)
Total Industrial Sales	1.0	(1.2)	(0.2)	(3.9)	(1.7)	(5.6)

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2014 Compared with 2013

The acquisition of FSI contributed approximately 160 basis points to Industrial consumables sales growth compared to last year.

Process Technologies consumables sales decreased slightly (excluding translational FX). The sales results excluding translational FX by key submarkets are discussed below:

- Consumables sales in the Machinery & Equipment submarket, which represented a little over 20% of total Industrial consumables sales in the year, increased approximately 4% principally due to the impact of the FSI acquisition and growth in the mobile OEM, automotive and in-plant sectors, partly offset by weakness in primary metals and mining.
- Consumables sales in the Fuels & Chemicals submarket, which represented almost 20% of total Industrial consumables sales in the year, were down approximately 3% on low-entering backlog and softness in emerging markets, partly offset by the impact of the FSI acquisition.
- Consumables sales in the Power Generation submarket, which represented almost 10% of total Industrial consumables sales in the year, declined approximately 2% on market softness in Europe and the Americas, partly offset by growth in Asia in the nuclear and wind sectors.

Aerospace consumables sales decreased 1% excluding translational FX. This reflects a decline in Military Aerospace sales of 3% and flat Commercial Aerospace sales. This is largely the result of a difficult comparative, as last year included large aftermarket sales and helicopter program shipments that did not repeat.

Microelectronics consumables sales were up in all three regions on continued market strength and new business wins.

The decrease in Industrial systems sales primarily reflects weak capital spending in the Fuels & Chemicals and Municipal Water submarkets of Process Technologies.

Industrial segment profit increased 2.0%, with translational FX negatively impacting segment profit growth by approximately 290 basis points. Excluding translational FX, segment profit grew 4.9%, on sales growth of 1.0%. Segment profit margin increased 40 basis points driven by a 90 basis point decline in SG&A that was primarily attributable to our structural cost improvement initiative, partly offset by an increase in R&D and a decline in gross margin. The 20 basis point decline in gross margin is primarily due to:

- lower gross margin rates from the FSI acquisition and a purchase accounting adjustment related to the step-up of acquired inventory that was sold in the period and
- unfavorable transactional FX (principally Yen related).

These factors were partly offset by the benefit of favorable pricing and a lower proportion of systems sales to total sales, which typically carry lower margins than consumables (systems sales comprised 16.5% of total sales compared to 18.0% last year).

2013 Compared with 2012

Process Technologies consumables sales decreased driven by weakness across all sub-markets, principally in Europe and Asia, with the Machinery & Equipment submarket having the most significant impact. The sales results by submarket are discussed below:

- Consumables sales in the Machinery & Equipment submarket, which represented approximately 20% of total Industrial consumables sales in the year, decreased almost 9% year-over-year. This reflects weakness in all end markets with the largest impacts felt in Europe and Asia. Furthermore, the sales decline year-over-year reflects our decision to exit certain low margin product lines in Europe.
- Consumables sales in the Fuels & Chemicals submarket, which represented approximately 20% of total Industrial consumables sales in the year, were down about 2% year-over-year on weakness in Europe.
- Consumables sales in the Power Generation submarket, which represented close to 10% of total Industrial consumables sales in the year, declined approximately 2% reflecting weakness in Asia related to a decrease in demand from wind turbine OEMs.

Aerospace consumables sales growth was primarily driven by increased aftermarket sales and sales to OEMs. In addition, the fulfillment of past-due backlog also contributed to fiscal year 2013 sales. These factors were partly offset by the impact of helicopter program shipments in fiscal year 2012 that did not repeat in fiscal year 2013.
Microelectronics consumables sales were down reflecting continuing weakness in our customer end markets particularly in the semiconductor, display and data storage sectors, with the most significant impact seen in Asia. Growth in the Graphic Arts end market in Europe partly mitigated the impact.
The decrease in Industrial systems sales primarily reflects weakness in Municipal Water, as customers continue to delay projects given that funds available to the municipalities to support these projects have diminished.
Industrial segment profit grew 8.1%. The impact of translational FX reduced segment profit by approximately 300 basis points. Excluding translational FX, segment profit grew 11.2%, on a sales decline of 3.9%. Segment profit margin increased 200 basis points primarily driven by a decline in SG&A and a slight improvement in gross margin, partly offset by an increase in R&D. The decline in SG&A expenses of 220 basis points was primarily attributable to our structural cost improvement initiatives. The improvement in gross margin percentage of 10 basis points was primarily driven by pricing, mostly offset by unfavorable consumables market mix.
Corporate Services Group

(dollars in thousands)	2014	2013	2012
Corporate Services Group expenses	$67,200	$66,640	$64,114
% Change year-over-year	0.8	3.9	

2014 Compared with 2013
Corporate Services Group expenses in fiscal year 2014 were essentially flat compared to fiscal year 2013, as increases in certain compensation-related costs were largely offset by savings from our structural cost improvement initiative.
2013 Compared with 2012
The increase in Corporate Services Group expenses in fiscal year 2013 compared to fiscal year 2012 primarily reflects an increase in compensation related costs.
LIQUIDITY AND CAPITAL RESOURCES
We utilize cash flow generated from operations and our commercial paper program to meet our short-term liquidity needs. We consider our cash on hand, committed credit facility and access to the public capital markets, along with the cash typically generated from operations, to be sufficient to meet our anticipated liquidity needs.
Our cash position, net of debt, was approximately $75,400 at July 31, 2014, compared to $299,200 at July 31, 2013, a decrease of $223,800. The components of the decrease in cash, net of debt are presented below:

(dollars in thousands)	2013	Increase/(Decrease)	Translational FX	2014
Cash	$936,886	$ 17,709	$9,515	$964,110
Debt	637,706	255,225	(4,207)	888,724
Cash, net of debt	$299,180	$ (237,516)	$13,722	$75,386

As of July 31, 2014, substantially all of our cash and cash equivalents was held by foreign subsidiaries. Repatriation of cash held outside the U.S. could be subject to restrictions in the host countries as well as both local and U.S. taxes. However, we do not expect these to have a material effect on our overall liquidity.

On April 11, 2013, we entered into a five-year $1,200,000 unsecured senior revolving credit facility (the “2013 Facility”) with a syndicate of banks, which was to mature on April 11, 2018. Borrowings under the Facility bear interest at either a variable rate based upon the London InterBank Offered Rate (U.S. Dollar, British Pound, Euro, Swiss Franc and Japanese Yen borrowings) or the European Union Banking Federation Rate (Euro borrowings) or at the prime rate of the Facility Agent (U.S. Dollar borrowing only). The 2013 Facility does not permit us to exceed a maximum consolidated leverage ratio of 3.5:1, based upon the trailing four quarters’ results. In addition, the 2013 Facility includes other covenants that under certain circumstances may restrict our ability to incur additional indebtedness, make investments and other restricted payments, enter into sale and leaseback transactions, create liens and sell assets. As of July 31, 2014, we were in compliance with all related financial and other restrictive covenants, including limitations on indebtedness.

Subsequent to the end of fiscal year 2014, we amended and extended the 2013 Facility to a five-year $1,500,000 unsecured senior revolving credit facility with a syndicate of banks, which matures on August 11, 2019 (the “2015 Facility”). In connection with the 2015 Facility, we incurred deferred financing costs of $1,535 which, in addition to the unamortized costs from the 2013 Facility, will be amortized to interest expense over the term of the 2015 Facility. The covenants for the 2015 Facility are the same as in the 2013 Facility.

As of July 31, 2014, we had $425,000 of outstanding commercial paper, which is recorded as notes payable in the current liability section of our accompanying consolidated balance sheet. Commercial paper outstanding at any one time during the year had balances ranging from $170,000 to $595,000, carried interest rates ranging between 0.27% and 0.38% and original maturities between 4 and 90 days. Commercial paper outstanding at July 31, 2014 carried an interest rate of 0.30% and maturities between 27 and 35 days. As of July 31, 2014, we did not have any outstanding borrowings under our Facility.

Cash Flow - Operating Activities

(dollars in thousands)	2014	2013	2012
Net cash provided by operating activities	$503,912	$384,459	$474,848
Less capital expenditures	74,737	110,182	158,909
Free cash flow	$429,175	$274,277	$315,939

Fiscal Year 2014

The major items impacting net cash provided by operating activities include:

- net earnings from continuing operations of $363,956;
- non-cash reconciling items in net earnings from continuing operations, such as depreciation and amortization of long-lived assets of $116,392 and non-cash stock compensation of $31,683;
- defined benefit pension plan contributions of $47,558; and
- payments related to our structural cost improvement initiative of $30,774.

Improved working capital management benefited net cash provided by operating activities in the year.

Fiscal Year 2013

The major items impacting net cash provided by operating activities include:

- net earnings from continuing operations of $329,962;
- non-cash reconciling items in net earnings from continuing operations, such as depreciation and amortization of long-lived assets of $106,284 and non-cash stock compensation of $29,778;
- income tax and tax-related payments of approximately $94,000 related to the settlement of, and deposits for, several years of U.S. tax audits and payments for the gain on the sale of the Blood Product Line;
- payments related to our structural cost improvement initiative of $31,510; and
- defined benefit pension plan contributions of $27,785.

Discontinued operations had an immaterial impact on net cash provided by operating activities in fiscal year 2013.

Free Cash Flow

We utilize free cash flow as one way to measure our current and future financial performance. Free cash flow is a non-GAAP financial measure and is not intended as an alternative measure of cash flow from operations as determined in accordance with GAAP. In addition, our calculation of free cash flow is not necessarily comparable to similar measures as calculated by other companies that do not use the same definition or implementation guidelines. The table above reconciles net cash provided by operating activities, inclusive of discontinued operations, to free cash flow.

The increase in free cash flow in fiscal year 2014 compared to fiscal year 2013 primarily reflects the increase in net cash provided by operating activities as discussed above and a decrease in capital expenditures.

The decrease in free cash flow in fiscal year 2013 compared to fiscal year 2012 primarily reflects the decline in net cash provided by operating activities as discussed above. This was partly offset by a decrease in capital expenditures, as fiscal year 2012 included the purchase of a new facility in Europe and investment in our global ERP system.

Depreciation and Amortization

Depreciation expense and amortization expense are presented below:

(dollars in thousands)	2014	2013	2012*
Depreciation expense	$95,152	$86,428	$90,388
Amortization expense	$21,240	$19,856	$20,717

* Includes depreciation and amortization expense from discontinued operations totaling $7,718 in fiscal year 2012.

Cash Flow - Investing Activities

(dollars in thousands)	2014	2013	2012
Net cash provided/(used) by investing activities	$(393,509)	$399,300	$(309,825)

The most significant drivers of net cash used by investing activities in fiscal year 2014 were:

- payments totaling $318,978 related to the acquisitions of ATMI LifeSciences, Medistad, SoloHill and FSI and
- capital expenditures of $74,737.

Refer to the Overview section of the Management’s Discussion and Analysis of Financial Condition and Results of Operations as well as to Note 20, Acquisitions, to the accompanying consolidated financial statements for further detail on the acquisitions.

The most significant drivers of net cash provided by investing activities in fiscal year 2013 include:

- Proceeds from the sale of assets of $537,625, primarily related to the sale of our Blood Product Line, and
- Capital expenditures of $110,182, which partly offset the above.

Cash Flow - Financing Activities

(dollars in thousands)	2014	2013	2012
Net cash used by financing activities	$(92,912)	$(344,465)	$(173,222)

The decrease in net cash used by financing activities in fiscal year 2014 compared to fiscal year 2013 principally reflects an increase in notes payable partly offset by an increase in dividends paid.

Share repurchases in fiscal years 2014, 2013 and 2012, are presented below.

(dollars and shares in thousands)	2014	2013	2012
Share repurchases	$250,000	$250,000	$121,164
Number of shares	3,056	3,971	2,281

In the three months ended October 31, 2013, we paid $125,000 under an accelerated share repurchase agreement (“ASR”). Upon completion of the transaction, we received a total of 1,573 shares. In the three months ended January 31, 2014 we paid $125,000 under another ASR agreement and upon completion of the transaction received 1,483 shares. See Note 15, Common Stock, to the accompanying consolidated financial statements for further details.

We increased our quarterly dividend by 10% from 25 cents to 27.5 cents per share, effective with the dividend declared on September 24, 2013. Dividends paid in fiscal years 2014, 2013 and 2012 are presented below:

(dollars in thousands, except per share data)	2014	2013	2012
Dividends paid	$118,758	$108,054	$88,955
Dividends declared per share	$1.10	$1.00	$0.805

Non-Cash Working Capital

Non-cash working capital, which is defined as working capital excluding cash and cash equivalents, notes receivable, notes payable and the current portion of long-term debt, was approximately $588,400 at July 31, 2014 as compared with $554,500 at July 31, 2013. Excluding the effect of foreign exchange (discussed below), non-cash working capital increased approximately $33,500 compared to July 31, 2013 primarily reflecting the impact of acquisitions made in fiscal year 2014.

Our balance sheet is affected by spot exchange rates used to translate local currency amounts into U.S. Dollars. In comparing spot exchange rates at July 31, 2014 to those at July 31, 2013, the Euro and the British Pound have strengthened against the U.S. Dollar, and the Japanese Yen has weakened against the U.S. Dollar. The impact of translational FX, increased net inventory, net accounts receivable and other current assets by approximately $1,600, $2,200 and $1,700, respectively, as compared to July 31, 2013. Additionally, the impact of translational FX increased accounts payable, accrued liabilities and income tax payable collectively by $5,100. The combination of these translational FX impacts increased non-cash working capital by approximately $400.

Derivatives

We manage certain financial exposures through a risk management program that includes the use of foreign exchange derivative financial instruments. Derivatives are executed with counterparties with a minimum credit rating of “A” by Standard and Poor’s and “A2” by Moody’s Investor Services, in accordance with our policies. We do not utilize derivative instruments for trading or speculative purposes.

We conduct transactions in currencies other than their functional currency. These transactions include non-functional currency intercompany and external sales as well as intercompany and external purchases. We use foreign exchange forward contracts, matching the notional amounts and durations of the receivables and payables resulting from the aforementioned underlying foreign currency transactions, to mitigate the exposure to earnings and cash flows caused by changing foreign exchange rates. The risk management objective of holding foreign exchange derivatives is to mitigate volatility to earnings and cash flows due to changes in foreign exchange rates.

The notional amount of foreign currency forward contracts entered into during the year ended July 31, 2014 was $2,624,467. The notional amount of foreign currency forward contracts outstanding as of July 31, 2014 was $572,542 of which $99,237 are for cash flow hedges that cover monthly transactional exposures through August 2015. Our foreign currency balance sheet exposures resulted in the recognition of a loss within SG&A of approximately $188 in the year ended July 31, 2014, before the impact of the measures described above. Including the impact of our foreign exchange derivative instruments, the net recognition within SG&A was a loss of approximately $3,027 in the year ended July 31, 2014.

Contractual Obligations

The following is a summary of our contractual payment commitments as of July 31, 2014 (interest on long-term debt includes the amount of interest due to be paid during the respective fiscal year based upon the amount of debt outstanding as of July 31, 2014):

	Years Ended						
(dollars in thousands)	2015	2016	2017	2018	2019	Thereafter	Total
Long-term debt	$87,955	$834	$444	$425	$293	$375,000	$464,951
Interest on long-term debt	20,537	18,810	18,788	18,771	18,754	17,188	112,848
Operating leases	29,767	22,621	16,380	10,872	8,243	15,185	103,068
Purchase commitments	42,303	7,370	5,234	5,175	1,247	—	61,329
Other commitments	4,486	4,558	4,607	838	871	5,637	20,997
Total commitments	$185,048	$54,193	$45,453	$36,081	$29,408	$413,010	$763,193

We had gross liabilities for unrecognized tax benefits of approximately $202,564 and related accrued interest and penalties of $14,556 as of July 31, 2014, which were excluded from the table above. See Note 11, Income Taxes, to the accompanying consolidated financial statements for further discussion of these amounts.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The accompanying consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). These accounting principles require us to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the accompanying consolidated financial statements, as well as the reported amounts of revenues and expenses during the periods presented. Although these estimates are based on management's knowledge of current events and actions we may undertake in the future, actual results may differ from estimates. The following discussion addresses our critical accounting policies, which are those that are most important to the portrayal of our financial condition and results, and that require judgment. See also the notes to the accompanying consolidated financial statements, which contain additional information regarding our accounting policies.

Income Taxes

Significant judgment is required in determining the worldwide provision for income taxes. In the ordinary course of a global business, there are many transactions and calculations where the ultimate tax outcome is uncertain. Some of these uncertainties arise as a consequence of revenue sharing and cost reimbursement arrangements among related entities, the process of identifying items of revenue and expense that qualify for preferential tax treatment and appropriate segregation of foreign and domestic income and expense to avoid double taxation. No assurance can be given that the final tax outcome of these matters will not be different than that which is reflected in our historical income tax provisions and accruals. Such differences could have a material effect on our income tax provision and net earnings in the period in which a final determination is made.

We record a valuation allowance to reduce deferred tax assets to the amount of the future tax benefit that is more likely than not to be realized. While we have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, there is no assurance that the valuation allowance would not need to be increased to cover additional deferred tax assets that may not be realizable. Any increase in the valuation allowance could have a material adverse impact on our income tax provision and net earnings in the period in which such determination is made.

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Purchase Accounting and Goodwill

Determining the fair value of assets acquired and liabilities assumed in a business combination is judgmental in nature and often involves the use of significant estimates and assumptions. There are various methods used to estimate the value of tangible and intangible assets acquired, such as discounted cash flow and market multiple approaches. Some of the more significant estimates and assumptions inherent in the two approaches include: projected future cash flows (including timing); discount rates reflecting the risk inherent in the future cash flows; perpetual growth rate; determination of appropriate market comparables; and the determination of whether a premium or a discount should be applied to comparables. There are also judgments made to determine the expected useful lives assigned to each class of assets acquired and liabilities assumed.

We perform impairment testing for goodwill at least annually during our fiscal third quarter, or more frequently if certain events or circumstances indicate impairment might have occurred. We evaluate the recoverability of goodwill using a two-step impairment test approach at the reporting unit level. Our two segments, Life Sciences and Industrial, are also deemed to be our reporting units for purposes of testing goodwill for impairment. In the first step, the overall fair value for the reporting unit is compared to its book value including goodwill. In the event that the overall fair value of the reporting unit was determined to be less than the book value, a second step is performed which compares the implied fair value of the reporting unit's goodwill to the book value of the goodwill. The implied fair value for the goodwill is determined based on the difference between the overall fair value of the reporting unit and the fair value of the net identifiable assets. If the implied fair value of the goodwill is less than its book value, the difference is recognized as an impairment loss.

We completed our annual goodwill impairment tests as of March 1, 2014 and March 1, 2013. The estimated fair values of both the Life Sciences and Industrial reporting units substantially exceeded the carrying values of these reporting units, and as such, step two was not performed.

When testing for impairment, we use significant estimates and assumptions to estimate the fair values of our reporting units. The fair value of our reporting units is determined using market multiples (derived from trailing-twelve-month revenue, earnings before interest and taxes ("EBIT") and earnings before interest, taxes, depreciation and amortization ("EBITDA")), of publicly traded companies with similar operating and investment characteristics as our reporting units. These various market multiples are applied to the operating performance of the reporting unit being tested to determine a range of fair values for the reporting unit. The fair value of the reporting units for the purposes of the goodwill impairment test is then determined using the mean of the fair values derived from the minimum and median market multiples.

The minimum and median market multiples used in the fiscal year 2014 impairment testing ranged from 1.5 to 3.3 times revenue, 13.7 to 18.9 times EBIT and 9.7 to 14.0 times EBITDA. The minimum and median market multiples used in the fiscal year 2013 impairment testing ranged from 1.2 to 2.9 times revenue, 9.6 to 17.0 times EBIT and 6.9 to 12.3 times EBITDA. To further substantiate the reasonableness of the fair value of our reporting units, we compare enterprise value (outstanding shares multiplied by the closing market price per share, plus debt, less cash and cash equivalents) to the aggregate fair value of our reporting units.

Revenue Recognition

Revenue is recognized when title and risk of loss have transferred to the customer and when contractual terms have been fulfilled, except for certain long-term contracts, whereby revenue is recognized under the percentage of completion method (see below). Transfer of title and risk of loss occurs when the product is delivered in accordance with the contractual shipping terms. In instances where contractual terms include a provision for customer acceptance, revenue is recognized when either (i) we have previously demonstrated that the product meets the specified criteria based on either seller or customer-specified objective criteria or (ii) upon formal acceptance received from the customer where the product has not been previously demonstrated to meet customer-specified objective criteria.

For contracts accounted for under the percentage of completion method, revenue recognition is based upon the ratio of costs incurred to date compared with estimated total costs to complete. The cumulative impact of revisions to total estimated costs is reflected in the period of the change, including anticipated losses.

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Allowance for Doubtful Accounts

We evaluate our ability to collect outstanding receivables and provide allowances when collection becomes doubtful. In performing this evaluation, significant estimates are involved, including an analysis of specific risks on a customer-by-customer basis. Based upon this information, we record in earnings an amount believed to be uncollectible. If the factors used to estimate the allowance provided for doubtful accounts do not reflect the future ability to collect outstanding receivables, additional provisions for doubtful accounts may be needed and the future results of operations could be materially affected.

Inventories

Inventories are valued at the lower of cost (principally on the first-in, first-out method) or market. We record adjustments to the carrying value of inventory based upon assumptions about historic usage, future demand and market conditions. These adjustments are estimates which could vary significantly, either favorably or unfavorably, from actual requirements if future conditions, customer inventory levels or competitive conditions differ from our expectations.

Defined Benefit Retirement Plans

We sponsor defined benefit retirement plans in various forms covering substantially all employees who meet eligibility requirements. Several statistical and other factors that attempt to anticipate future events are used in calculating the expense and liabilities related to those plans for which the benefit is actuarially determined. These factors include assumptions about the discount rate, expected return on plan assets and rate of future compensation increases as determined by us, within certain guidelines. In addition, our actuarial consultants also use subjective factors, such as withdrawal and mortality rates, to calculate the liabilities and expense. The actuarial assumptions used by us are long-term assumptions and may differ materially from actual experience in the short-term due to changing market and economic conditions and changing participant demographics. These differences may have a significant effect on the amount of pension expense and pension assets/(liabilities) we record.

Pension expense associated with our defined benefit plans was $31,288 in fiscal year 2014, which was based on a weighted average discount rate of 4.3% (calculated using the projected benefit obligation) and a weighted average expected long-term rate of return on plan assets of 5.3% (calculated using the fair value of plan assets).

The expected rates of return on the various defined benefit pension plans' assets are based on the asset allocation of each plan and the long-term projected return of those assets. If the expected long-term rate of return on plan assets was reduced by 50 basis points, pension expense in fiscal year 2014 would have increased approximately $2,300.

The objective of the discount rate assumption is to reflect the rate at which the pension benefits could be effectively settled. Our methodology for selecting the discount rate for the U.S. plans as of July 31, 2014 was to match the plan's cash flows to that of a yield curve that provides the equivalent yields on zero-coupon corporate bonds for each maturity. This is under the premise that cash flows for benefits due in a particular year can be theoretically "settled" by "investing" them in the zero-coupon bond that matures in the same year. The discount rate is the single rate that produces the same present value of cash flows. The discount rate assumption for non-U.S. plans reflects the market rate for high-quality, fixed-income debt instruments. Both discount rate assumptions are based on the expected duration of benefit payments for each of our pension plans as of the annual measurement date and is subject to change each year. If the weighted average discount rate was reduced by 50 basis points, pension expense in fiscal year 2014 would have increased by approximately $3,600.

Our net periodic pension costs are primarily reflected in the selling, general and administrative expense line. The amounts in this line vary from year to year, but will typically range from two-thirds to three-fourths of total net periodic pension cost. In addition, certain net periodic pension costs are incurred in our restructuring and other charges line item, which are described more fully in Note 2, Restructuring and Other Charges, Net, to the accompanying consolidated financial statements. Cost of sales typically includes the majority of the remaining costs, with a smaller amount (up to 5%) in research and development.

Accrued Expenses and Contingencies

We estimate certain expenses in an effort to record those expenses in the period incurred. When no estimate in a given range is deemed to be better than any other, the low end of the range is accrued. Differences between estimates and assumptions and actual results could result in an accrual requirement materially different from the calculated accrual. Environmental accruals are recorded based upon historical costs incurred and estimates for future costs of remediation and on going legal expenses which have a high degree of uncertainty.

Self-insured workers' compensation insurance accruals are recorded based on insurance claims processed, including applied loss development factors as well as historical claims experience for claims incurred but not yet reported. Self-insured employee medical insurance accruals are recorded based on medical claims processed as well as historical medical claims experience for claims incurred but not yet reported.

ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

In February 2013, the Financial Accounting Standards Board (the "FASB") issued new accounting guidance which amends Accounting Standards Codification ("ASC") 220, "Comprehensive Income." The amended guidance requires entities to provide information about the amounts reclassified out of accumulated other comprehensive income by component. Additionally, entities are required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required under U.S. generally accepted accounting principles ("GAAP") to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under US GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures in the financial statements. The amended guidance does not change the current requirements for reporting net income or other comprehensive income. The adoption of this disclosure-only guidance did not have an impact on our consolidated financial results.

In July 2013, the FASB issued new accounting guidance which requires the netting of unrecognized tax benefits against a deferred tax asset for a loss or other carry forward that would apply in settlement of the uncertain tax positions. Under the new standard, unrecognized tax benefits will be netted against all available same-jurisdiction loss or other tax carry forwards that would be utilized, rather than only against carry forwards that are created by the unrecognized tax benefits. The adoption of this accounting guidance did not have a material impact on our consolidated financial results.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In April 2014, the FASB issued authoritative guidance which changes the criteria for a disposal of a component or a group of components of an entity to qualify as a discontinued operation. This revised guidance defines a discontinued operation as (i) a component of an entity or group of components that has been disposed of or is classified as held for sale that represents a strategic shift that has or will have a major effect on an entity's operations and financial results or (ii) an acquired business or nonprofit activity that is classified as held for sale on the date of acquisition. The guidance also requires expanded disclosures related to discontinued operations and added disclosure requirements for individually material disposal transactions that do not meet the discontinued operations criteria. This guidance becomes effective prospectively for our fiscal 2016 first quarter, with early adoption permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available to be issued. We will apply this new guidance when it becomes effective. The adoption of this guidance is not expected to have a significant impact on our consolidated financial statements.

In May 2014, the FASB issued new accounting guidance which supersedes the revenue recognition requirements in ASC 605, "Revenue Recognition." The new guidance outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The revised guidance requires an entity to recognize revenue depicting the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance will also result in enhanced revenue related disclosures. The guidance is effective for fiscal years, and interim reporting periods within those years, beginning after December 15, 2016. We have not yet determined the impact this guidance will have on our consolidated financial results.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Our primary market risks relate to adverse changes in foreign currency exchange rates and interest rates. The sensitivity analyses presented below assume simultaneous shifts in each respective rate, and quantify the impact on our earnings and cash flows. The changes used for these analyses reflect our view of changes that are reasonably possible over a one-year period. Actual changes that differ from the changes used for these analyses could yield materially different results.

Foreign Currency

Our reporting currency is the U.S. Dollar. Because we operate through subsidiaries or branches that transact in over thirty foreign currencies around the world, our earnings are exposed to translation risk when the financial statements of the subsidiaries or branches, as stated in their functional currencies, are translated into the U.S. Dollar. We estimate that foreign exchange translation decreased earnings per share by 5 cents in fiscal year 2014 when compared to fiscal year 2013.

The primary foreign currencies which cause our translation risk to earnings are in the relationships of the U.S. Dollar to the Euro, the Japanese Yen, the British Pound (the “Pound”), the Australian Dollar and the Swiss Franc. Translation exposure exists when the functional currency of our subsidiaries strengthens or weakens against the U.S. Dollar causing the subsidiaries earnings to increase or decrease when converted back to U.S. Dollars. In fiscal year 2014, the following currencies weakened against the U.S. Dollar compared with the average exchange rates in effect for fiscal year 2013: the Japanese Yen (12%), Australian Dollar (9%), Argentine Peso (30%), Indian Rupee (10%) and Brazilian Real (10%). The Euro (4%) and Pound (5%) strengthened against the U.S. Dollar compared with the average exchange rates in effect in fiscal year 2013.

Most of our products are manufactured in the U.S., Puerto Rico, Germany, Japan and the United Kingdom, and then sold into many countries. As a result, we are exposed to foreign exchange-related transaction risk from adverse changes in exchange rates. This exposure occurs in two forms.

The first relates to certain of our payables and receivables that are denominated in non-functional currencies for these entities (primarily Yen, Euro, Pound and Swiss Franc). The foreign exchange risk associated with these short-term assets and liabilities is managed by entering into short-dated forward foreign exchange contracts (“forwards”), in order to “lock-in” the value underlying transactions. At July 31, 2014, the net balance sheet exposure related to these assets and liabilities was approximately $248,522, which is offset by net forward contracts with a notional principal amount of $202,833. If a hypothetical 10% simultaneous adverse change had occurred in all relevant exchange rates as of July 31, 2014, net earnings would have decreased by approximately $6,966, or approximately 6 cents per share.

The second relates to the fluctuation of the costs and/or revenues associated with products that are sourced in a currency different from the currency in which they are sold. In order to mitigate the impact of these cross-currency exposures, we also enter into forward contracts. Specifically, based upon forecasted cross-currency exposures between the Euro and the Pound, we enter into what are commonly known as “cash flow hedges.” The hedges cover a British subsidiary (Pound functional currency) with Euro revenues and a Swiss subsidiary (with a Euro functional currency) with Pound expenses. The probability of the occurrence of these transactions is high and our assessment is based on observable facts, including the frequency and amounts of similar past transactions. The objective of the cash flow hedges is to “lock-in” the forecasted impact of the Pound equivalent amount of Euro sales for the British subsidiary and the Euro equivalent amount of Pound expenses for the Swiss subsidiary, at the agreed upon exchange rates in the forwards. The notional amount of forwards outstanding as of July 31, 2014 was $99,237, which is intended to cover 50% of net monthly transactional exposures through August 2015. Our current policy is to hedge no more than 50% of our cross currency exposure on a twelve-month forward basis. We do not enter into forwards for trading purposes.

Interest Rates

We currently have offsetting exposures with respect to changes in interest rates. This is primarily due to our variable rate positions on debt and accrued liabilities compared to our variable rate positions on cash and retirement benefit assets.

Our debt portfolio is comprised of both fixed and variable rate borrowings. Our debt portfolio was approximately 48% variable rate at July 31, 2014, compared to 27% variable rate at July 31, 2013. Our cash position was 100% variable rate at July 31, 2014 and July 31, 2013.

For the year ended July 31, 2014, interest expense on variable rate debt and accrued liabilities was $9,889 and interest income on variable rate cash and retirement benefit assets was $9,012. A hypothetical 10% shift in market interest rates for fiscal year 2014 (e.g., if an assumed market interest rate of 5.0% increased to 5.5%) could have a negative impact on interest, net of approximately $88.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements required by this item are located immediately following the signature page of this Form 10-K. See Item 15.(a)(1) for a listing of financial statements provided.

QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

As discussed in various portions of this Form 10-K, including Note 19, Discontinued Operations, to the accompanying consolidated financial statements, we sold, effective August 1, 2012, certain assets of our blood collection, filtration and processing product line, which was a component of the Life Sciences segment (the product line sales were reported in the Medical market), and met both the component and held for sale criteria during the third quarter of fiscal year 2012. As such, it has been reported as a discontinued operation in our consolidated financial statements. The table below presents selected quarterly financial information on a continuing operations basis and a total operations basis.

(In thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2014:					
Net sales	$629,779	$676,969	$682,445	$799,954	$2,789,147
Gross profit	325,714	344,259	348,074	408,116	1,426,163
Restructuring and other charges, net (a)	9,198	9,170	11,542	10,244	40,154
Net earnings from continuing operations	71,513	83,666	88,691	120,086	363,956
Net earnings	71,513	83,666	88,691	120,086	363,956
Earnings per share from continuing operations:					
Basic	$0.64	$0.76	$0.80	$1.09	$3.29
Diluted	$0.63	$0.75	$0.80	$1.08	$3.25
Earnings per share:					
Basic	$0.64	$0.76	$0.80	$1.09	$3.29
Diluted	$0.63	$0.75	$0.80	$1.08	$3.25
2013:					
Net sales	$627,600	$662,455	$641,190	$716,818	$2,648,063
Gross profit	327,083	341,963	334,079	368,878	1,372,003
Restructuring and other charges, net (a)	4,274	4,399	12,824	18,685	40,182
Net earnings from continuing operations	89,165	80,319	74,271	86,207	329,962
Net earnings	339,472	76,770	73,065	85,628	574,935
Earnings per share from continuing operations:					
Basic	$0.78	$0.71	$0.66	$0.77	$2.93
Diluted	$0.77	$0.70	$0.65	$0.76	$2.89
Earnings per share:					
Basic	$2.96	$0.68	$0.65	$0.76	$5.10
Diluted	$2.92	$0.67	$0.64	$0.75	$5.03

(a) Refer to Note 2, Restructuring and Other Charges, Net, to the accompanying consolidated financial statements.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES.

DISCLOSURE CONTROLS AND PROCEDURES

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended. Based on this evaluation, the chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

(a) Management's annual report on internal control over financial reporting.

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities and Exchange Act of 1934, as amended. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an evaluation of the effectiveness of internal control over financial reporting based on criteria established in Internal Control–Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of July 31, 2014.

The attestation report of the independent registered public accounting firm on our internal control over financial reporting is included in this report under Item 9A.(b).

(b) Attestation report of the independent registered public accounting firm.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Pall Corporation:

We have audited Pall Corporation and subsidiaries' internal control over financial reporting as of July 31, 2014, based on criteria established in Internal Control–Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Pall Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's report on internal control over financial reporting (Item 9A(a)). Our responsibility is to express an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Pall Corporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of July 31, 2014, based on criteria established in Internal Control–Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Pall Corporation and subsidiaries as of July 31, 2014 and 2013, and the related consolidated statements of earnings, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended July 31, 2014 and our report dated September 8, 2014 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP
KPMG LLP

Melville, New York
September 8, 2014

(c) Changes in internal control over financial reporting.

There were no changes in our internal control over financial reporting during our fourth quarter of fiscal year 2014, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Information required by this item is included in Part I above under the caption “Executive Officers of the Registrant” and in the Proxy Statement under the captions “Proposal 1: Election of Directors,” “Section 16(a) Beneficial Ownership Reporting Compliance,” and “Board and Committee Information” and is incorporated by reference in this report.

We have adopted a code of ethics applicable to our chief executive officer, chief financial officer, controller and other employees with important roles in the financial reporting process. The code of ethics is available on our website located at www.pall.com/policies. In addition, we will provide to any person, without charge, upon request, a copy of the code of ethics, by addressing your request in writing to the Corporate Compliance and Ethics Officer, Pall Corporation, 25 Harbor Park Drive, Port Washington, NY, 11050.

We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of this code of ethics by posting such information on the website specified above.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item is included in the Proxy Statement under the caption “Executive Compensation,” “Compensation Tables” and “Non-Employee Directors Compensation” and is incorporated by reference in this report.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required by this item is included in the Proxy Statement under the captions “Equity Compensation Plans,” “Governance of the Company – Securities Ownership,” and “Beneficial Ownership,” and is incorporated by reference in this report.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by this item is included in the Proxy Statement under the captions “Governance of the Company – Director Independence,” “Board and Committee Information,” “Policies and Procedures for Related Person Transactions” and “Related Person Transactions,” and is incorporated by reference in this report.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this item is included in the Proxy Statement under the captions “Audit and Non-Audit Fees” and “Policy on Audit Committee Pre-Approval of Audit and Permitted Non-Audit Services,” and is incorporated by reference in this report.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) Documents filed as part of the Form 10-K:

(1) The following items are filed as part of this report:
Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets – July 31, 2014 and July 31, 2013
Consolidated Statements of Earnings – years ended July 31, 2014, July 31, 2013 and July 31, 2012
Consolidated Statements of Comprehensive Income – years ended July 31, 2014, July 31, 2013 and July 31, 2012
Consolidated Statements of Stockholders' Equity – years ended July 31, 2014, July 31, 2013 and July 31, 2012
Consolidated Statements of Cash Flows – years ended July 31, 2014, July 31, 2013 and July 31, 2012
Notes to consolidated financial statements

(2) The following financial statement schedule is filed as part of this report:
Schedule II – Valuation and Qualifying Accounts

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or in the notes thereto.

(3) Exhibits:
The exhibits listed in the accompanying Exhibit Index are filed or incorporated by reference as part of this report.

Exhibit Index

Exhibit Number	Description of Exhibit
3.1(i)*	Restated Certificate of Incorporation of the Registrant, as amended through September 1, 2010, filed as Exhibit 3.1(i) to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2010.
3.1(ii)*	By-Laws of the Registrant as amended through December 12, 2012, filed as Exhibit 3.1(i) to the Registrant's Current Report on Form 8-K filed on December 17, 2012.
4.1(i)*	Indenture dated as of June 15, 2010, by and among the Registrant, as Issuer, and The Bank of New York Mellon, as Trustee, relating to the Registrant's 5.00% Senior Notes due June 15, 2020 filed as Exhibit 4 to the Registrant's Current Report on Form 8-K filed on June 18, 2010.
	The exhibits filed herewith do not include other instruments with respect to long-term debt of the Registrant and its subsidiaries, inasmuch as the total amount of debt authorized under any such instrument does not exceed 10% of the total assets of the Registrant and its subsidiaries on a consolidated basis. The Registrant agrees, pursuant to Item 601(b) (4) (iii) of Regulation S-K, that it will furnish a copy of any such instrument to the Securities and Exchange Commission upon request.
10.1(i)*	Credit Agreement dated April 11, 2013, between the Registrant, Bank of America N.A., as Administrative Agent, and the Other Lenders Party Thereto, filed as Exhibit 4(ii) to the Registrant's Current Report on Form 8-K filed on April 16, 2013.

10.2*‡	Letter Agreement dated August 3, 2011 between the Registrant and Lawrence D. Kingsley, filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on August 9, 2011.
10.3*‡	Letter Agreement dated March 17, 2013 between the Registrant and Akhil Johri, filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K/A filed on April 5, 2013.
10.4*‡	Letter Agreement dated August 18, 2010 between the Registrant and Yves Baratelli, filed as Exhibit 10.5 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2012.
10.5*‡	Letter Agreement dated March 13, 2012 between the Registrant and Ruby Chandy, filed as Exhibit 10.6 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2012.

Exhibit Number	Description of Exhibit
10.6*‡	Letter Agreement Amendment dated July 9, 2013 between the Registrant and Ruby Chandy, filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on July 24, 2013.
10.7*‡	Assignment Contract dated July 1, 2012 between Pall GmbH and Wolfgang Platz, filed as Exhibit 10.7 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2012.
10.8*‡	Employment Agreement dated October 1, 2009 between the Registrant and Lisa McDermott, filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on October 7, 2009.
10.9*‡	Pall Corporation Supplementary Pension Plan, amended and restated effective January 1, 2011, filed as Exhibit 10.9 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2012.
10.10*‡	Pall Corporation Supplementary Profit-Sharing Plan, as amended effective July 19, 2005, filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on July 25, 2005.
10.11*‡	Pall Corporation Profit-Sharing Plan as amended and restated as of July 1, 1998, filed as Exhibit 10.15 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2002.
10.12*‡	Pall Corporation Profit-Sharing Plan amended pursuant to provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001, filed as Exhibit 10.17 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2003.
10.13*‡	Pall Corporation Executive Defined Contribution Retirement Plan, effective as of October 1, 2012 filed as Exhibit 10.13 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2012.
10.14*‡	Pall Corporation 2004 Executive Incentive Bonus Plan, as amended effective November 18, 2009, filed as Appendix A to the Registrant's Proxy Statement filed on October 9, 2009.
10.15*‡	Pall Corporation 2012 Executive Incentive Bonus Plan, effective August 1, 2011, filed as Appendix A to the Registrant's Proxy Statement filed on November 9, 2011.
10.16*‡	Pall Corporation 2005 Stock Compensation Plan, as amended effective November 18, 2009, filed as Appendix D to the Registrant's Proxy Statement filed on October 9, 2009.
10.17*‡	Amendment to the Pall Corporation 2005 Stock Compensation Plan, effective August 1, 2011, filed as Exhibit 10.21 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2012.
10.18*‡	Amendment to the Pall Corporation 2005 Stock Compensation Plan, effective April 19, 2012 filed as Exhibit 10.22 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2012.
10.19*‡	Form of Notice of Grant of Restricted Stock Units Under Pall Corporation 2005 Stock Compensation Plan, filed as Exhibit 10.21 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2010.
10.20*‡	

	Form of Notice of Grant of Annual Award Units Under Pall Corporation 2005 Stock Compensation Plan, filed as Exhibit 10.22 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2010.
10.21*‡	Form of Notice of Grant of Stock Option Grant Agreement Under Pall Corporation 2005 Stock Compensation Plan, filed as Exhibit 10.20 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2007.
10.22*‡	Pall Corporation 2012 Stock Compensation Plan, effective December 14, 2011, filed as Appendix B to the Registrant's Proxy Statement filed on November 9, 2011.
10.23*‡	Amendment to the Pall Corporation 2012 Stock Compensation Plan, effective August 1, 2012 filed as Exhibit 10.27 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2012.
10.24*‡	Amendment to the Pall Corporation 2012 Stock Compensation Plan, effective April 19, 2012 filed as Exhibit 10.28 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2012.
10.25*‡	Form of Nonqualified Stock Option Grant Agreement Under Pall Corporation 2012 Stock Compensation Plan, filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended January 31, 2012.
10.26*‡	Form of Restricted Stock Units Award Agreement Under Pall Corporation 2012 Stock Compensation Plan, filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended January 31, 2012.

Exhibit Number	Description of Exhibit
10.27*‡	Form of Notice of Grant of Initial Award Units Under Pall Corporation 2012 Stock Compensation Plan, filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended January 31, 2012.
10.28*‡	Form of Notice of Grant of Annual Award Units Agreement Under Pall Corporation 2012 Stock Compensation Plan, filed as Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended January 31, 2012.
10.29*‡	Form of Performance-Based Restricted Stock Unit Award Agreement Under Pall Corporation 2012 Stock Compensation Plan, filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 2012.
10.30*‡	Pall Corporation 2001 Stock Option Plan for Non-Employee Directors, as amended September 17, 2004, filed as Exhibit 10.25 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2004.
10.31*‡	Pall Corporation Management Stock Purchase Plan, as amended effective September 26, 2011, filed as Exhibit 10.35 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2012.
10.32*‡	Pall Corporation Employee Stock Purchase Plan, as amended effective September 26, 2011, filed as Exhibit 10.36 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2012.
10.33*‡	Principal Rules of the Pall Supplementary Pension Scheme, filed as Exhibit 10.25 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 29, 1995.
10.34*‡	Pall Corporation Management Stock Purchase Plan, as amended effective February 21, 2014, filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended January 31, 2014.
10.35*‡	Pall Corporation 2012 Executive Incentive Bonus Plan, as amended effective February 21, 2014 filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended January 31, 2014.
12†	Ratio of Earnings to Fixed Charges.
21†	Subsidiaries of the Registrant.
23†	Consent of Independent Registered Public Accounting Firm.
31.1†	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2†	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1†	Certification of Chief Executive Officer furnished pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2†	Certification of Chief Financial Officer furnished pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* Incorporated herein by reference. The Registrant’s SEC file number is 001- 04311.

† Filed herewith.

‡ Denotes management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	Pall Corporation
September 8, 2014	By: /s/ AKHIL JOHRI
	Akhil Johri,
	Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ LAWRENCE D. KINGSLEY	Chairman and Chief Executive Officer	September 8, 2014
Lawrence D. Kingsley		
/s/ AKHIL JOHRI	Chief Financial Officer	September 8, 2014
Akhil Johri	(Principal Financial and Accounting Officer)	
/s/ AMY E. ALVING	Director	September 8, 2014
Amy E. Alving		
/s/ ROBERT B. COUTTS	Director	September 8, 2014
Robert B. Coutts		
/s/ MARK E. GOLDSTEIN	Director	September 8, 2014
Mark E. Goldstein		
/s/ CHERYL W. GRISÉ	Director	September 8, 2014
Cheryl W. Grisé		
/s/ RONALD L. HOFFMAN	Lead Director	September 8, 2014
Ronald L. Hoffman		
/s/ DENNIS N. LONGSTREET	Director	September 8, 2014
Dennis N. Longstreet		
/s/ B. CRAIG OWENS	Director	September 8, 2014
B. Craig Owens		
/s/ KATHARINE L. PLOURDE	Director	September 8, 2014
Katharine L. Plourde		
/s/ EDWARD TRAVAGLIANTI	Director	September 8, 2014
Edward Travaglianti		
/s/ BRET W. WISE	Director	September 8, 2014
Bret W. Wise		

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

Pall Corporation:

We have audited the accompanying consolidated balance sheets of Pall Corporation and subsidiaries as of July 31, 2014 and 2013, and the related consolidated statements of earnings, comprehensive income, stockholders’ equity, and cash flows for each of the years in the three-year period ended July 31, 2014. In connection with our audits of the consolidated financial statements, we also have audited the accompanying financial statement schedule. These consolidated financial statements and the financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pall Corporation and subsidiaries as of July 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended July 31, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Pall Corporation and subsidiaries’ internal control over financial reporting as of July 31, 2014, based on criteria established in Internal Control–Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated September 8, 2014 expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

/s/ KPMG LLP

KPMG LLP

Melville, New York

September 8, 2014

PALL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	July 31, 2014	July 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$964,110	$936,886
Accounts receivable	615,713	566,335
Inventory	404,878	381,047
Other current assets	152,522	165,761
Total current assets	2,137,223	2,050,029
Property, plant and equipment	805,327	774,948
Goodwill	491,462	342,492
Intangible assets	242,423	137,243
Other non-current assets	176,078	168,127
Total assets	$3,852,513	$3,472,839
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$424,943	$169,967
Accounts payable	165,373	157,176
Accrued liabilities	328,397	312,829
Income taxes payable	60,775	60,732
Current portion of long-term debt	87,955	420
Dividends payable	30,203	27,947
Total current liabilities	1,097,646	729,071
Long-term debt, net of current portion	375,826	467,319
Income taxes payable – non-current	150,484	141,843
Deferred income taxes	67,303	31,524
Other non-current liabilities	265,897	288,126
Total liabilities	1,957,156	1,657,883
Stockholders' equity:		
Common stock, par value $.10 per share; 500,000 shares authorized; 127,958 shares issued	12,796	12,796
Capital in excess of par value	327,301	298,150
Retained earnings	2,512,961	2,285,031
Treasury stock, at cost (2014 – 18,111 shares, 2013 – 16,170 shares)	(942,780)	(740,229)
Accumulated other comprehensive income/(loss):		
Foreign currency translation	98,689	84,598
Pension liability adjustment	(121,280)	(125,211)
Unrealized investment gains	2,880	2,123
Unrealized gains/(losses) on derivatives	4,790	(2,302)
Total accumulated other comprehensive income/(loss)	(14,921)	(40,792)
Total stockholders' equity	1,895,357	1,814,956
Total liabilities and stockholders' equity	$3,852,513	$3,472,839

See accompanying notes to consolidated financial statements.

PALL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands, except per share data)

	Years Ended		
	July 31, 2014	July 31, 2013	July 31, 2012
Net sales	$2,789,147	$2,648,063	$2,671,656
Cost of sales	1,362,984	1,276,060	1,291,558
Gross profit	1,426,163	1,372,003	1,380,098
Selling, general and administrative expenses	814,461	810,358	843,221
Research and development	102,601	94,216	82,932
Restructuring and other charges, net	40,154	40,182	66,858
Interest expense, net	17,532	15,621	20,177
Earnings from continuing operations before income taxes	451,415	411,626	366,910
Provision for income taxes	87,459	81,664	85,963
Net earnings from continuing operations	$363,956	$329,962	$280,947
Earnings from discontinued operations, net of income taxes	$—	$244,973	$38,362
Net earnings	$363,956	$574,935	$319,309
Earnings per share from continuing operations:			
Basic	$3.29	$2.93	$2.42
Diluted	$3.25	$2.89	$2.39
Earnings per share from discontinued operations:			
Basic	$—	$2.17	$0.33
Diluted	$—	$2.14	$0.32
Earnings per share:			
Basic	$3.29	$5.10	$2.75
Diluted	$3.25	$5.03	$2.71
Average shares outstanding:			
Basic	110,776	112,803	116,061
Diluted	111,949	114,236	117,663

See accompanying notes to consolidated financial statements.

PALL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Years Ended July 31, 2014	July 31, 2013	July 31, 2012
Net earnings	$363,956	$574,935	$319,309
Other comprehensive income/(loss), net of income taxes:			
Foreign currency translation	14,091	(13,065)	(109,815)
Pension liability adjustment	3,931	39,233	(42,613)
Unrealized investment gains/(losses)	757	(1,481)	(5,896)
Unrealized gains/(losses) on derivatives	7,092	(2,572)	270
Total other comprehensive income/(loss), net of income taxes	$25,871	$22,115	$(158,054)
Comprehensive income	$389,827	$597,050	$161,255

See accompanying notes to consolidated financial statements.

PALL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

Years Ended July 31, 2012, July 31, 2013 and July 31, 2014	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Stock Option Loans	Accumulated Other Comprehensive Income/(Loss)	Total
Balance at August 1, 2011	$12,796	$246,665	$1,619,051	$(483,705)	$(133)	$ 95,147	$1,489,821
Net earnings			319,309				319,309
Foreign currency translation						(109,815)	(109,815)
Pension liability adjustment						(42,613)	(42,613)
Unrealized investment gains/(losses), net of reclassification adjustment						(5,896)	(5,896)
Unrealized gains/(losses) on derivatives						270	270
Dividends declared			(94,832)				(94,832)
Issuance of 1,474 shares for stock plans and tax benefit related to stock plans		(14,380)	(2,602)	52,654			35,672
Restricted stock units related to stock plans		7,340					7,340
Stock based compensation expense		31,864					31,864
Purchase of 2,281 shares				(121,164)			(121,164)
Stock option loans					79		79
Balance at July 31, 2012	12,796	271,489	1,840,926	(552,215)	(54)	(62,907)	1,510,035
Net earnings			574,935				574,935
Foreign currency translation						(13,065)	(13,065)
Pension liability adjustment						39,233	39,233
Unrealized investment gains/(losses), net of reclassification adjustment						(1,481)	(1,481)
Unrealized gains/(losses) on derivatives						(2,572)	(2,572)
Dividends declared			(114,516)				(114,516)
Issuance of 1,571 shares for stock plans and tax benefit related to stock plans		(12,658)	(16,314)	61,986			33,014
Restricted stock units related to stock plans		9,541					9,541
Stock based compensation expense		29,778					29,778
Purchase of 3,971 shares				(250,000)			(250,000)
Stock option loans					54		54
Balance at July 31, 2013	12,796	298,150	2,285,031	(740,229)	—	(40,792)	1,814,956

Net earnings			363,956				363,956
Foreign currency translation						14,091	14,091
Pension liability adjustment						3,931	3,931
Unrealized investment gains/(losses), net of reclassification adjustment						757	757
Unrealized gains/(losses) on derivatives						7,092	7,092
Dividends declared			(123,205)				(123,205)
Issuance of 1,115 shares for stock plans and tax benefit related to stock plans		(10,351)	(12,821)	47,449			24,277
Restricted stock units related to stock plans		7,819					7,819
Stock based compensation expense		31,683					31,683
Purchase of 3,056 shares				(250,000)			(250,000)
Balance at July 31, 2014	$12,796	$327,301	$2,512,961	$(942,780)	$—	$ (14,921)	$1,895,357

See accompanying notes to consolidated financial statements.

PALL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended July 31, 2014	July 31, 2013	July 31, 2012
Operating activities:			
Net earnings	$363,956	$574,935	$319,309
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization of long-lived assets	116,392	106,284	111,105
Non-cash stock compensation	31,683	29,778	31,864
Excess tax benefits from stock based compensation arrangements	(12,890)	(15,812)	(7,757)
Amortization of deferred revenue	(2,154)	(2,154)	(2,154)
Deferred income taxes	6,931	11,314	(9,095)
Provisions for doubtful accounts	1,603	7,173	3,387
(Gain)/loss on sale of assets	3,782	(390,187)	(9,289)
Other	1,470	2,233	1,469
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:			
Inventories	12,040	(17,088)	24,111
Accounts receivable	(26,080)	81,916	(50,753)
Income taxes receivable/payable	28,277	6,981	22,238
Accounts payable and accrued expenses	54	(123,801)	83,742
Other assets	(12,708)	13,993	(21,245)
Other liabilities	(8,444)	98,894	(22,084)
Net cash provided by operating activities	503,912	384,459	474,848
Investing activities:			
Capital expenditures	(74,737)	(110,182)	(158,909)
Purchases of retirement benefit assets	(45,045)	(45,718)	(49,552)
Proceeds from sale and maturities of retirement benefit assets	52,695	46,147	50,830
Proceeds from sale of assets	6,099	537,625	26,551
Acquisitions of businesses, net of cash acquired	(318,978)	(21,970)	(167,638)
Other	(13,543)	(6,602)	(11,107)
Net cash provided/(used) by investing activities	(393,509)	399,300	(309,825)
Financing activities:			
Notes payable	254,976	(34,973)	(10,017)
Long-term borrowings	—	14	106
Repayments of short-term debt	(3,927)	—	—
Repayments of long-term debt	(718)	(461)	(511)
Additions to deferred financing costs	—	(3,043)	—
Purchase of treasury stock	(250,000)	(250,000)	(121,164)
Dividends paid	(118,758)	(108,054)	(88,955)
Net proceeds from stock plans	12,625	36,240	39,562
Excess tax benefits from stock based compensation arrangements	12,890	15,812	7,757
Net cash used by financing activities	(92,912)	(344,465)	(173,222)
Cash flow for year	17,491	439,294	(8,199)

Cash and cash equivalents at beginning of year	936,886	500,274	557,766
Effect of exchange rate changes on cash and cash equivalents	9,733	(2,682)	(49,293)
Cash and cash equivalents at end of year	$964,110	$936,886	$500,274
Supplemental disclosures:			
Interest paid	$23,788	$34,373	$23,988
Income taxes paid (net of refunds)	$57,981	$144,733	$90,806

See accompanying notes to consolidated financial statements.

PALL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share data)

NOTE 1 – ACCOUNTING POLICIES AND RELATED MATTERS

The Company

Pall Corporation and its subsidiaries (hereinafter collectively called the "Company" unless the context requires otherwise) manufacture and market filtration, purification and separation products and integrated systems solutions throughout the world to a diverse group of customers. As discussed in Note 18, Segment Information and Geographies, management has determined that the Company's reportable segments, which are also its operating segments, consist of its two businesses: Life Sciences and Industrial.

The Company's fiscal year ends on July 31, and the Company's fiscal quarters end on October 31, January 31 and April 30.

As discussed in Note 19, Discontinued Operations, the Company has sold, effective August 1, 2012, certain assets of its blood collection, filtration and processing product line, which was a component of the Life Sciences segment (the product line sales were reported in the Medical market), and met both the criteria for discontinued operations and held for sale presentation during the third quarter of fiscal year 2012. As such, it has been reported as a discontinued operation in the Company's consolidated financial statements.

Presentation and Use of Estimates

The financial statements of the Company are presented on a consolidated basis with its subsidiaries, substantially all of which are wholly-owned. All significant intercompany balances and transactions have been eliminated in consolidation.

Financial statements of foreign subsidiaries have been translated into United States ("U.S.") Dollars at exchange rates as follows: (i) balance sheet accounts at year-end rates, except certain equity accounts which are translated at historic rates, and (ii) income statement accounts at weighted average rates. Translation gains and losses are reflected in stockholders' equity, while transaction gains and losses, which result from the settlement of foreign denominated receivables and payables at rates that differ from rates in effect at the transaction date, are reflected in earnings. Net transaction gains/(losses) inclusive of offsetting gains/(losses) on foreign currency forward contracts in fiscal years 2014, 2013 and 2012 amounted to $(3,027), ($5,076) and $(3,839), respectively, and were recorded in selling, general and administrative expenses.

To prepare the Company's consolidated financial statements in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), management is required to make assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates are used for, but not limited to, inventory valuation; provisions for doubtful accounts; asset recoverability; depreciable lives of fixed assets and useful lives of patents and amortizable intangibles; fair value of financial instruments; income tax assets and liabilities; pension valuations; restructuring and other charges; valuation of assets acquired and liabilities assumed in business combinations; allocation of costs to operating segments; revenue recognition and liabilities for items such as contingencies and environmental remediation. The Company is subject to uncertainties such as the impact of future events; economic, environmental and political factors; and changes in the business climate. Therefore, actual results may differ from those estimates. When no estimate in a given range is deemed to be better than any other when estimating contingent liabilities, the low end of the range is accrued. Accordingly, the accounting estimates used in the preparation of the Company's consolidated financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the Company's operating environment changes. Such changes and refinements in estimation methodologies are reflected in reported results of operations; if material, the effects of changes in estimates are disclosed in the notes to the consolidated financial statements.

Certain prior year amounts have been reclassified to conform to the current year presentation.

Cash and Cash Equivalents

All financial instruments purchased with a maturity of three months or less, other than amounts held in the benefits protection trust (as discussed in Note 7, Other Current and Non-Current Assets), are considered cash equivalents.

PALL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share data)

Inventories

Inventories are valued at the lower of cost (on the first-in, first-out method) or market.

Investments

Investments (which include equity interests of less than 20%) are primarily considered available-for-sale securities and, as such, are carried at fair value. Unrealized gains and losses on these securities are reported as a separate component of stockholders' equity until realized from sale or when unrealized losses are deemed by management to be other than temporary. Management considers numerous factors, on a case-by-case basis, in evaluating whether the decline in market value of an available-for-sale security below cost is other than temporary. Such factors include, but are not limited to, (i) the length of time and the extent to which the market value has been less than cost; (ii) the financial condition and the near-term prospects of the issuer of the security; and (iii) whether the Company's intent to retain the investment for the period of time is sufficient to allow for any anticipated recovery in market value. Investments are included in "Other non-current assets" in the accompanying consolidated balance sheets.

Acquisition Accounting

Acquisitions of businesses are accounted for using the acquisition method of accounting. The acquisition method of accounting requires, among other things, that assets acquired and liabilities assumed be recognized at their estimated fair values as of the acquisition date. Transaction costs are expensed as incurred. Any excess of the purchase price over the assigned values of the net assets acquired is recorded as goodwill. When the Company acquires net assets that do not constitute a business under U.S. GAAP, no goodwill is recognized.

Goodwill

The Company performs detailed impairment testing for goodwill annually during the Company's fiscal third quarter, or more frequently if certain events or circumstances indicate impairment might have occurred. The Company evaluates the recoverability of goodwill using a two-step impairment test approach at the reporting unit level. The Company's two operating segments, Life Sciences and Industrial, were also determined to be its reporting units. In the first step, the overall fair value for the reporting unit is compared to its book value including goodwill. In the event that the overall fair value of the reporting unit was determined to be less than the book value, a second step is performed which compares the implied fair value of the reporting unit's goodwill to the book value of the goodwill. The implied fair value for the goodwill is determined based on the difference between the overall fair value of the reporting unit and the fair value of the net identifiable assets. If the implied fair value of the goodwill is less than its book value, the difference is recognized as an impairment. In fiscal years 2014 and 2013, the estimated fair values of the Company's reporting units substantially exceeded the carrying values of these reporting units, and as such, the second step was not performed.

Intangible Assets and Property, Plant & Equipment

The Company's amortizable intangible assets, which are comprised almost entirely of patented and unpatented technology, customer-related intangibles and trademarks, are subject to amortization for periods ranging up to 20 years, principally on a straight-line basis. Property, plant and equipment are stated at cost. Depreciation is provided over the estimated useful lives of the respective assets, principally on the straight-line basis. The estimated useful lives range from 30 to 50 years for buildings, 3 to 10 years for machinery and equipment, 3 to 10 years for information technology hardware and software and 8 to 10 years for furniture and fixtures. Leasehold improvements are depreciated over the shorter of the remaining life or the remaining lease term.

The Company reviews its depreciable and amortizable long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of an asset (or asset group) may not be recoverable. If the sum of the expected cash flows, undiscounted, is less than the carrying amount of the asset (or asset group), an impairment loss is recognized as the amount by which the carrying amount of the asset (or asset group) exceeds its fair value.

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Revenue Recognition

Revenue is recognized when title and risk of loss have transferred to the customer and when contractual terms have been fulfilled, except for certain long-term contracts, whereby revenue is recognized under the percentage of completion method (see below). Transfer of title and risk of loss occurs when the product is delivered in accordance with the contractual shipping terms. In instances where contractual terms include a provision for customer acceptance, revenue is recognized when either (i) the Company has previously demonstrated that the product meets the specified criteria based on either seller or customer-specified objective criteria or (ii) upon formal acceptance received from the customer where the product has not been previously demonstrated to meet customer-specified objective criteria.

For contracts accounted for under the percentage of completion method, revenue is based upon the ratio of costs incurred to date compared with estimated total costs to complete. The cumulative impact of revisions to total estimated costs is reflected in the period of the change, including anticipated losses.

Stock Plans

The Company currently has four stock-based employee and director compensation award types, which are described more fully in Note 15, Common Stock. The Company records stock-based compensation, measured at the fair value of the award on the grant date, as an expense in the consolidated statements of earnings. Upon the exercise of stock options or the vesting of restricted stock units, the resulting excess tax benefits, if any, are credited to additional paid-in capital. Any resulting tax deficiencies are offset against those cumulative credits to additional paid-in capital. If the cumulative credits to additional paid-in capital are exhausted, tax deficiencies are recorded to the provision for income taxes. Excess tax benefits are reflected as financing cash inflows in the accompanying consolidated statements of cash flows.

Environmental Matters

Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, based on current law and existing technologies. These accruals are adjusted periodically as facts and circumstances change, assessment and remediation efforts progress or as additional technical or legal information becomes available. Costs of future expenditures for environmental remediation obligations are not discounted to their present value and are expected to be disbursed over an extended period of time. Accruals for environmental liabilities are included in “Accrued liabilities” and “Other non-current liabilities” in the accompanying consolidated balance sheets.

Income Taxes

Income taxes payable, deferred tax assets and liabilities and reserves for unrecognized tax benefits reflect management’s assessment of estimated future taxes to be paid. The Company is subject to income taxes in the U.S. and numerous foreign jurisdictions. Significant judgments and estimates are required in determining the consolidated income tax expense.

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences that have been included in the consolidated financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statement basis and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in earnings in the period that includes the enactment date.

In evaluating the Company’s ability to recover deferred tax assets within the jurisdiction from which they arise, management assesses the generation of sufficient taxable income from all sources, including the scheduled reversal of taxable temporary differences, tax-planning strategies and projected future operating income. To the extent the Company does not consider it “more-likely-than-not” that a deferred tax asset will be recovered, a valuation allowance is established.

When evaluating uncertain tax positions, the Company determines whether the position is "more-likely-than-not" to be sustained upon examination based upon its technical merits or administrative practices or precedents. Any tax position that meets the "more-likely-than-not" recognition threshold is measured and recognized in the consolidated financial statements. The amount of tax benefit to be recognized is the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement.

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The Company recognizes accrued interest expense related to unrecognized income tax benefits in interest expense and the obligation is recorded in current or non-current interest payable on the Company's consolidated balance sheet. Penalties are accrued as part of the provision for income taxes and the unpaid balance at the end of a reporting period is recorded as part of current or non-current income taxes payable.

For further discussion, refer to Note 11, Income Taxes.

Earnings Per Share

The consolidated statements of earnings present basic and diluted earnings per share. Basic earnings per share is determined by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share considers the potential effect of dilution on basic earnings per share assuming potentially dilutive securities that meet certain criteria, such as stock options, were outstanding since issuance. The treasury stock method is used to determine the dilutive effect of potentially dilutive securities.

Employee stock options and restricted stock units of 517, 957 and 685 for fiscal years 2014, 2013 and 2012, respectively, were not included in the computation of diluted shares because their effect would have been antidilutive.

The following is a reconciliation between average basic shares outstanding and average diluted shares outstanding:

	2014	2013	2012
Average basic shares outstanding	110,776	112,803	116,061
Effect of dilutive securities (a)	1,173	1,433	1,602
Average diluted shares outstanding	111,949	114,236	117,663

(a) Refer to Note 15, Common Stock, for a description of the Company's stock award types.

Derivative Instruments

The Company's derivative instruments are recorded as either assets or liabilities in the consolidated balance sheets based on their fair values. Changes in the fair values are reported in earnings or other comprehensive income depending on the use of the derivative and whether it qualifies for hedge accounting. Derivative instruments designated as hedges are accounted for as either a hedge of a recognized asset or liability (fair value hedge) or a hedge of a forecasted transaction (cash flow hedge). For the effective portion of derivatives designated as cash flow hedges, changes in fair values are recognized in other comprehensive income/(loss). Changes in fair values related to fair value hedges as well as the ineffective portion of cash flow hedges are recognized in earnings. Changes in the fair value of the underlying hedged item of a fair value hedge are also recognized in earnings. For further discussion, refer to Note 10, Financial Instruments and Risks & Uncertainties.

Adoption of New Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board ("FASB") issued new accounting guidance which amended Accounting Standards Codification ("ASC") 220, "Comprehensive Income." The amended guidance requires entities to provide information about the amounts reclassified out of accumulated other comprehensive income by component. Additionally, entities are required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required under U.S. generally accepted accounting principles ("GAAP") to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures in the financial statements. The amended guidance does not change the current requirements for reporting net income or other comprehensive income. The adoption of this disclosure-only guidance did not have an impact on our consolidated financial results.

In July 2013, the FASB issued new accounting guidance which requires the netting of unrecognized tax benefits against a deferred tax asset for a loss or other carry forward that would apply in settlement of the uncertain tax positions. Under the new standard, unrecognized tax benefits will be netted against all available same-jurisdiction loss or other tax carry forwards that would be utilized, rather than only against carry forwards that are created by the unrecognized tax benefits. The adoption of this accounting guidance did not have a material impact on our consolidated financial results.

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NOTE 2 – RESTRUCTURING AND OTHER CHARGES, NET
The following tables summarize the restructuring and other charges ("ROTC") recorded in fiscal years 2014, 2013 and 2012:

2014	Restructuring (1)	Other Charges/(Gains) (2)	Total
Severance benefits and other employment contract obligations	$27,803	$ (402)	$27,401
Professional fees and other costs, net of receipt of insurance claim payments	4,419	3,402	7,821
(Gain)/loss on sale and impairment of assets, net	4,002	(1,480)	2,522
Environmental matters	—	4,440	4,440
Reversal of excess restructuring reserves	(2,030)	—	