

PARKER HANNIFIN CORPORATION - JUNE 30, 2018
CONSOLIDATED STATEMENT OF INCOME

(Dollars in thousands except per share amounts)	Three Months Ended June 30,		Twelve Months Ended June 30,	
	2018	2017	2018	2017
Net sales	\$ 3,817,477	\$ 3,496,238	\$ 14,302,392	\$ 12,029,312
Cost of sales	2,835,885	2,654,682	10,762,841	9,188,962
Selling, general and administrative expenses	422,423	402,352	1,657,152	1,453,935
Interest expense	53,040	52,787	213,873	162,436
Other expense (income), net	8,202	(14,194)	(33,751)	(104,662)
Income before income taxes	497,927	400,611	1,702,277	1,328,641
Income taxes	144,599	107,252	640,962	344,797
Net income	353,328	293,359	1,061,315	983,844
Less: Noncontrolling interests	72	54	514	432
Net income attributable to common shareholders	\$ 353,256	\$ 293,305	\$ 1,060,801	\$ 983,412
Earnings per share attributable to common shareholders:				
Basic earnings per share	\$ 2.66	\$ 2.20	\$ 7.98	\$ 7.37
Diluted earnings per share	\$ 2.62	\$ 2.15	\$ 7.83	\$ 7.25
Average shares outstanding during period - Basic	132,696,489	133,278,324	133,004,613	133,377,547
Average shares outstanding during period - Diluted	135,001,851	136,154,741	135,426,834	135,559,764
Cash dividends per common share	\$.76	\$.66	\$ 2.74	\$ 2.58

RECONCILIATION OF EARNINGS PER DILUTED SHARE TO ADJUSTED EARNINGS PER DILUTED SHARE

(Unaudited)	Three Months Ended June 30,		Twelve Months Ended June 30,	
	2018	2017	2018	2017
(Amounts in dollars)				
Earnings per diluted share	\$ 2.62	\$ 2.15	\$ 7.83	\$ 7.25
Adjustments:				
Business realignment charges	0.10	0.11	0.26	0.30
Clarcor costs to achieve	0.04	-	0.20	-
Net loss on sale and writedown of assets	0.39	-	0.41	-
U.S. Tax Reform one-time impact, net	0.07	-	1.72	-
Acquisition-related expenses	-	0.19	-	0.56
Adjusted earnings per diluted share	\$ 3.22	\$ 2.45	\$ 10.42	\$ 8.11

RECONCILIATION OF EBITDA TO ADJUSTED EBITDA

(Unaudited)	Three Months Ended June 30,	
	2018	2017
(Dollars in thousands)		
Net sales	\$ 3,817,477	\$ 3,496,238
Earnings before income taxes	\$ 497,927	\$ 400,611
Depreciation and amortization	114,769	118,686
Interest expense	53,040	52,787
EBITDA	665,736	572,084
Adjustments:		
Business realignment charges	17,843	21,437
Clarcor costs to achieve	8,292	-
Loss on sale and writedown of assets	26,513	-
Acquisition-related expenses	-	36,303
Adjusted EBITDA	\$ 718,384	\$ 629,824
EBITDA margin	17.4%	16.4%
Adjusted EBITDA margin	18.8%	18.0%

BUSINESS SEGMENT INFORMATION

(Dollars in thousands)	Three Months Ended June 30,		Twelve Months Ended June 30,	
	2018	2017	2018	2017
Net sales				
Diversified Industrial:				
North America	\$ 1,804,948	\$ 1,665,483	\$ 6,726,900	\$ 5,366,809
International	1,376,118	1,227,999	5,259,793	4,377,776
Aerospace Systems	636,411	602,756	2,315,699	2,284,727
Total	\$ 3,817,477	\$ 3,496,238	\$ 14,302,392	\$ 12,029,312
Segment operating income				
Diversified Industrial:				
North America	\$ 313,493	\$ 261,509	\$ 1,076,021	\$ 873,552
International	203,340	161,499	765,188	579,207
Aerospace Systems	126,735	111,732	397,970	337,496
Total segment operating income	643,568	534,740	2,239,179	1,790,255
Corporate general and administrative expenses	58,471	51,925	200,901	172,632
Income before interest and other expense	585,097	482,815	2,038,278	1,617,623
Interest expense	53,040	52,787	213,873	162,436
Other expense	34,130	29,417	122,128	126,546
Income before income taxes	\$ 497,927	\$ 400,611	\$ 1,702,277	\$ 1,328,641

RECONCILIATION OF TOTAL SEGMENT OPERATING MARGIN TO ADJUSTED TOTAL SEGMENT OPERATING MARGIN

(Unaudited)	Three Months Ended		Three Months Ended	
	June 30, 2018		June 30, 2017	
(Dollars in thousands)	Operating income	Operating margin	Operating income	Operating margin
Total segment operating income	\$ 643,568	16.9%	\$ 534,740	15.3%
Adjustments:				
Business realignment charges	17,843		20,653	
Clarcor costs to achieve	8,292		-	
Acquisition-related expenses	-		32,182	
Adjusted total segment operating income	\$ 669,703	17.5%	\$ 587,575	16.8%

CONSOLIDATED BALANCE SHEET

(Dollars in thousands)	June 30,	
	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 822,137	\$ 884,886
Marketable securities and other investments	32,995	39,318
Trade accounts receivable, net	2,145,517	1,930,751
Non-trade and notes receivable	328,399	254,987
Inventories	1,621,304	1,549,494
Prepaid expenses	134,886	120,282
Total current assets	5,085,238	4,779,718
Plant and equipment, net	1,856,237	1,937,292
Deferred income taxes	57,623	36,057
Goodwill	5,504,420	5,586,878
Intangible assets, net	2,015,520	2,307,484
Other assets	801,049	842,475
Total assets	\$ 15,320,087	\$ 15,489,904
Liabilities and equity		
Current liabilities:		
Notes payable	\$ 638,466	\$ 1,008,465
Accounts payable	1,430,306	1,300,496
Accrued liabilities	929,833	933,762
Accrued domestic and foreign taxes	198,878	153,137
Total current liabilities	3,197,483	3,395,860
Long-term debt	4,318,559	4,861,895
Pensions and other postretirement benefits	1,177,605	1,406,082
Deferred income taxes	234,858	221,790
Other liabilities	526,089	336,931
Shareholders' equity	5,859,866	5,261,649
Noncontrolling interests	5,627	5,697
Total liabilities and equity	\$ 15,320,087	\$ 15,489,904

CONSOLIDATED STATEMENT OF CASH FLOWS

(Dollars in thousands)	Twelve Months Ended June 30,	
	2018	2017
Cash flows from operating activities:		
Net income	\$ 1,061,315	\$ 983,844
Depreciation and amortization	466,085	355,229
Stock incentive plan compensation	118,831	80,339
Loss (gain) on sale of businesses	19,666	(41,285)
(Gain) loss on disposal of assets	(24,422)	1,494
(Gain) on sale of marketable securities	(2)	(1,032)
Loss on sale and impairment of investments	33,759	-
Net change in receivables, inventories and trade payables	(268,280)	5,741
Net change in other assets and liabilities	227,463	(126,943)
Other, net	(34,128)	45,084
Net cash provided by operating activities	1,600,287	1,302,471
Cash flows from investing activities:		
Acquisitions (net of cash of \$157,426 in 2017)	-	(4,069,197)
Capital expenditures	(247,667)	(203,748)
Proceeds from sale of plant and equipment	81,881	14,648
Proceeds from sale of businesses	177,741	85,610
Purchases of marketable securities and other investments	(80,607)	(465,666)
Maturities and sales of marketable securities and other investments	83,905	1,279,318
Other, net	4,837	(6,113)
Net cash provided by (used in) investing activities	20,090	(3,365,148)
Cash flows from financing activities:		
Net payments for common stock activity	(377,359)	(335,876)
Net (payments for) proceeds from debt	(939,325)	2,463,884
Dividends	(365,288)	(345,380)
Net cash (used in) provided by financing activities	(1,681,972)	1,782,628
Effect of exchange rate changes on cash	(1,154)	(56,718)
Net (decrease) in cash and cash equivalents	(62,749)	(336,767)
Cash and cash equivalents at beginning of period	884,886	1,221,653
Cash and cash equivalents at end of period	\$ 822,137	\$ 884,886

RECONCILIATION OF CASH FLOW FROM OPERATIONS TO ADJUSTED CASH FLOW FROM OPERATIONS

(Unaudited)

(Amounts in thousands)	Twelve Months Ended June 30, 2018		Twelve Months Ended June 30, 2017	
		Percent of sales		Percent of sales
As reported cash flow from operations	\$ 1,600,287	11.2%	\$ 1,302,471	10.8%
Discretionary pension contribution	-		220,000	
Adjusted cash flow from operations	\$ 1,600,287	11.2%	\$ 1,522,471	12.7%

CALCULATION OF FREE CASH FLOW CONVERSION

(Unaudited)

	Twelve Months Ended June 30, 2018
Net income	\$ 1,061,315
Cash flow from operations	1,600,287
Capital expenditures	(247,667)
Free cash flow	\$ 1,352,620
Free cash flow conversion (free cash flow/net income)	127%

RECONCILIATION OF FORECASTED EARNINGS PER DILUTED SHARE TO ADJUSTED FORECASTED EARNINGS PER DILUTED SHARE

(Unaudited)

(Amounts in dollars)	Fiscal Year
	2019
Forecasted earnings per diluted share	\$10.50 - \$11.30
Adjustments:	
Business realignment charges	0.13
Clarcor costs to achieve	0.07
Adjusted forecasted earnings per diluted share	\$10.70 - \$11.50