

**PARKER HANNIFIN CORPORATION - SEPTEMBER 30, 2019****CONSOLIDATED STATEMENT OF INCOME**

(Unaudited) (Dollars in thousands except per share amounts)	Three Months Ended September 30,	
	2019	2018
<b>Net sales</b>	<b>\$ 3,334,511</b>	<b>\$ 3,479,294</b>
Cost of sales	2,479,741	2,594,823
Selling, general and administrative expenses	399,179	394,322
Interest expense	69,956	44,339
Other (income) expense, net	(47,521)	(13,913)
Income before income taxes	433,156	459,723
Income taxes	94,115	83,824
Net income	339,041	375,899
Less: Noncontrolling interests	143	188
<b>Net income attributable to common shareholders</b>	<b>\$ 338,898</b>	<b>\$ 375,711</b>
<b>Earnings per share attributable to common shareholders:</b>		
Basic earnings per share	\$ 2.64	\$ 2.84
Diluted earnings per share	\$ 2.60	\$ 2.79
Average shares outstanding during period - Basic	128,463,992	132,361,654
Average shares outstanding during period - Diluted	130,130,076	134,664,496

**CASH DIVIDENDS PER COMMON SHARE**

(Unaudited) (Amounts in dollars)	Three Months Ended September 30,	
	2019	2018
<b>Cash dividends per common share</b>	<b>\$ 0.88</b>	<b>\$ 0.76</b>

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

(Unaudited) (Amounts in dollars)	Three Months Ended September 30,	
	2019	2018
<b>Earnings per diluted share</b>	<b>\$ 2.60</b>	<b>\$ 2.79</b>
Adjustments:		
Business realignment charges	0.04	0.02
Clarcor costs to achieve	—	0.05
Lord costs to achieve	0.03	—
Exotic costs to achieve	0.01	—
Acquisition-related expenses	0.14	—
Tax effect of adjustments <sup>1</sup>	(0.06)	(0.02)
<b>Adjusted earnings per diluted share</b>	<b>\$ 2.76</b>	<b>\$ 2.84</b>

<sup>1</sup>This line item reflects the aggregate tax effect of all non-tax adjustments reflected in the preceding line items of the table. We estimate the tax effect of each adjustment item by applying our overall effective tax rate for continuing operations to the pre-tax amount, unless the nature of the item and/or the tax jurisdiction in which the item has been recorded requires application of a specific tax rate or tax treatment, in which case the tax effect of such item is estimated by applying such specific tax rate or tax treatment.

**PARKER HANNIFIN CORPORATION - SEPTEMBER 30, 2019****RECONCILIATION OF EBITDA TO ADJUSTED EBITDA**

(Unaudited)

(Dollars in thousands)

Three Months Ended September 30,

	2019		2018	
<b>Net sales</b>	<b>\$</b>	<b>3,334,511</b>	<b>\$</b>	<b>3,479,294</b>
Net income	\$	339,041	\$	375,899
Income taxes		94,115		83,824
Depreciation and amortization		109,071		112,491
Interest expense		69,956		44,339
<b>EBITDA</b>		<b>612,183</b>		<b>616,553</b>
Adjustments:				
Business realignment charges		4,723		2,403
Clarcor costs to achieve		—		6,210
Lord costs to achieve		3,414		—
Exotic costs to achieve		595		—
Acquisition-related expenses		17,449		—
<b>Adjusted EBITDA</b>	<b>\$</b>	<b>638,364</b>	<b>\$</b>	<b>625,166</b>
<b>EBITDA margin</b>		<b>18.4 %</b>		<b>17.7 %</b>
<b>Adjusted EBITDA margin</b>		<b>19.1 %</b>		<b>18.0 %</b>

**PARKER HANNIFIN CORPORATION - SEPTEMBER 30, 2019**

**BUSINESS SEGMENT INFORMATION**

(Unaudited)

(Dollars in thousands)

Three Months Ended September 30,

**2019**

2018

	Three Months Ended September 30,	
	<b>2019</b>	2018
<b>Net sales</b>		
Diversified Industrial:		
North America	\$ 1,624,605	\$ 1,681,044
International	1,078,850	1,233,766
Aerospace Systems	631,056	564,484
<b>Total net sales</b>	<b>\$ 3,334,511</b>	<b>\$ 3,479,294</b>
<b>Segment operating income</b>		
Diversified Industrial:		
North America	\$ 275,192	\$ 275,111
International	168,573	206,094
Aerospace Systems	122,980	109,855
<b>Total segment operating income</b>	<b>566,745</b>	<b>591,060</b>
Corporate general and administrative expenses	48,902	50,325
Income before interest expense and other expense	517,843	540,735
Interest expense	69,956	44,339
Other expense	14,731	36,673
<b>Income before income taxes</b>	<b>\$ 433,156</b>	<b>\$ 459,723</b>

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

(Unaudited)

(Dollars in thousands)

Three Months Ended

September 30, 2019

Three Months Ended

September 30, 2018

	Three Months Ended		Three Months Ended	
	September 30, 2019		September 30, 2018	
	Operating income	Operating margin	Operating income	Operating margin
<b>Total segment operating income</b>	<b>\$ 566,745</b>	<b>17.0 %</b>	<b>\$ 591,060</b>	<b>17.0 %</b>
Adjustments:				
Business realignment charges	4,718		2,403	
Clarcor costs to achieve	—		6,155	
Lord costs to achieve	3,414		—	
Exotic costs to achieve	595		—	
Acquisition-related expenses	2,519		—	
<b>Adjusted total segment operating income</b>	<b>\$ 577,991</b>	<b>17.3 %</b>	<b>\$ 599,618</b>	<b>17.2 %</b>

**PARKER HANNIFIN CORPORATION - SEPTEMBER 30, 2019**

**CONSOLIDATED BALANCE SHEET**

(Unaudited) September 30,  
(Dollars in thousands) 2019 June 30, September 30,  
2019 2018

**Assets**

**Current assets:**

Cash and cash equivalents	\$ 3,627,393	\$ 3,219,767	\$ 952,122
Marketable securities and other investments	282,102	150,931	40,787
Trade accounts receivable, net	1,983,242	2,131,054	2,065,158
Non-trade and notes receivable	288,762	310,708	312,162
Inventories	1,790,044	1,678,132	1,762,640
Prepaid expenses and other	166,536	182,494	165,213
<b>Total current assets</b>	<b>8,138,079</b>	<b>7,673,086</b>	<b>5,298,082</b>
Plant and equipment, net	1,880,157	1,768,287	1,828,034
Deferred income taxes	145,476	150,462	99,886
Goodwill	5,818,613	5,453,805	5,485,144
Intangible assets, net	2,693,756	1,783,277	1,956,101
Investments and other assets	892,508	747,773	757,795
<b>Total assets</b>	<b>\$ 19,568,589</b>	<b>\$ 17,576,690</b>	<b>\$ 15,425,042</b>

**Liabilities and equity**

**Current liabilities:**

Notes payable	\$ 1,736,779	\$ 587,014	\$ 796,861
Accounts payable	1,287,420	1,413,155	1,404,716
Accrued payrolls and other compensation	310,417	426,285	318,730
Accrued domestic and foreign taxes	188,571	167,312	238,423
Other accrued liabilities	634,141	558,007	549,791
<b>Total current liabilities</b>	<b>4,157,328</b>	<b>3,151,773</b>	<b>3,308,521</b>
Long-term debt	7,366,912	6,520,831	4,313,221
Pensions and other postretirement benefits	1,261,493	1,304,379	958,937
Deferred income taxes	178,454	193,066	265,418
Other liabilities	501,610	438,489	471,839
Shareholders' equity	6,096,616	5,961,969	6,101,380
Noncontrolling interests	6,176	6,183	5,726
<b>Total liabilities and equity</b>	<b>\$ 19,568,589</b>	<b>\$ 17,576,690</b>	<b>\$ 15,425,042</b>

**PARKER HANNIFIN CORPORATION - SEPTEMBER 30, 2019**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

(Unaudited)	Three Months Ended September 30,	
(Dollars in thousands)	2019	2018
<b>Cash flows from operating activities:</b>		
Net income	\$ 339,041	\$ 375,899
Depreciation and amortization	109,071	112,491
Stock incentive plan compensation	52,633	42,941
Loss on sale of businesses	—	3,029
Gain on plant and equipment and intangible assets	(10,269)	(3,826)
Loss (gain) on marketable securities	201	(3,204)
Gain on investments	(498)	(2,536)
Net change in receivables, inventories and trade payables	53,526	(70,973)
Net change in other assets and liabilities	(77,794)	(329,726)
Other, net	(16,780)	35,293
<b>Net cash provided by operating activities</b>	<b>449,131</b>	<b>159,388</b>
<b>Cash flows from investing activities:</b>		
Acquisitions (net of cash of \$8,179 in 2019 and \$690 in 2018)	(1,696,456)	(2,042)
Capital expenditures	(50,345)	(42,106)
Proceeds from sale of plant and equipment	19,284	10,969
Proceeds from sale of businesses	—	4,515
Purchases of marketable securities and other investments	(159,984)	(2,844)
Maturities and sales of marketable securities and other investments	26,477	14,127
Other	8,070	2,318
<b>Net cash used in investing activities</b>	<b>(1,852,954)</b>	<b>(15,063)</b>
<b>Cash flows from financing activities:</b>		
Net payments for common stock activity	(71,985)	(64,855)
Net proceeds from debt	2,023,714	158,477
Dividends	(113,352)	(100,869)
<b>Net cash provided by (used in) financing activities</b>	<b>1,838,377</b>	<b>(7,247)</b>
Effect of exchange rate changes on cash	(26,928)	(7,093)
Net increase in cash and cash equivalents	407,626	129,985
Cash and cash equivalents at beginning of period	3,219,767	822,137
<b>Cash and cash equivalents at end of period</b>	<b>\$ 3,627,393</b>	<b>\$ 952,122</b>

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

(Unaudited)	Three Months Ended		Three Months Ended	
(Dollars in thousands)	September 30, 2019	Percent of sales	September 30, 2018	Percent of sales
<b>As reported cash flow from operations</b>	<b>\$ 449,131</b>	<b>13.5 %</b>	<b>\$ 159,388</b>	<b>4.6 %</b>
Discretionary pension contribution	—		200,000	
<b>Adjusted cash flow from operations</b>	<b>\$ 449,131</b>	<b>13.5 %</b>	<b>\$ 359,388</b>	<b>10.3 %</b>

**PARKER HANNIFIN CORPORATION - SEPTEMBER 30, 2019**

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

(Unaudited)

(Amounts in dollars)

**Fiscal Year 2020**

<b>Forecasted earnings per diluted share</b>	<b>\$8.53 - \$9.33</b>
Adjustments:	
Business realignment charges	<b>0.30</b>
Costs to achieve	<b>0.20</b>
One-time acquisition expenses	<b>1.54</b>
Tax effect of adjustments <sup>1</sup>	<b>(0.47)</b>
<b>Adjusted forecasted earnings per diluted share</b>	<b>\$10.10 - \$10.90</b>

<sup>1</sup>This line item reflects the aggregate tax effect of all non-tax adjustments reflected in the preceding line items of the table. We estimate the tax effect of each adjustment item by applying our overall effective tax rate for continuing operations to the pre-tax amount, unless the nature of the item and/or the tax jurisdiction in which the item has been recorded requires application of a specific tax rate or tax treatment, in which case the tax effect of such item is estimated by applying such specific tax rate or tax treatment.