

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

**FORM 8-K**

**CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) of the  
Securities Exchange Act of 1934**

Date of report (Date of earliest event reported): January 22, 2014

**PARKER-HANNIFIN CORPORATION**

(Exact Name of Registrant as Specified in Charter)

**Ohio**  
(State or other jurisdiction of  
Incorporation or Organization)  
**6035 Parkland Boulevard, Cleveland, Ohio**  
(Address of Principal Executive Offices)

**34-0451060**  
(I.R.S. Employer  
Identification No.)  
**44124-4141**  
(Zip Code)

Registrant's telephone number, including area code: **(216) 896-3000**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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## **Item 2.02 Results of Operations and Financial Condition**

On January 22, 2014, Parker-Hannifin Corporation issued a press release and presented a Webcast announcing results of operations for the quarter ended December 31, 2013. Among other things, the press release reports fiscal second quarter net income of \$253.4 million, or \$1.66 earnings per diluted share compared with \$181.1 million, or \$1.19 earnings per diluted share in the prior-year quarter. A copy of the press release is furnished as Exhibit 99.1 to this report. A copy of the Webcast presentation is furnished as Exhibit 99.2 to this report.

## **Item 9.01 Financial Statements and Exhibits**

(c) Exhibits:

99.1 Press release issued by Parker-Hannifin Corporation, dated January 22, 2014.

99.2 Webcast presentation by Parker-Hannifin Corporation, dated January 22, 2014.

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

PARKER-HANNIFIN CORPORATION

By: /s/ Jon P. Marten

Jon P. Marten

Executive Vice President - Finance &

Administration and Chief Financial Officer

Date: January 22, 2014



Exhibit 99.1

**For Release: Immediately**

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**Stock symbol:**    PH - NYSE

## **Parker Reports Fiscal 2014 Second Quarter Sales, Net Income and Earnings per Share**

- *Orders increase 5 percent, sales increase 1.3 percent, 3.1 percent organically*
- *Earnings per diluted share reach \$1.66, or \$1.24 excluding non-recurring items*
- *Non-recurring items consist of a joint venture gain of \$1.68 per diluted share and asset write downs of \$1.26 per diluted share*
- *Company maintains full year adjusted earnings guidance at midpoint of \$6.40 per diluted share*

**CLEVELAND, January 22, 2014** -- Parker Hannifin Corporation (NYSE: PH), the global leader in motion and control technologies, today reported results for the fiscal 2014 second quarter ended December 31, 2013. Fiscal 2014 second quarter sales increased 1.3 percent to \$3.11 billion, compared with \$3.07 billion in the prior year quarter. Organic growth was 3.1 percent, which excludes an increase of 0.3 percent from acquisitions, a decrease of 0.7 percent from foreign currency translation, and a decrease of 1.4 percent from a joint venture agreement with GE Aviation. Fiscal 2014 second quarter as reported net income was \$253.4 million, or \$1.66 earnings per diluted share compared with \$181.1 million or \$1.19 earnings per diluted share in the prior year quarter. Adjusted net income for the fiscal 2014 second quarter was \$189.9 million, or \$1.24 earnings per diluted share. Fiscal 2014 second quarter adjusted net income and earnings per diluted share exclude asset write downs and a previously announced gain associated with a joint venture agreement between Parker Aerospace and GE Aviation. A reconciliation

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of adjusted net income and earnings per diluted share to as reported net income and earnings per diluted share is included with the financial tables attached to this news release.

Cash flow from operations was \$540.1 million or 8.5 percent of sales for the first six months of fiscal 2014 compared with \$347.3 million or 5.5 percent of sales in the prior year period. Excluding a discretionary contribution to the company's pension plan of \$75 million for the first six months of fiscal 2014 cash flow from operations was 9.7 percent of sales.

"Earnings on an adjusted basis were ahead of what we expected for this quarter as we continue to perform well operationally," said Chairman, CEO and President, Don Washkewicz. "With continued positive order growth and modestly improved macro-economic trends, we remain optimistic about stronger operating performance in the second half of fiscal year 2014."

### **Segment Results**

*Diversified Industrial Segment:* North American second quarter sales increased 0.6 percent to \$1.33 billion, and operating income was \$200.6 million compared with \$190.4 million in the same period a year ago. International second quarter sales increased 4.7 percent to \$1.28 billion, and operating income was \$134.2 million compared with \$125.0 million in the same period a year ago.

*Aerospace Systems Segment:* Second quarter sales decreased 4.7 percent to \$503.8 million, reflecting the impact of the previously announced joint venture between Parker Aerospace and GE Aviation, and operating income was \$45.0 million compared with \$52.2 million in the same period a year ago.

### **Orders**

Parker reported an increase of 5 percent in orders for the quarter ending December 31, 2013, compared with the same quarter a year ago.

The company reported the following orders by business:

- Orders increased 3 percent in the Diversified Industrial North America businesses compared with the same quarter a year ago.
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- Orders increased 6 percent in the Diversified Industrial International businesses compared with the same quarter a year ago.
- Orders increased 7 percent in Aerospace Systems segment on a rolling 12-month average basis.

### **Outlook**

For the fiscal year ending June 30, 2014, the company has provided guidance for adjusted earnings per diluted share in the range of \$6.20 to \$6.60. Fiscal 2014 adjusted earnings guidance includes previously announced restructuring expenses of approximately \$0.47 per diluted share, but does not include the following non-recurring items: a gain of \$1.68 per diluted share associated with the previously announced joint venture agreement between Parker Aerospace and GE Aviation and asset write downs of \$1.26 earnings per diluted share recorded in the quarter ended December 31, 2013. Restructuring expenses were \$0.07 per diluted share in the second quarter of fiscal 2014 and \$0.13 per diluted share year-to-date.

Washkewicz added, "Operationally, our outlook is essentially unchanged. We are optimistic that modestly improved macro-economic trends will continue and anticipate that we will deliver another strong year."

**NOTICE OF CONFERENCE CALL:** Parker Hannifin's conference call and slide presentation to discuss its fiscal 2014 second quarter results are available to all interested parties via live webcast today at 11:00 a.m. ET, on the company's investor information web site at [www.phstock.com](http://www.phstock.com). To access the call, click on the "Live Webcast" link. From this link, users also may complete a pre-call system test and register for e-mail notification of future events and information available from Parker. A replay of the conference call will also be available at [www.phstock.com](http://www.phstock.com) for one year after the call.

With annual sales of \$13 billion in fiscal year 2013, Parker Hannifin is the world's leading diversified manufacturer of motion and control technologies and systems, providing precision-engineered solutions for a wide variety of mobile, industrial and aerospace markets. The company employs approximately

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58,000 people in 49 countries around the world. Parker has increased its annual dividends paid to shareholders for 57 consecutive fiscal years, among the top five longest-running dividend-increase records in the S&P 500 index. For more information, visit the company's web site at [www.parker.com](http://www.parker.com), or its investor information web site at [www.phstock.com](http://www.phstock.com).

**Note on Orders**

Orders provide near-term perspective on the company's outlook, particularly when viewed in the context of prior and future quarterly order rates. However, orders are not in themselves an indication of future performance. All comparisons are at constant currency exchange rates, with the prior year restated to the current-year rates. All exclude acquisitions until they can be reflected in both the numerator and denominator. Aerospace comparisons are rolling 12-month average computations. The total Parker orders number is derived from a weighted average of the year-over-year quarterly percent change in orders for Diversified Industrial North America and Diversified Industrial International, and the year-over-year 12-month rolling average of orders for the Aerospace Systems segment.

**Note on Non-GAAP Numbers**

This press release contains references to (a) sales growth excluding the effects of acquisitions, divestitures and currency exchange rates, (b) net income without the effect of a gain associated with a joint venture agreement and asset write downs, (c) actual and forecasted earnings per diluted share without the effect of a gain associated with a joint venture agreement and asset write downs, and (d) cash flow excluding discretionary contributions to the company's pension plan. The effects of acquisitions, divestitures, currency exchange rates, gain associated with a joint venture agreement, asset write downs, and pension plan contributions are removed to allow investors and the company to meaningfully evaluate changes in sales, net income, earnings per diluted share, and cash flow on a comparable basis from period to period.

**Forward-Looking Statements**

Forward-looking statements contained in this and other written and oral reports are made based on known events and circumstances at the time of release, and as such, are subject in the future to unforeseen uncertainties and risks. All statements regarding future performance, earnings projections, events or developments are forward-looking statements. It is possible that the future performance and earnings projections of the company, including its individual segments, may differ materially from current expectations, depending on economic conditions within its mobile, industrial and aerospace markets, and the company's ability to maintain and achieve anticipated benefits associated with announced realignment activities, strategic initiatives to improve operating margins, actions taken to combat the effects of the current economic environment, and growth, innovation and global diversification initiatives. A change in the economic conditions in individual markets may have a particularly volatile effect on segment performance. Among other factors which may affect future performance are: changes in business relationships with and purchases by or from major customers, suppliers or distributors, including delays or cancellations in shipments, disputes regarding contract terms or significant changes in financial condition, changes in contract cost and revenue estimates for new development programs and changes in product mix; ability to identify acceptable strategic acquisition targets; uncertainties surrounding timing, successful completion or integration of acquisitions and similar transactions; the ability to successfully divest businesses planned for divestiture and realize the anticipated benefits of such divestitures; the determination to undertake business realignment activities and the expected costs thereof and, if undertaken, the ability to complete such activities and realize the anticipated cost savings from such activities; the ability to realize anticipated benefits of the consolidation of the Climate and Industrial Controls Group; threats associated with and efforts to combat terrorism; uncertainties surrounding the ultimate resolution of outstanding legal proceedings, including the outcome of any appeals; competitive market conditions and resulting effects on sales and pricing; increases in raw material costs that cannot be recovered in product pricing; the company's ability to manage costs related to insurance and employee retirement and health care benefits; and global economic factors, including manufacturing activity, air travel trends, currency exchange rates, difficulties entering new markets and general economic conditions such as inflation, deflation, interest rates and credit availability. The company makes these statements as of the date of this disclosure, and undertakes no obligation to update them unless otherwise required by law.

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## CONSOLIDATED STATEMENT OF INCOME

(Unaudited)	Three Months Ended December 31,		Six Months Ended December 31,	
(Dollars in thousands except per share amounts)	2013	2012	2013	2012
<b>Net sales</b>	\$ 3,106,006	\$ 3,065,495	\$ 6,332,150	\$ 6,280,430
Cost of sales	2,419,971	2,421,972	4,896,380	4,899,419
Gross profit	686,035	643,523	1,435,770	1,381,011
Selling, general and administrative expenses	398,636	381,100	805,566	762,222
Goodwill and intangible asset impairment	188,870	—	188,870	—
Interest expense	20,851	24,216	41,809	47,725
Other (income), net	(417,638)	(24,422)	(419,881)	(27,623)
Income before income taxes	495,316	262,629	819,406	598,687
Income taxes	241,912	81,515	321,682	177,625
Net income	253,404	181,114	497,724	421,062
Less: Noncontrolling interests	116	152	120	359
<b>Net income attributable to common shareholders</b>	\$ 253,288	\$ 180,962	\$ 497,604	\$ 420,703

## Earnings per share attributable to common shareholders:

Basic earnings per share	\$ 1.70	\$ 1.21	\$ 3.34	\$ 2.82
Diluted earnings per share	\$ 1.66	\$ 1.19	\$ 3.28	\$ 2.77
Average shares outstanding during period - Basic	149,153,599	149,001,273	149,195,452	149,143,561
Average shares outstanding during period - Diluted	152,151,024	152,198,704	151,743,389	152,018,025
Cash dividends per common share	\$ 0.45	\$ 0.41	\$ 0.90	\$ 0.82

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

<b>Net income</b>	\$ 253,404	\$ 181,114	\$ 497,724	\$ 421,062
Adjustments:				
Asset writedowns	192,188	—	192,188	—
Gain related to joint venture agreement	(255,652)	—	(255,652)	—
<b>Adjusted net income</b>	\$ 189,940	\$ 181,114	\$ 434,260	\$ 421,062
<b>Earnings per diluted share</b>	\$ 1.66	\$ 1.19	\$ 3.28	\$ 2.77
Adjustments:				
Asset writedowns	1.26	—	1.26	—
Gain related to joint venture agreement	(1.68)	—	(1.68)	—
<b>Adjusted earnings per diluted share</b>	\$ 1.24	\$ 1.19	\$ 2.86	\$ 2.77



## BUSINESS SEGMENT INFORMATION BY INDUSTRY

(Unaudited)	Three Months Ended December 31,		Six Months Ended December 31,	
(Dollars in thousands)	2013	2012	2013	2012
<b>Net sales</b>				
Diversified Industrial:				
North America	\$ 1,325,402	\$ 1,317,380	\$ 2,713,277	\$ 2,742,659
International	1,276,851	1,219,459	2,547,646	2,468,032
Aerospace Systems	503,753	528,656	1,071,227	1,069,739
<b>Total</b>	<b>\$ 3,106,006</b>	<b>\$ 3,065,495</b>	<b>\$ 6,332,150</b>	<b>\$ 6,280,430</b>
<b>Segment operating income</b>				
Diversified Industrial:				
North America	\$ 200,628	\$ 190,431	\$ 434,826	\$ 434,506
International	134,198	125,047	307,608	281,645
Aerospace Systems	45,034	52,172	102,332	114,070
<b>Total segment operating income</b>	<b>379,860</b>	<b>367,650</b>	<b>844,766</b>	<b>830,221</b>
Corporate general and administrative expenses	46,819	45,401	94,029	85,168
<b>Income before interest expense and other expense</b>	<b>333,041</b>	<b>322,249</b>	<b>750,737</b>	<b>745,053</b>
Interest expense	20,851	24,216	41,809	47,725
Other (income) expense	(183,126)	35,404	(110,478)	98,641
<b>Income before income taxes</b>	<b>\$ 495,316</b>	<b>\$ 262,629</b>	<b>\$ 819,406</b>	<b>\$ 598,687</b>

## PARKER HANNIFIN CORPORATION - DECEMBER 31, 2013

## CONSOLIDATED BALANCE SHEET

(Unaudited)	December 31,		June 30,		December 31,	
(Dollars in thousands)	2013		2013		2012	
<b>Assets</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$	2,139,522	\$	1,781,412	\$	497,635
Accounts receivable, net		1,861,849		2,062,745		1,802,405
Inventories		1,448,628		1,377,405		1,515,325
Prepaid expenses		169,262		182,669		152,477
Deferred income taxes		125,612		126,955		127,905
<b>Total current assets</b>		<b>5,744,873</b>		<b>5,531,186</b>		<b>4,095,747</b>
Plant and equipment, net		1,820,312		1,808,240		1,844,643
Goodwill		3,161,699		3,223,515		3,295,141
Intangible assets, net		1,220,547		1,290,499		1,367,978
Other assets		916,505		687,458		857,852
<b>Total assets</b>	\$	<b>12,863,936</b>	\$	<b>12,540,898</b>	\$	<b>11,461,361</b>
<b>Liabilities and equity</b>						
<b>Current liabilities:</b>						
Notes payable	\$	1,217,292	\$	1,333,826	\$	510,006
Accounts payable		1,074,512		1,156,002		1,073,233
Accrued liabilities		839,095		894,296		810,546
Accrued domestic and foreign taxes		172,204		136,079		94,475
<b>Total current liabilities</b>		<b>3,303,103</b>		<b>3,520,203</b>		<b>2,488,260</b>
Long-term debt		1,507,019		1,495,960		1,509,238
Pensions and other postretirement benefits		1,303,527		1,372,437		1,704,349
Deferred income taxes		112,561		102,920		128,892
Other liabilities		339,440		307,897		301,633
Shareholders' equity		6,295,226		5,738,426		5,325,717
Noncontrolling interests		3,060		3,055		3,272
<b>Total liabilities and equity</b>	\$	<b>12,863,936</b>	\$	<b>12,540,898</b>	\$	<b>11,461,361</b>

## PARKER HANNIFIN CORPORATION - DECEMBER 31, 2013

## CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)	Six Months Ended December 31,	
(Dollars in thousands)	2013	2012
<b>Cash flows from operating activities:</b>		
Net income	\$ 497,724	\$ 421,062
Depreciation and amortization	170,090	163,827
Stock incentive plan compensation	75,370	46,527
Goodwill and intangible asset impairment	188,870	—
Gain on sale of deconsolidation of subsidiary	(412,612)	—
Gain on sale of businesses	—	(12,708)
Net change in receivables, inventories, and trade payables	53,841	102,612
Net change in other assets and liabilities	(80,362)	(408,895)
Other, net	47,188	34,913
<b>Net cash provided by operating activities</b>	<b>540,109</b>	<b>347,338</b>
<b>Cash flows from investing activities:</b>		
Acquisitions (net of cash of \$33,160 in 2012)	728	(621,716)
Capital expenditures	(111,847)	(140,221)
Proceeds from sale of plant and equipment	8,790	14,173
Proceeds from sale of businesses	—	68,569
Proceeds from deconsolidation of subsidiary	202,498	—
Other, net	(728)	(7,765)
<b>Net cash provided by (used in) investing activities</b>	<b>99,441</b>	<b>(686,960)</b>
<b>Cash flows from financing activities:</b>		
Net payments for common stock activity	(81,784)	(101,160)
Acquisition of noncontrolling interests	—	(1,072)
Net (payments for) proceeds from debt	(116,834)	168,712
Dividends	(134,718)	(123,328)
<b>Net cash (used in) financing activities</b>	<b>(333,336)</b>	<b>(56,848)</b>
Effect of exchange rate changes on cash	51,896	55,788
Net increase (decrease) in cash and cash equivalents	358,110	(340,682)
Cash and cash equivalents at beginning of period	1,781,412	838,317
<b>Cash and cash equivalents at end of period</b>	<b>\$ 2,139,522</b>	<b>\$ 497,635</b>

**PARKER HANNIFIN CORPORATION****RECONCILIATION OF FORECASTED EARNINGS PER DILUTED SHARE TO ADJUSTED FORECASTED EARNINGS PER DILUTED SHARE**

(Unaudited)

(Amounts in dollars)

	<b>Fiscal Year 2014</b>
<b>Forecasted earnings per diluted share</b>	<b>\$6.62 to \$7.02</b>
Adjustments:	
Asset writedowns	<b>\$1.26</b>
Gain related to joint venture agreement	<b>\$(1.68)</b>
<b>Adjusted forecasted earnings per diluted share</b>	<b>\$6.20 to \$6.60</b>

# Parker Hannifin Corporation

Exhibit 99.2

## 2<sup>nd</sup> Quarter Fiscal Year 2014 Earnings Release



**PH**  
**LISTED**  
**NYSE**

ENGINEERING YOUR SUCCESS.

January 22, 2014

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# Forward-Looking Statements

Forward-looking statements contained in this and other written and oral reports are made based on known events and circumstances at the time of release, and as such, are subject in the future to unforeseen uncertainties and risks. All statements regarding future performance, earnings projections, events or developments are forward-looking statements. It is possible that the future performance and earnings projections of the company, including its individual segments, may differ materially from current expectations, depending on economic conditions within its mobile, industrial and aerospace markets, and the company's ability to maintain and achieve anticipated benefits associated with announced realignment activities, strategic initiatives to improve operating margins, actions taken to combat the effects of the current economic environment, and growth, innovation and global diversification initiatives. A change in the economic conditions in individual markets may have a particularly volatile effect on segment performance. Among other factors which may affect future performance are: changes in business relationships with and purchases by or from major customers, suppliers or distributors, including delays or cancellations in shipments, disputes regarding contract terms or significant changes in financial condition, changes in contract cost and revenue estimates for new development programs and changes in product mix; ability to identify acceptable strategic acquisition targets; uncertainties surrounding timing, successful completion or integration of acquisitions and similar transactions; ability to successfully divest businesses planned for divestiture and realize the anticipated benefits of such divestitures; the determination to undertake business realignment activities and the expected costs thereof and, if undertaken, the ability to complete such activities and realize the anticipated cost savings from such activities; the ability to realize anticipated benefits of the consolidation of the Climate and Industrial Controls Group; threats associated with and efforts to combat terrorism; uncertainties surrounding the ultimate resolution of outstanding legal proceedings, including the outcome of any appeals; competitive market conditions and resulting effects on sales and pricing; increases in raw material costs that cannot be recovered in product pricing; the company's ability to manage costs related to insurance and employee retirement and health care benefits; and global economic factors, including manufacturing activity, air travel trends, currency exchange rates, difficulties entering new markets and general economic conditions such as inflation, deflation, interest rates and credit availability. The company makes these statements as of the date of this disclosure, and undertakes no obligation to update them unless otherwise required by law.

# Non-GAAP Financial Measures

This presentation reconciles (a) sales amounts reported in accordance with U.S. GAAP to sales amounts adjusted to remove the effects of acquisitions & deconsolidation of subsidiaries (Joint Venture with JV Aviation) made within the prior four quarters and the effects of currency exchange rates, (b) cash flow from operating activities and cash flow from operating activities as a percent of sales in accordance with U.S. GAAP to cash flow and cash flow from operating activities as a percent of sales without the effect of a discretionary pension plan contribution, and (c) earnings per diluted share reported in accordance with U.S. GAAP to earnings per diluted share without the effect of restructuring expenses, impact of the Joint Venture with GE Aviation and asset write downs. The effects of acquisitions, divestitures, currency exchange rates, the discretionary pension plan contributions, restructuring expenses, impact of the Joint Venture with GE Aviation, and impact of the asset write downs are removed to allow investors and the company to meaningfully evaluate changes in sales, and cash flow from operating activities as a percent of sales, net income and earnings per diluted share on a comparable basis from period to period.

# Agenda

- **CEO 2<sup>nd</sup> Quarter Highlights**

- **Key Performance Measures & Outlook**

- **Questions and Answers**

- **CEO Closing Comments**



# Highlights

## 2<sup>nd</sup> Quarter FY2014

### Sales & Orders

- Sales of \$3.1B, growth of 3% adjusted for Joint Venture with GE Aviation
- Global economy gaining momentum
- Orders rates continue to be positive, +5%

### Earnings & Margins

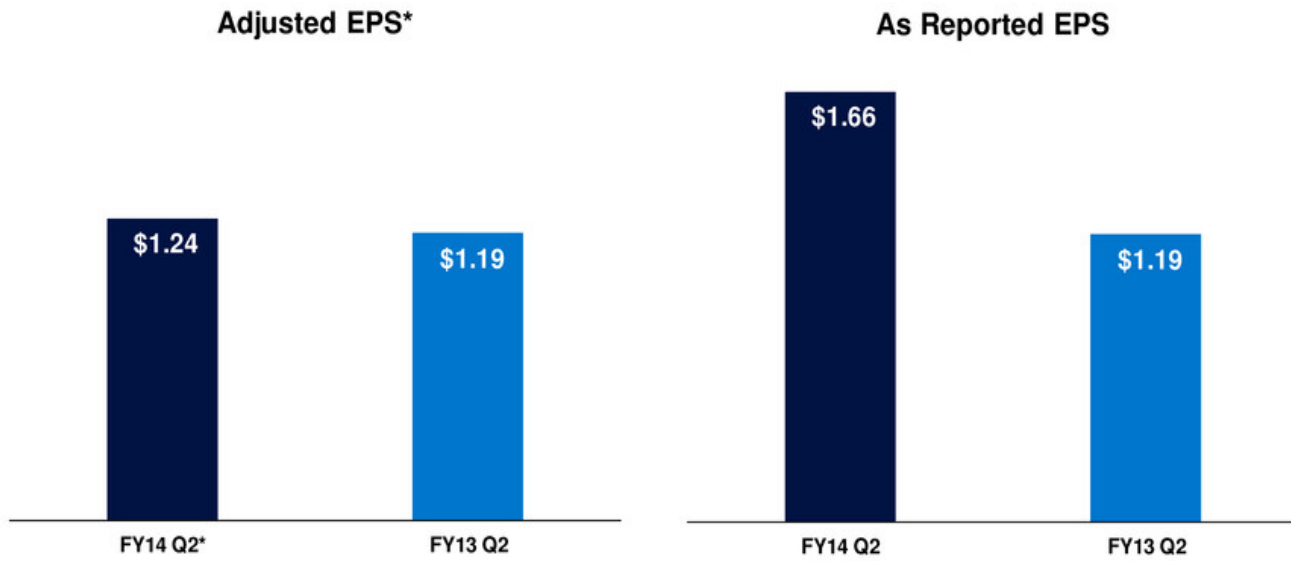
- Segment Operating Margins of 12.2% vs 12.0% prior year
- Adjusted Net Income & Earning Per Share
  - \$190m or \$1.24 vs prior of \$181m or \$1.19
- Excluding Restructuring & Non-Recurring items
  - Adjusted EPS of \$1.31 vs. \$1.21 prior year

### Non-Recurring Items

- Joint Venture with GE Aviation gain of \$256m after tax, increased EPS by \$1.68
- Asset Write Downs of \$192m after tax, reduced EPS by \$1.26

# Diluted Earnings Per Share

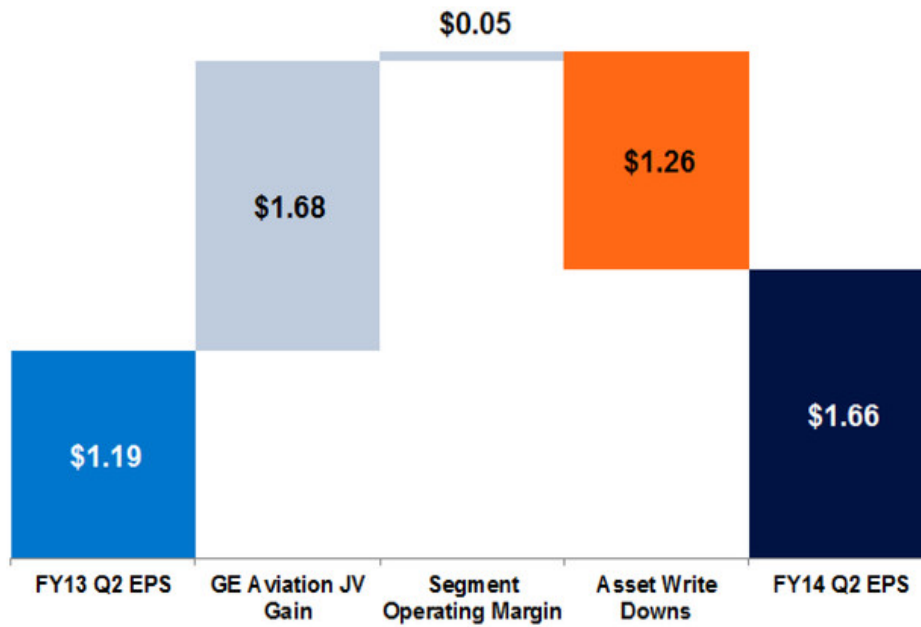
## 2<sup>nd</sup> Quarter FY2014



\*Adjusted for Joint Venture with GE Aviation and Asset Write Downs

# Influences on Earnings

## 2<sup>nd</sup> Quarter FY2014 vs. 2<sup>nd</sup> Quarter FY2013



# Sales & Operating Margin

## 2<sup>nd</sup> Quarter FY2014 - Total Parker

\$ in millions

	2nd Quarter				
	FY2014	% Change	FY2013	% Change	Adjusted
<b>Sales</b>					
As reported	\$ 3,106	1.3 %	\$ 3,066		\$ 3,066
Acquisitions	9	0.3 %			
JV with GE Aviation					(40)
Currency	(23)	(0.7)%			
Adjusted Sales	\$ 3,120	1.7 %		3.1 %	\$ 3,026
<b>Operating Margin</b>					
As reported	\$ 380		\$ 368		
% of Sales	12.2 %		12.0 %		

\* FY2013 Sales adjusted to reflect Joint Venture with GE Aviation

# Sales & Operating Margin

## 2<sup>nd</sup> Quarter FY2014 – Diversified Industrial North America

\$ in millions	2nd Quarter		
	FY2014	% Change	FY2013
<u>Sales</u>			
As reported	\$ 1,325	0.6 %	\$ 1,317
Acquisitions	8	0.6 %	
Currency	(6)	(0.4)%	
Adjusted Sales	<u>\$ 1,323</u>	<u>0.4 %</u>	
<u>Operating Margin</u>			
As reported	\$ 201		\$ 190
% of Sales	15.1 %		14.5 %

# Sales & Operating Margin

## 2<sup>nd</sup> Quarter FY2014 – Diversified Industrial International

\$ in millions	2nd Quarter		
	FY2014	% Change	FY2013
<u>Sales</u>			
As reported	\$ 1,277	4.7 %	\$ 1,219
Acquisitions	1	0.0 %	
Currency	(18)	(1.5)%	
Adjusted Sales	\$ 1,294	6.2 %	
<u>Operating Margin</u>			
As reported	\$ 134		\$ 125
% of Sales	10.5 %		10.3 %

# Sales & Operating Margin

## 2<sup>nd</sup> Quarter FY2014 – Aerospace Systems

\$ in millions

	2nd Quarter				
	FY2014	% Change	FY2013	% Change	Adjusted
<b>Sales</b>					
As reported	\$ 504	(4.7)%	\$ 529		\$ 529
Acquisitions	-	- %			
JV with GE Aviation					(40)
Currency	1	0.2 %			
Adjusted Sales	\$ 503	(4.9)%		2.9 %	\$ 489
<b>Operating Margin</b>					
As reported	\$ 45		\$ 52		
% of Sales	8.9 %		9.9 %		

\* FY2013 Sales adjusted to reflect Joint Venture with GE Aviation

# Order Rates

	<u>Dec 2013</u>	<u>Sep 2013</u>	<u>Dec 2012</u>	<u>Sep 2012</u>
<b>Total Parker</b>	<b>+ 5 %</b>	<b>+ 5 %</b>	<b>- 2 %</b>	<b>- 6 %</b>
Diversified Industrial North America	+ 3 %	+ 3 %	- 6 %	- 11 %
Diversified Industrial International	+ 6 %	+ 5 %	- 5 %	- 8 %
Aerospace Systems	+ 7 %	+ 11 %	+ 14 %	+ 5 %

**Excludes Acquisitions, Divestitures & Currency**  
**3-month year-over-year comparisons of total dollars, except Aerospace Systems**  
**Aerospace Systems is calculated using a 12-month rolling average**

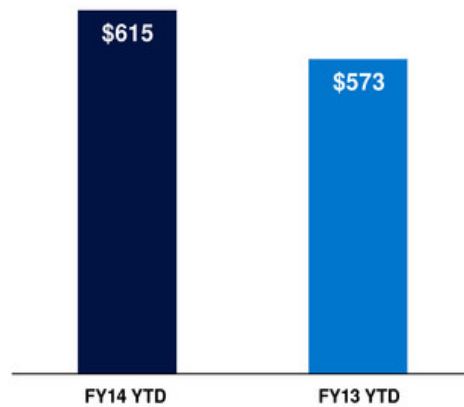


# Balance Sheet Summary

- **Cash**
- **Working capital**
  - **Accounts receivable**
  - **Inventory**
  - **Accounts payable**

# Cash Flow from Operating Activities

## 2<sup>nd</sup> Quarter YTD FY2014



### Cash Flow From Operating Activities

	YTD	
	FY2014	FY2013
As Reported	\$ 540	\$ 347
As Reported % Sales	8.5%	5.5%
Discretionary Pension Plan Contribution	\$ 75	\$ 226
<b>Adjusted Cash From Operating Activities</b>	<b>\$ 615</b>	<b>\$ 573</b>
<b>Adjusted % Sales</b>	<b>9.7%</b>	<b>9.1%</b>

# FY2014 Guidance at Midpoint

## Prior Guidance of \$6.40 Maintained

<b>Sales Growth vs. Prior Year</b>	
Diversified Industrial North America	2.0%
Diversified Industrial International	2.0%
Aerospace Systems *	-2.0%
<b>Total Parker **</b>	<b>1.5%</b>
<b>Segment Operating Margins</b>	
Diversified Industrial North America	16.5%
Diversified Industrial International	11.7%
Aerospace Systems	11.6%
<b>Total Parker</b>	<b>13.7%</b>
<b>Corporate Admin, Interest and Other</b>	
Excluding Non-Recurring Items	<b>\$461m</b>
<b>Tax Rate</b>	
Full Year	<b>34.4%</b>
2nd Half	<b>29.0%</b>
<b>Shares</b>	
Diluted Shares Outstanding	<b>151.7 m</b>
<b>Adjusted Earnings Per Share</b>	
Excluding Non-Recurring Items	<b>\$6.20 - \$6.60</b>

\* Adjusted for JV with GE Aviation, Aerospace Systems Sales Change versus FY 2013 is +4%

\*\* Adjusted for Joint Venture with GE Aviation, Total Parker Sales Change versus FY 2013 is +3%



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# Appendix

- Consolidated Statement of Income
- Business Segment Information By Industry
- Net Income & EPS Reconciliation
- Consolidated Balance Sheet
- Consolidated Statement of Cash Flows
- Supplemental Sales Information – Global Technology Platforms

# Consolidated Statement of Income

(Unaudited) (Dollars in thousands except per share amounts)	Three Months Ended December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
<b>Net sales</b>	<b>\$ 3,106,006</b>	<b>\$ 3,065,495</b>	<b>\$ 6,332,150</b>	<b>\$ 6,280,430</b>
Cost of sales	2,419,971	2,421,972	4,896,380	4,899,419
Gross profit	686,035	643,523	1,435,770	1,381,011
Selling, general and administrative expenses	398,636	381,100	805,566	762,222
Goodwill and intangible asset impairment	188,870	-	188,870	-
Interest expense	20,851	24,216	41,809	47,725
Other (income), net	(417,638)	(24,422)	(419,881)	(27,623)
Income before income taxes	495,316	262,629	819,406	598,687
Income taxes	241,912	81,515	321,682	177,625
Net income	253,404	181,114	497,724	421,062
Less: Noncontrolling interests	116	152	120	359
<b>Net income attributable to common shareholders</b>	<b>\$ 253,288</b>	<b>\$ 180,962</b>	<b>\$ 497,604</b>	<b>\$ 420,703</b>
<b>Earnings per share attributable to common shareholders:</b>				
Basic earnings per share	\$ 1.70	\$ 1.21	\$ 3.34	\$ 2.82
Diluted earnings per share	\$ 1.66	\$ 1.19	\$ 3.28	\$ 2.77
Average shares outstanding during period - Basic	149,153,599	149,001,273	149,195,452	149,143,561
Average shares outstanding during period - Diluted	152,151,024	152,198,704	151,743,389	152,018,025
Cash dividends per common share	\$ .45	\$ .41	\$ .90	\$ .82

# Net Income & EPS Reconciliation

(Unaudited) (Dollars in thousands except per share amounts)	Three Months Ended December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
Net income	\$ 253,404	\$ 181,114	\$ 497,724	\$ 421,062
Adjustments:				
Asset w ritedow ns	192,188	-	192,188	-
Gain related to joint venture agreement	(255,652)	-	(255,652)	-
Adjusted net income	\$ 189,940	\$ 181,114	\$ 434,260	\$ 421,062
Earnings per diluted share	\$ 1.66	\$ 1.19	\$ 3.28	\$ 2.77
Adjustments:				
Asset w ritedow ns	1.26	-	1.26	-
Gain related to joint venture agreement	(1.68)	-	(1.68)	-
Adjusted earnings per diluted share	\$ 1.24	\$ 1.19	\$ 2.86	\$ 2.77

# Business Segment Information By Industry

(Unaudited)	Three Months Ended December 31,		Six Months Ended December 31,	
(Dollars in thousands)	2013	2012	2013	2012
<b>Net sales</b>				
Diversified Industrial:				
North America	\$ 1,325,402	\$ 1,317,380	\$ 2,713,277	\$ 2,742,659
International	1,276,851	1,219,459	2,547,646	2,468,032
Aerospace Systems	503,753	528,656	1,071,227	1,069,739
<b>Total</b>	<b>\$ 3,106,006</b>	<b>\$ 3,065,495</b>	<b>\$ 6,332,150</b>	<b>\$ 6,280,430</b>
<b>Segment operating income</b>				
Diversified Industrial:				
North America	\$ 200,628	\$ 190,431	\$ 434,826	\$ 434,506
International	134,198	125,047	307,608	281,645
Aerospace Systems	45,034	52,172	102,332	114,070
<b>Total segment operating income</b>	<b>379,860</b>	<b>367,650</b>	<b>844,766</b>	<b>830,221</b>
Corporate general and administrative expenses	46,819	45,401	94,029	85,168
<b>Income before interest and other</b>	<b>333,041</b>	<b>322,249</b>	<b>750,737</b>	<b>745,053</b>
Interest expense	20,851	24,216	41,809	47,725
Other (income) expense	(183,126)	35,404	(110,478)	98,641
<b>Income before income taxes</b>	<b>\$ 495,316</b>	<b>\$ 262,629</b>	<b>\$ 819,406</b>	<b>\$ 598,687</b>



# Consolidated Balance Sheet

(Unaudited)	December 31,	June 30,	December 31,
(Dollars in thousands)	2013	2013	2012
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 2,139,522	\$ 1,781,412	\$ 497,635
Accounts receivable, net	1,861,849	2,062,745	1,802,405
Inventories	1,448,628	1,377,405	1,515,325
Prepaid expenses	169,262	182,669	152,477
Deferred income taxes	125,612	126,955	127,905
<b>Total current assets</b>	<b>5,744,873</b>	<b>5,531,186</b>	<b>4,095,747</b>
Plant and equipment, net	1,820,312	1,808,240	1,844,643
Goodwill	3,161,699	3,223,515	3,295,141
Intangible assets, net	1,220,547	1,290,499	1,367,978
Other assets	916,505	687,458	857,852
<b>Total assets</b>	<b>\$ 12,863,936</b>	<b>\$ 12,540,898</b>	<b>\$ 11,461,361</b>
<b>Liabilities and equity</b>			
<b>Current liabilities:</b>			
Notes payable	\$ 1,217,292	\$ 1,333,826	\$ 510,006
Accounts payable	1,074,512	1,156,002	1,073,233
Accrued liabilities	839,095	894,296	810,546
Accrued domestic and foreign taxes	172,204	136,079	94,475
<b>Total current liabilities</b>	<b>3,303,103</b>	<b>3,520,203</b>	<b>2,488,260</b>
Long-term debt	1,507,019	1,495,960	1,509,238
Pensions and other postretirement benefits	1,303,527	1,372,437	1,704,349
Deferred income taxes	112,561	102,920	128,892
Other liabilities	339,440	307,897	301,633
Shareholders' equity	6,295,226	5,738,426	5,325,717
Noncontrolling interests	3,060	3,055	3,272
<b>Total liabilities and equity</b>	<b>\$ 12,863,936</b>	<b>\$ 12,540,898</b>	<b>\$ 11,461,361</b>

# Consolidated Statement of Cash Flows

(Unaudited) (Dollars in thousands)	Six Months Ended December 31,	
	2013	2012
<b>Cash flows from operating activities:</b>		
Net income	\$ 497,724	\$ 421,062
Depreciation and amortization	170,090	163,827
Stock incentive plan compensation	75,370	46,527
Goodwill and intangible asset impairment	188,870	-
Gain on deconsolidation of subsidiary	(412,612)	-
Gain on sale of businesses	-	(12,708)
Net change in receivables, inventories, and trade payables	53,841	102,612
Net change in other assets and liabilities	(80,362)	(408,895)
Other, net	47,188	34,913
<b>Net cash provided by operating activities</b>	<b>540,109</b>	<b>347,338</b>
<b>Cash flows from investing activities:</b>		
Acquisitions (net of cash of \$33,160 in 2012)	728	(621,716)
Capital expenditures	(111,847)	(140,221)
Proceeds from sale of plant and equipment	8,790	14,173
Proceeds from sale of businesses	-	68,569
Proceeds from deconsolidation of subsidiary	202,498	-
Other, net	(728)	(7,765)
<b>Net cash provided by (used in) investing activities</b>	<b>99,441</b>	<b>(686,960)</b>
<b>Cash flows from financing activities:</b>		
Net payments for common stock activity	(81,784)	(101,160)
Acquisition of noncontrolling interests	-	(1,072)
Net (payments for) proceeds from debt	(116,834)	168,712
Dividends	(134,718)	(123,328)
<b>Net cash (used in) financing activities</b>	<b>(333,336)</b>	<b>(56,848)</b>
Effect of exchange rate changes on cash	51,896	55,788
Net increase (decrease) in cash and cash equivalents	358,110	(340,682)
Cash and cash equivalents at beginning of period	1,781,412	838,317
<b>Cash and cash equivalents at end of period</b>	<b>\$ 2,139,522</b>	<b>\$ 497,635</b>

# Supplemental Sales Information

## Global Technology Platforms

(Unaudited)	Three Months Ended December 31,		Six Months Ended December 31,	
(Dollars in thousands)	2013	2012	2013	2012
<b>Net sales</b>				
Diversified Industrial:				
Motion Systems	\$ 928,466	\$ 934,647	\$ 1,862,654	\$ 1,929,793
Flow and Process Control	1,001,366	967,167	2,027,055	2,000,029
Filtration and Engineered Materials	672,421	635,025	1,371,214	1,280,869
Aerospace Systems *	503,753	528,656	1,071,227	1,069,739
<b>Total</b>	<b>\$ 3,106,006</b>	<b>\$ 3,065,495</b>	<b>\$ 6,332,150</b>	<b>\$ 6,280,430</b>

