

PARKER HANNIFIN CORPORATION - SEPTEMBER 30, 2018

CONSOLIDATED STATEMENT OF INCOME

(Unaudited) Three Months Ended September 30,
(Dollars in thousands except per share amounts) 2018 2017

Net sales	\$	3,479,294	\$	3,364,651
Cost of sales		2,594,823		2,523,294
Selling, general and administrative expenses		394,322		396,984
Interest expense		44,339		53,555
Other (income) expense, net		(13,913)		16,516
Income before income taxes		459,723		374,302
Income taxes		83,824		88,767
Net income		375,899		285,535
Less: Noncontrolling interests		188		138
Net income attributable to common shareholders	\$	375,711	\$	285,397

Earnings per share attributable to common shareholders:

Basic earnings per share	\$	2.84	\$	2.14
Diluted earnings per share	\$	2.79	\$	2.10
Average shares outstanding during period - Basic		132,361,654		133,176,964
Average shares outstanding during period - Diluted		134,664,496		135,794,270
Cash dividends per common share	\$	0.76	\$	0.66

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

(Unaudited)	Three Months Ended September 30,			
(Amounts in dollars)	2018 2017			
Earnings per diluted share	\$	2.79	\$	2.10
Adjustments:				
Loss on sale of investment		-		0.07
Business realignment charges		0.01		0.04
Clarcor costs to achieve		0.04		0.03
Adjusted earnings per diluted share	\$	2.84	\$	2.24

RECONCILIATION OF EBITDA TO ADJUSTED EBITDA

(Unaudited)	Three Months Ended September 30,			
(Dollars in thousands)	2018 2017			
Net sales	\$	3,479,294	\$	3,364,651
Earnings before income taxes	\$	459,723	\$	374,302
Depreciation and amortization		112,491		116,107
Interest expense		44,339		53,555
EBITDA		616,553		543,964
Adjustments:				
Loss on sale of investment		-		13,777
Business realignment charges		2,403		8,226
Clarcor costs to achieve		6,210		5,800
Adjusted EBITDA	\$	625,166	\$	571,767
EBITDA margin		17.7%		16.2%
Adjusted EBITDA margin		18.0%		17.0%

PARKER HANNIFIN CORPORATION - SEPTEMBER 30, 2018

BUSINESS SEGMENT INFORMATION

(Unaudited) Three Months Ended September 30,
(Dollars in thousands) 2018 2017

Net sales					
Diversified Industrial:					
North America	\$	1,681,044	\$	1,594,691	
International		1,233,766		1,238,774	
Aerospace Systems		564,484		531,186	
Total net sales	\$	3,479,294	\$	3,364,651	
Segment operating income					
Diversified Industrial:					
North America	\$	275,111	\$	256,027	
International		206,094		191,791	
Aerospace Systems		109,855		77,434	
Total segment operating income		591,060		525,252	
Corporate general and administrative expenses		50,325		41,350	
Income before interest and other expense		540,735		483,902	
Interest expense		44,339		53,555	
Other expense		36,673		56,045	
Income before income taxes	\$	459,723	\$	374,302	

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

(Unaudited)	Three Months Ended		Three Months Ended	
	September 30, 2018		September 30, 2017	
(Dollars in thousands)	Operating income	Operating margin	Operating income	Operating margin
Total segment operating income	\$ 591,060	17.0%	\$ 525,252	15.6%
Adjustments:				
Business realignment charges	2,403		8,226	
Clarcor costs to achieve	6,155		5,800	
Adjusted total segment operating income	\$ 599,618	17.2%	\$ 539,278	16.0%

PARKER HANNIFIN CORPORATION - SEPTEMBER 30, 2018

CONSOLIDATED BALANCE SHEET

(Unaudited)

(Dollars in thousands)

	September 30, 2018	June 30, 2018	September 30, 2017
Assets			
Current assets:			
Cash and cash equivalents	\$ 952,122	\$ 822,137	\$ 874,766
Marketable securities and other investments	40,787	32,995	99,792
Trade accounts receivable, net	2,065,158	2,145,517	1,922,288
Non-trade and notes receivable	312,162	328,399	266,421
Inventories	1,762,640	1,621,304	1,707,001
Prepaid expenses and other	165,213	134,886	134,350
Total current assets	5,298,082	5,085,238	5,004,618
Plant and equipment, net	1,828,034	1,856,237	1,962,846
Deferred income taxes	99,886	57,623	35,194
Goodwill	5,485,144	5,504,420	5,679,239
Intangible assets, net	1,956,101	2,015,520	2,215,297
Other assets	757,795	801,049	834,085
Total assets	\$ 15,425,042	\$ 15,320,087	\$ 15,731,279

Liabilities and equity

Current liabilities:

Notes payable	\$ 796,861	\$ 638,466	\$ 1,144,054
Accounts payable	1,404,716	1,430,306	1,304,260
Accrued liabilities	868,521	929,833	845,524
Accrued domestic and foreign taxes	238,423	198,878	173,286
Total current liabilities	3,308,521	3,197,483	3,467,124
Long-term debt	4,313,221	4,318,559	4,788,147
Pensions and other postretirement benefits	958,937	1,177,605	1,391,820
Deferred income taxes	265,418	234,858	212,334
Other liabilities	471,839	526,089	341,195
Shareholders' equity	6,101,380	5,859,866	5,524,940
Noncontrolling interests	5,726	5,627	5,719
Total liabilities and equity	\$ 15,425,042	\$ 15,320,087	\$ 15,731,279

PARKER HANNIFIN CORPORATION - SEPTEMBER 30, 2018

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

Three Months Ended September 30,

(Dollars in thousands)

2018

2017

Cash flows from operating activities:			
Net income	\$	375,899	\$ 285,535
Depreciation and amortization		112,491	116,107
Stock incentive plan compensation		42,941	43,211
Loss on sale of businesses		3,029	-
(Gain) on disposal of assets		(3,826)	(256)
(Gain) on sale of marketable securities		(3,204)	-
(Gain) loss on investments		(2,536)	13,777
Net change in receivables, inventories, and trade payables		(70,973)	(129,061)
Net change in other assets and liabilities		(329,726)	(105,127)
Other, net		35,293	13,814
Net cash provided by operating activities		159,388	238,000
Cash flows from investing activities:			
Acquisitions (net of cash of \$690 in 2018)		(2,042)	-
Capital expenditures		(42,106)	(79,336)
Proceeds from sale of plant and equipment		10,969	12,448
Proceeds from sale of businesses		4,515	-
Purchases of marketable securities and other investments		(2,844)	(70,253)
Maturities and sales of marketable securities and other investments		14,127	12,499
Other, net		2,318	7,329
Net cash (used in) investing activities		(15,063)	(117,313)
Cash flows from financing activities:			
Net payments for common stock activity		(64,855)	(76,915)
Net proceeds from debt		158,477	29,606
Dividends		(100,869)	(88,104)
Net cash (used in) financing activities		(7,247)	(135,413)
Effect of exchange rate changes on cash		(7,093)	4,606
Net increase (decrease) in cash and cash equivalents		129,985	(10,120)
Cash and cash equivalents at beginning of period		822,137	884,886
Cash and cash equivalents at end of period	\$	952,122	\$ 874,766

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

(Unaudited)

(Dollars in thousands)	Three Months Ended		Three Months Ended	
	September 30, 2018	Percent of sales	September 30, 2017	Percent of sales
As reported cash flow from operations	\$ 159,388	4.6%	\$ 238,000	7.1%
Discretionary pension contribution	200,000		-	
Adjusted cash flow from operations	\$ 359,388	10.3%	\$ 238,000	7.1%

PARKER HANNIFIN CORPORATION - SEPTEMBER 30, 2018

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	<u>\$10.90 - \$11.50</u>
Adjustments:	
Business realignment charges	0.13
Clarcor costs to achieve	0.07
Adjusted forecasted earnings per diluted share	<u>\$11.10 - \$11.70</u>