

PARKER HANNIFIN CORPORATION - MARCH 31, 2016
CONSOLIDATED STATEMENT OF INCOME

(Unaudited) (Dollars in thousands except per share amounts)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2016	2015	2016	2015
Net sales	\$ 2,828,665	\$ 3,162,311	\$ 8,403,603	\$ 9,567,236
Cost of sales	2,209,401	2,373,016	6,550,929	7,234,465
Gross profit	619,264	789,295	1,852,674	2,332,771
Selling, general and administrative expenses	335,908	372,306	1,020,788	1,152,950
Interest expense	33,745	35,003	103,802	83,609
Other (income), net	(23,382)	(6,380)	(50,438)	(32,055)
Income before income taxes	272,993	388,366	778,522	1,128,267
Income taxes	85,851	102,904	213,217	295,299
Net income	187,142	285,462	565,305	832,968
Less: Noncontrolling interests	58	117	261	282
Net income attributable to common shareholders	\$ 187,084	\$ 285,345	\$ 565,044	\$ 832,686
Earnings per share attributable to common shareholders:				
Basic earnings per share	\$ 1.39	\$ 2.06	\$ 4.16	\$ 5.77
Diluted earnings per share	\$ 1.37	\$ 2.02	\$ 4.12	\$ 5.68
Average shares outstanding during period - Basic	134,809,610	138,794,789	135,675,823	144,342,288
Average shares outstanding during period - Diluted	136,552,769	141,189,803	137,311,848	146,627,273
Cash dividends per common share	\$.63	\$.63	\$ 1.89	\$ 1.74

RECONCILIATION OF NET INCOME AND EARNINGS PER DILUTED SHARE TO ADJUSTED NET INCOME AND EARNINGS PER DILUTED SHARE

Net income	\$ 187,142	\$ 285,462	\$ 565,305	\$ 832,968
Adjustments:				
Business realignment charges	19,226	6,352	60,241	18,496
Adjusted net income	\$ 206,368	\$ 291,814	\$ 625,546	\$ 851,464
Earnings per diluted share	\$ 1.37	\$ 2.02	\$ 4.12	\$ 5.68
Adjustments:				
Business realignment charges	0.14	0.04	0.44	0.13
Adjusted earnings per diluted share	\$ 1.51	\$ 2.06	\$ 4.56	\$ 5.81

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BUSINESS SEGMENT INFORMATION

(Unaudited)

(Dollars in thousands)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2016	2015	2016	2015
Net sales				
Diversified Industrial:				
North America	\$ 1,247,904	\$ 1,441,625	\$ 3,695,008	\$ 4,302,644
International	1,019,776	1,148,248	3,050,687	3,599,145
Aerospace Systems	560,985	572,438	1,657,908	1,665,447
Total	\$ 2,828,665	\$ 3,162,311	\$ 8,403,603	\$ 9,567,236
Segment operating income				
Diversified Industrial:				
North America	\$ 202,180	\$ 235,516	\$ 568,509	\$ 726,640
International	105,161	139,473	329,823	465,803
Aerospace Systems	84,238	73,334	240,005	205,500
Total segment operating income	391,579	448,323	1,138,337	1,397,943
Corporate general and administrative expenses	42,322	45,515	126,583	152,319
Income before interest and other	349,257	402,808	1,011,754	1,245,624
Interest expense	33,745	35,003	103,802	83,609
Other expense (income)	42,519	(20,561)	129,430	33,748
Income before income taxes	\$ 272,993	\$ 388,366	\$ 778,522	\$ 1,128,267

RECONCILIATION OF SEGMENT OPERATING MARGIN TO ADJUSTED SEGMENT OPERATING MARGIN

(Unaudited)

	Three Months Ended		Nine Months Ended	
	March 31, 2016		March 31, 2016	
	Operating income	Margin	Operating income	Margin
As reported segment operating income	\$ 391,579	13.8%	\$ 1,138,337	13.5%
Adjustments:				
Business realignment charges	25,030		81,618	
Adjusted segment operating income	\$ 416,609	14.7%	\$ 1,219,955	14.5%

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CONSOLIDATED BALANCE SHEET

(Unaudited)

(Dollars in thousands)

Assets

Current assets:

	March 31, 2016	June 30, 2015	March 31, 2015
Cash and cash equivalents	\$ 1,034,971	\$ 1,180,584	\$ 1,017,013
Marketable securities and other investments	1,069,658	733,490	1,013,692
Trade accounts receivable, net	1,587,785	1,620,194	1,701,017
Non-trade and notes receivable	245,248	364,534	324,140
Inventories	1,248,213	1,300,459	1,387,681
Prepaid expenses	124,025	241,684	188,855
Deferred income taxes	146,939	142,147	152,599
Total current assets	5,456,839	5,583,092	5,784,997
Plant and equipment, net	1,598,758	1,664,022	1,643,538
Goodwill	2,948,284	2,942,679	2,892,705
Intangible assets, net	961,206	1,013,439	1,022,425
Other assets	1,104,314	1,091,805	993,550
Total assets	\$ 12,069,401	\$ 12,295,037	\$ 12,337,215

Liabilities and equity

Current liabilities:

Notes payable	\$ 576,621	\$ 223,142	\$ 665,123
Accounts payable	999,159	1,092,138	1,138,163
Accrued liabilities	801,716	894,555	822,385
Accrued domestic and foreign taxes	123,123	140,295	141,653
Total current liabilities	2,500,619	2,350,130	2,767,324
Long-term debt	2,675,000	2,723,960	2,724,943
Pensions and other postretirement benefits	1,483,641	1,699,197	1,288,166
Deferred income taxes	80,452	77,967	78,276
Other liabilities	302,706	336,214	323,567
Shareholders' equity	5,023,612	5,104,287	5,151,715
Noncontrolling interests	3,371	3,282	3,224
Total liabilities and equity	\$ 12,069,401	\$ 12,295,037	\$ 12,337,215

PARKER HANNIFIN CORPORATION - MARCH 31, 2016

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)	Nine Months Ended March 31,	
(Dollars in thousands)	2016	2015
Cash flows from operating activities:		
Net income	\$ 565,305	\$ 832,968
Depreciation and amortization	231,777	237,232
Stock incentive plan compensation	53,735	74,830
Gain on sale of businesses	(10,668)	(4,732)
Loss on disposal of assets	76	10,248
Gain on sale of marketable securities	(535)	-
Net change in receivables, inventories, and trade payables	(19,661)	(132,515)
Net change in other assets and liabilities	(138,268)	(118,047)
Other, net	(262)	(108,934)
Net cash provided by operating activities	681,499	791,050
Cash flows from investing activities:		
Acquisitions (net of cash of \$3,814 in 2016 and \$3,979 in 2015)	(67,552)	(18,640)
Capital expenditures	(110,804)	(157,418)
Proceeds from sale of plant and equipment	14,112	15,525
Proceeds from sale of businesses	24,325	35,577
Purchases of marketable securities and other investments	(1,188,594)	(1,456,410)
Maturities and sales of marketable securities and other investments	974,417	828,653
Other, net	(40,364)	(44,726)
Net cash (used in) investing activities	(394,460)	(797,439)
Cash flows from financing activities:		
Net payments for common stock activity	(441,300)	(1,326,521)
Net proceeds from debt	305,555	1,117,343
Dividends	(256,890)	(252,745)
Net cash (used in) financing activities	(392,635)	(461,923)
Effect of exchange rate changes on cash	(40,017)	(128,230)
Net (decrease) in cash and cash equivalents	(145,613)	(596,542)
Cash and cash equivalents at beginning of period	1,180,584	1,613,555
Cash and cash equivalents at end of period	\$ 1,034,971	\$ 1,017,013

PARKER HANNIFIN CORPORATION - MARCH 31, 2016

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

(Unaudited)

(Amounts in dollars)

	Fiscal Year 2016
Forecasted earnings per diluted share	<u>\$5.57 to \$5.77</u>
Adjustments:	
Business realignment charges	.63
Adjusted forecasted earnings per diluted share	<u>\$6.20 to \$6.40</u>