

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): February 2, 2017

**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 February 2, 2017, Parker-Hannifin Corporation issued a press release and presented a Webcast announcing results of operations for the quarter ended December 31, 2016. 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 February 2, 2017.
  - 99.2 Webcast presentation by Parker-Hannifin Corporation, dated February 2, 2017.
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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/ Catherine A. Suever

Catherine A. Suever

Vice President and Controller

Acting Chief Financial Officer

(Principal Financial Officer)

Date: February 2, 2017



Exhibit 99.1

**For Release: Immediately**

**Contact: Media -**  
Aidan Gormley -Director, Global Communications and Branding 216-896-3258  
aidan.gormley@parker.com  
**Financial Analysts -**  
Robin J. Davenport, Vice President, Corporate Finance 216-896-2265  
rjdavenport@parker.com

**Stock symbol:** PH - NYSE

## **Parker Reports Fiscal 2017 Second Quarter Results**

- *Second quarter EPS increased 34% to \$1.78, or \$1.91 adjusted*
- *Fiscal 2017 second quarter includes \$0.21 per share gain associated with the sale of a product line*
- *Segment operating margins strong, reaching a second quarter record of 14.4% or 14.7% adjusted*
- *Total order trends positive and increased 5% compared with the prior year quarter*
- *Fiscal 2017 full year earnings guidance increased*

**CLEVELAND, February 2, 2017** -- Parker Hannifin Corporation (NYSE: PH), the global leader in motion and control technologies, today reported results for the fiscal 2017 second quarter ended December 31, 2016. Fiscal 2017 second quarter sales were \$2.67 billion compared with \$2.71 billion in the prior year quarter. Net income increased 32% to \$241.4 million compared with \$183.1 million in the prior year quarter. Fiscal 2017 second quarter earnings per share increased 34% to \$1.78, compared with \$1.33 in fiscal 2016 second quarter. During the quarter, the company completed the sale of the Autoline product line which resulted in a pre-tax gain of \$45.0 million or \$0.21 per share. Earnings per share were \$1.91, when adjusted for business realignment and acquisition transaction costs, compared with \$1.52 in the prior year quarter, which was adjusted for business realignment costs. Cash flow from operations for the first half of fiscal 2017 was \$404.2 million or 7.5% of sales, compared with \$362.6 million or 6.5% of sales in the first half of fiscal 2016. Excluding discretionary pension contributions, cash flow from

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operations for the first six months of fiscal 2017 was 11.5% of sales compared with 10.1% of sales in the prior year period.

“This was a strong operational quarter for Parker driven by the benefits of the new Win Strategy™,” said Chairman and Chief Executive Officer, Tom Williams. “Sales levels were as expected with a slight year-over-year decline primarily reflecting the impact of currency. We delivered significant margin expansion in our Industrial businesses and realized record total segment operating margins of 14.4%, or 14.7% adjusted. Total Parker order rates for the quarter continued to move in a positive direction, consistent with our previously guided expectations for sales growth in the second half of the fiscal year.”

### **Segment Results**

*Diversified Industrial Segment:* North American second quarter sales decreased 3% to \$1.1 billion, and operating income increased 20% to \$184.0 million compared with \$153.6 million in the same period a year ago. International second quarter sales increased 1% to \$1.0 billion, while operating income increased 34% to \$127.5 million compared with \$95.4 million in the same period a year ago.

*Aerospace Systems Segment:* Second quarter sales decreased 2% to \$543.8 million, and operating income decreased 11% to \$72.5 million compared with \$81.8 million in the same period a year ago.

Parker reported the following orders for the quarter ending December 31, 2016, compared with the same quarter a year ago:

- Orders increased 5% for total  
Parker;
  - Orders were flat in the Diversified Industrial North America  
businesses;
  - Orders increased 10% in the Diversified Industrial International businesses;  
and
  - Orders increased 9% in the Aerospace Systems Segment on a rolling 12-month average  
basis.
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### **CLARCOR Acquisition Update**

As previously disclosed, clearance has been received with respect to the regulatory filings made for the pending CLARCOR transaction. These events satisfied important conditions to the closing of the CLARCOR transaction. The transaction remains subject to other closing conditions, including approval by CLARCOR's stockholders. Based on the current date for CLARCOR's special meeting of stockholders on February 23, 2017, and subject to the satisfaction of all closing conditions, the parties currently expect the pending CLARCOR transaction to close on or about February 28, 2017.

### **Outlook**

For the fiscal year ending June 30, 2017, the company has revised guidance for earnings from continuing operations to the range of \$6.71 to \$7.21 per share, or \$7.05 to \$7.55 per share on an adjusted basis. Fiscal year 2017 guidance is adjusted for expected business realignment expenses of approximately \$0.25 per share and acquisition transaction related expenses of \$0.09 per share and does not include any benefits or costs from the CLARCOR or Helac acquisitions in the third and fourth quarters of fiscal year 2017. Guidance will be updated to include these acquisitions in the fiscal 2017 third quarter earnings release.

Williams added, "Our results reflect the hard work of Parker team members in better aligning our operational costs and execution of the new Win Strategy™. We are increasing our organic growth forecast for the second half of the fiscal year from 2.3% to 3.3% at the midpoint in our new guidance. However, this increase in organic revenue is being offset by currency headwinds resulting in essentially flat full year reported annual sales growth versus fiscal 2016. We continue to deliver outstanding performance that positions us very well as we celebrate our 100<sup>th</sup> year as a company."

**NOTICE OF CONFERENCE CALL:** Parker Hannifin's conference call and slide presentation to discuss its fiscal 2017 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-

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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.

Parker Hannifin is a Fortune 250 global leader in motion and control technologies. For 100 years the company has engineered the success of its customers in a wide range of diversified industrial and aerospace markets. Parker has increased its annual dividend per share paid to shareholders for 60 consecutive fiscal years, among the top five longest-running dividend-increase records in the S&P 500 index. Learn more at [www.parker.com](http://www.parker.com) or [@parkerhannifin](https://twitter.com/parkerhannifin).

**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 % 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) earnings per share and segment operating margins without the effect of business realignment and acquisition transaction expenses; (b) the effect of business realignment and acquisition transaction expenses on forecasted earnings from continuing operations per share; and (c) cash flows from operations without the effect of discretionary pension contributions. The effects of business realignment expenses, acquisition transaction and discretionary pension contributions are removed to allow investors and the company to meaningfully evaluate changes in earnings per share and cash flows from operations 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. These statements may be identified from use of forward-looking terminology such as "anticipates," "believes," "may," "should," "could," "potential," "continues," "plans," "forecasts," "estimates," "projects," "predicts," "would," "intends," "anticipates," "expects," "targets," "is likely," "will," or the negative of these terms and similar expressions, and include all statements regarding future performance, earnings projections, events or developments. 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.

The risks and uncertainties in connection with forward-looking statements related to the proposed transaction between CLARCOR and the company include, but are not limited to, the occurrence of any event, change or other circumstances that could delay the closing of the proposed transaction; the possibility of non-consummation of the proposed transaction and termination of the merger agreement; the failure to obtain CLARCOR stockholder approval of the proposed transaction or to satisfy any of the other conditions to the merger agreement; the possibility that a governmental entity may prohibit, delay or refuse to grant a necessary regulatory approval in connection with the proposed transaction; the risk that stockholder litigation in connection with the proposed transaction may affect the timing or occurrence of the proposed transaction or result in significant costs of defense, indemnification and liability; adverse effects on CLARCOR's common stock or the company's common stock

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because of the failure to complete the proposed transaction; CLARCOR's or the company's respective businesses experiencing disruptions due to transaction-related uncertainty or other factors making it more difficult to maintain relationships with employees, business partners or governmental entities; the parties being unable to successfully implement integration strategies; and significant transaction costs related to the proposed transaction.

Among other factors which may affect future performance and earnings projections are: economic conditions within the company's and CLARCOR's key markets, and the company's and CLARCOR'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 of the Company and/or CLARCOR are, as applicable: changes in business relationships with and purchases by or from major customers, suppliers or distributors, including delays or cancellations in shipments; CLARCOR's potential inability to realize the anticipated benefits of the strategic supply partnership with GE; 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; ability to implement successfully capital allocation initiatives, including timing, price and execution of share repurchases; availability, limitations or cost increases of raw materials, component products and/or commodities that cannot be recovered in product pricing; ability to manage costs related to insurance and employee retirement and health care benefits; compliance costs associated with environmental laws and regulations; potential labor disruptions; threats associated with and efforts to combat terrorism and cyber-security risks; 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; 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,	
	2016	2015	2016	2015
(Dollars in thousands except per share amounts)				
<b>Net sales</b>	\$ 2,670,804	\$ 2,705,590	\$ 5,413,935	\$ 5,574,938
Cost of sales	2,044,484	2,140,624	4,150,490	4,341,528
Gross profit	626,320	564,966	1,263,445	1,233,410
Selling, general and administrative expenses	336,578	314,666	659,547	684,880
Interest expense	33,444	34,297	67,592	70,057
Other (income), net	(64,424)	(13,877)	(76,661)	(27,056)
Income before income taxes	320,722	229,880	612,967	505,529
Income taxes	79,322	46,743	161,329	127,366
Net income	241,400	183,137	451,638	378,163
Less: Noncontrolling interests	95	155	204	203
<b>Net income attributable to common shareholders</b>	\$ 241,305	\$ 182,982	\$ 451,434	\$ 377,960
<b>Earnings per share attributable to common shareholders:</b>				
Basic earnings per share	\$ 1.81	\$ 1.35	\$ 3.38	\$ 2.78
Diluted earnings per share	\$ 1.78	\$ 1.33	\$ 3.33	\$ 2.74
Average shares outstanding during period - Basic	133,320,109	135,373,356	133,499,744	136,108,930
Average shares outstanding during period - Diluted	135,812,760	137,065,447	135,596,707	137,788,219
Cash dividends per common share	\$ 0.63	\$ 0.63	\$ 1.26	\$ 1.26

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

(Unaudited)	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
<b>Earnings per diluted share</b>	\$ 1.78	\$ 1.33	\$ 3.33	\$ 2.74
Adjustments:				
Business realignment charges	0.04	0.19	0.10	0.30
Acquisition expenses	0.09	—	0.09	—
<b>Adjusted earnings per diluted share</b>	\$ 1.91	\$ 1.52	\$ 3.52	\$ 3.04

**BUSINESS SEGMENT INFORMATION**

(Unaudited)	Three Months Ended December 31,		Six Months Ended December 31,	
(Dollars in thousands)	2016	2015	2016	2015
<b>Net sales</b>				
Diversified Industrial:				
North America	\$ 1,121,053	\$ 1,160,774	\$ 2,288,024	\$ 2,447,104
International	1,005,968	992,464	2,020,891	2,030,911
Aerospace Systems	543,783	552,352	1,105,020	1,096,923
<b>Total net sales</b>	<b>\$ 2,670,804</b>	<b>\$ 2,705,590</b>	<b>\$ 5,413,935</b>	<b>\$ 5,574,938</b>
<b>Segment operating income</b>				
Diversified Industrial:				
North America	\$ 184,013	\$ 153,581	\$ 384,624	\$ 366,329
International	127,517	95,367	264,713	224,662
Aerospace Systems	72,516	81,764	145,797	155,767
<b>Total segment operating income</b>	<b>384,046</b>	<b>330,712</b>	<b>795,134</b>	<b>746,758</b>
Corporate general and administrative expenses	43,926	31,210	74,960	84,261
<b>Income before interest expense and other expense</b>	<b>340,120</b>	<b>299,502</b>	<b>720,174</b>	<b>662,497</b>
Interest expense	33,444	34,297	67,592	70,057
Other (income) expense	(14,046)	35,325	39,615	86,911
<b>Income before income taxes</b>	<b>\$ 320,722</b>	<b>\$ 229,880</b>	<b>\$ 612,967</b>	<b>\$ 505,529</b>

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

(Unaudited)	Three Months Ended		Three Months Ended	
	December 31, 2016		December 31, 2015	
	Operating income	Margin	Operating income	Margin
<b>Total segment operating income</b>	<b>\$ 384,046</b>	<b>14.4 %</b>	<b>\$ 330,712</b>	<b>12.2 %</b>
Adjustments:				
Business realignment charges	7,897		34,800	
<b>Adjusted total segment operating income</b>	<b>\$ 391,943</b>	<b>14.7 %</b>	<b>\$ 365,512</b>	<b>13.5 %</b>

## PARKER HANNIFIN CORPORATION - DECEMBER 31, 2016

## CONSOLIDATED BALANCE SHEET

(Unaudited)	December 31,		June 30,	December 31,		
(Dollars in thousands)	2016		2016	2015		
<b>Assets</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$	1,520,736	\$	1,221,653	\$	1,047,494
Marketable securities and other investments		684,299		882,342		820,682
Trade accounts receivable, net		1,411,074		1,593,920		1,419,934
Non-trade and notes receivable		256,545		232,183		293,913
Inventories		1,241,593		1,173,329		1,279,760
Prepaid expenses		133,592		104,360		141,030
<b>Total current assets</b>		<b>5,247,839</b>		<b>5,207,787</b>		<b>5,002,813</b>
Plant and equipment, net		1,506,201		1,568,100		1,598,185
Deferred income taxes		482,136		605,155		383,805
Goodwill		2,813,238		2,903,037		2,913,065
Intangible assets, net		849,692		922,571		975,515
Other assets		832,507		827,492		840,920
<b>Total assets</b>	\$	<b>11,731,613</b>	\$	<b>12,034,142</b>	\$	<b>11,714,303</b>
<b>Liabilities and equity</b>						
<b>Current liabilities:</b>						
Notes payable	\$	581,487	\$	361,787	\$	574,302
Accounts payable		997,189		1,034,589		948,157
Accrued liabilities		720,844		841,915		736,145
Accrued domestic and foreign taxes		125,954		127,597		105,130
<b>Total current liabilities</b>		<b>2,425,474</b>		<b>2,365,888</b>		<b>2,363,734</b>
Long-term debt		2,653,560		2,652,457		2,701,121
Pensions and other postretirement benefits		1,766,209		2,076,143		1,475,351
Deferred income taxes		50,809		54,395		64,721
Other liabilities		304,583		306,581		306,655
Shareholders' equity		4,527,709		4,575,255		4,799,406
Noncontrolling interests		3,269		3,423		3,315
<b>Total liabilities and equity</b>	\$	<b>11,731,613</b>	\$	<b>12,034,142</b>	\$	<b>11,714,303</b>

**PARKER HANNIFIN CORPORATION - DECEMBER 31, 2016****CONSOLIDATED STATEMENT OF CASH FLOWS**

(Unaudited)	Six Months Ended December 31,	
(Dollars in thousands)	2016	2015
<b>Cash flows from operating activities:</b>		
Net income	\$ 451,638	\$ 378,163
Depreciation and amortization	149,085	156,093
Stock incentive plan compensation	47,161	39,026
(Gain) on sale of business	(44,930)	—
Loss (gain) on disposal of assets	310	(336)
(Gain) on sale of marketable securities	(230)	(158)
Net change in receivables, inventories, and trade payables	44,802	41,866
Net change in other assets and liabilities	(313,783)	(239,277)
Other, net	70,123	(12,730)
<b>Net cash provided by operating activities</b>	<b>404,176</b>	<b>362,647</b>
<b>Cash flows from investing activities:</b>		
Acquisitions (net of cash of \$1,760 in 2016 and \$3,814 in 2015)	(29,927)	(67,552)
Capital expenditures	(71,356)	(75,419)
Proceeds from sale of plant and equipment	4,991	8,506
Proceeds from sale of business	85,610	—
Purchases of marketable securities and other investments	(393,909)	(575,183)
Maturities and sales of marketable securities and other investments	506,642	527,819
Other, net	241	(41,450)
<b>Net cash provided by (used in) investing activities</b>	<b>102,292</b>	<b>(223,279)</b>
<b>Cash flows from financing activities:</b>		
Net payments for common stock activity	(194,110)	(410,049)
Net proceeds from debt	222,425	356,591
Dividends	(168,990)	(171,707)
<b>Net cash (used in) financing activities</b>	<b>(140,675)</b>	<b>(225,165)</b>
Effect of exchange rate changes on cash	(66,710)	(47,293)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>299,083</b>	<b>(133,090)</b>
Cash and cash equivalents at beginning of period	1,221,653	1,180,584
<b>Cash and cash equivalents at end of period</b>	<b>\$ 1,520,736</b>	<b>\$ 1,047,494</b>

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

(Unaudited)	Six Months Ended	
	December 31, 2016	Percent of Sales
<b>As reported cash flow from operations</b>	<b>\$ 404,176</b>	<b>7.5 %</b>
Discretionary pension contribution	220,000	
<b>Adjusted cash flow from operations</b>	<b>\$ 624,176</b>	<b>11.5 %</b>
(Unaudited)	Six Months Ended	
	December 31, 2015	Percent of Sales
<b>As reported cash flow from operations</b>	<b>\$ 362,647</b>	<b>6.5 %</b>
Discretionary pension contribution	200,000	
<b>Adjusted cash flow from operations</b>	<b>\$ 562,647</b>	<b>10.1 %</b>

**PARKER HANNIFIN CORPORATION - DECEMBER 31, 2016****RECONCILIATION OF FORECASTED EARNINGS PER DILUTED SHARE TO ADJUSTED FORECASTED EARNINGS PER DILUTED SHARE**

(Unaudited)

(Amounts in dollars)

	<b>Fiscal Year 2017</b>
<b>Forecasted earnings per diluted share</b>	<b>\$6.71 to \$7.21</b>
Adjustments:	
Business realignment charges	<b>0.25</b>
Acquisition related expenses	<b>0.09</b>
<b>Adjusted forecasted earnings per diluted share</b>	<b>\$7.05 to \$7.55</b>

# Parker Hannifin Corporation

Exhibit 99.2

## 2<sup>nd</sup> Quarter Fiscal Year 2017 Earnings Release



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

ENGINEERING YOUR SUCCESS.

February 2, 2016

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# Forward-Looking Statements and Non-GAAP Financial Measures

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. These statements may be identified from use of forward-looking terminology such as "anticipates," "believes," "may," "should," "could," "potential," "continues," "plans," "forecasts," "estimates," "projects," "predicts," "would," "intends," "anticipates," "expects," "targets," "is likely," "will," or the negative of these terms and similar expressions, and include all statements regarding future performance, earnings projections, events or developments. 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.

The risks and uncertainties in connection with forward-looking statements related to the proposed transaction between CLARCOR and the company include, but are not limited to, the occurrence of any event, change or other circumstances that could delay the closing of the proposed transaction; the possibility of non-consummation of the proposed transaction and termination of the merger agreement; the failure to obtain CLARCOR stockholder approval of the proposed transaction or to satisfy any of the other conditions to the merger agreement; the possibility that a governmental entity may prohibit, delay or refuse to grant a necessary regulatory approval in connection with the proposed transaction; the risk that stockholder litigation in connection with the proposed transaction may affect the timing or occurrence of the proposed transaction or result in significant costs of defense, indemnification and liability; adverse effects on CLARCOR's common stock or the company's common stock because of the failure to complete the proposed transaction; CLARCOR's or the company's respective businesses experiencing disruptions due to transaction-related uncertainty or other factors making it more difficult to maintain relationships with employees, business partners or governmental entities; the parties being unable to successfully implement integration strategies; and significant transaction costs related to the proposed transaction.

Among other factors which may affect future performance and earnings projections are: economic conditions within the company's and CLARCOR's key markets, and the company's and CLARCOR'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 of the Company and/or CLARCOR are, as applicable: changes in business relationships with and purchases by or from major customers, suppliers or distributors, including delays or cancellations in shipments; CLARCOR's potential inability to realize the anticipated benefits of the strategic supply partnership with GE; 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; ability to implement successfully capital allocation initiatives, including timing, price and execution of share repurchases; availability, limitations or cost increases of raw materials, component products and/or commodities that cannot be recovered in product pricing; ability to manage costs related to insurance and employee retirement and health care benefits; compliance costs associated with environmental laws and regulations; potential labor disruptions; threats associated with and efforts to combat terrorism and cyber-security risks; 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; 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.

This presentation reconciles (a) sales amounts reported in accordance with U.S. GAAP to sales amounts adjusted to remove the effects of acquisitions 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 from operating activities and cash flow from operating activities as a percent of sales without the effect of discretionary pension plan contributions, (c) segment operating income and operating margins reported in accordance with U.S. GAAP to segment operating income and operating margins without the effect of business realignment charges (d) below the Line Items reported in accordance with U.S. GAAP to Below the Line Items without the effect of CLARCOR acquisition expenses and, (e) actual and forecast earnings per diluted share reported in accordance with U.S. GAAP to actual and forecast earnings per diluted share without the effect of business realignment charges and CLARCOR acquisition expenses. The effects of acquisitions, currency exchange rates, discretionary pension plan contributions, business realignment charges, CLARCOR acquisition expenses 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, segment operating income, operating margins, below the line items and earnings per diluted share on a comparable basis from period to period. Full year adjusted guidance removes business realignment charges.

# Agenda

- **Chairman & CEO Comments**

- **Results & Outlook**

- **Questions & Answers**



# Chairman and CEO Comments

## 2nd Quarter FY2017

- Recordable Accident Reduction of 31% in the Second Quarter
- Second Quarter Sales of \$2.67B, Orders Increase 5%
- Earnings per Share of \$1.78 (\$1.91 Adjusted)
- Record Segment Operating Margins of 14.4%

## Capital Allocation

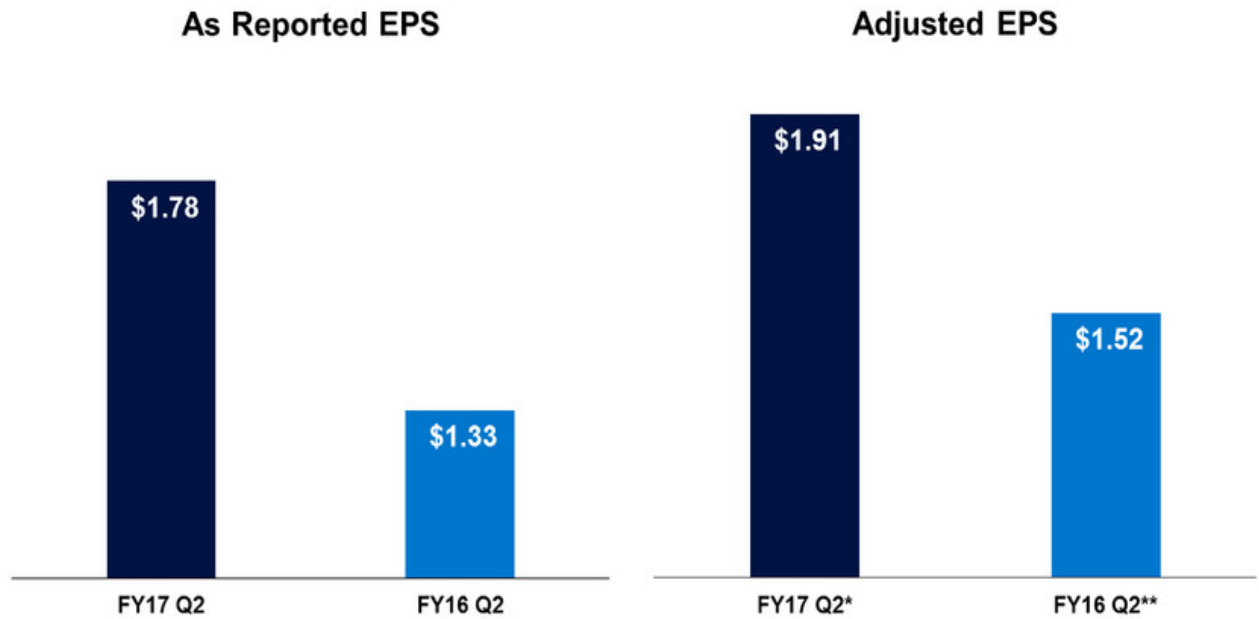
- CLARCOR Transaction Update
- Acquired Helac Corporation - Strategic Product Line Addition to Hydraulics
- Increased Quarterly Dividend by 5%

## Full Year FY2017 Guidance Increased

- Sales Essentially Flat for the Year, Increased Earnings
- FY17 EPS Guidance Midpoint of \$6.96 As Reported (\$7.30 Adjusted)
- Realignment \$0.25 per share, Transaction Costs \$0.09 per share

# Diluted Earnings Per Share

## 2<sup>nd</sup> Quarter FY2017

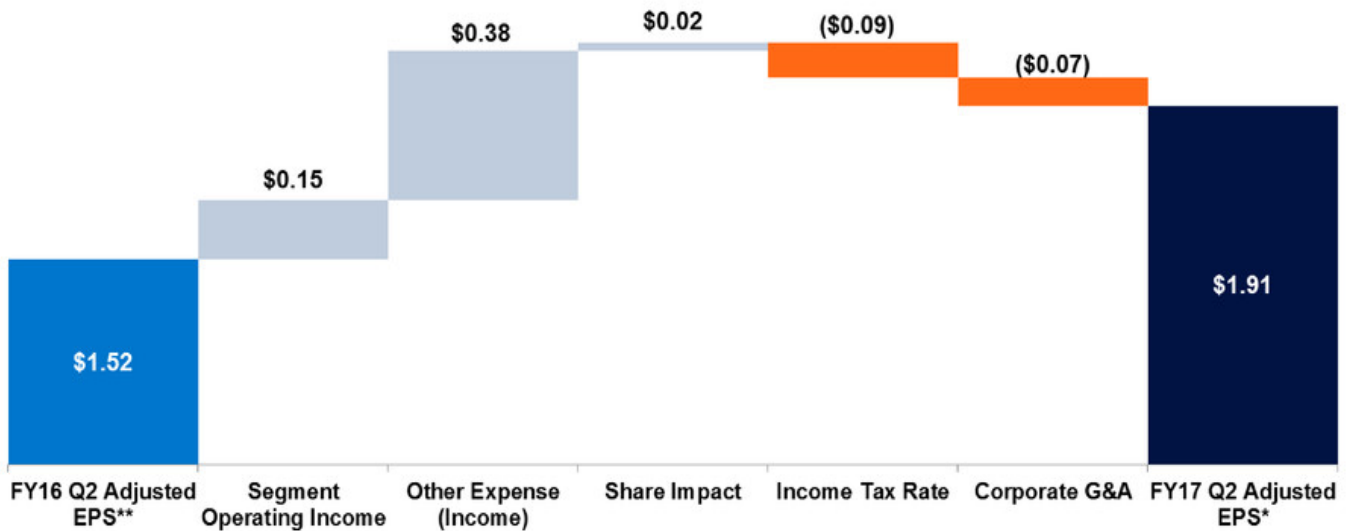


\*Adjusted for Business Realignment Charges, CLARCOR Acquisition Expenses  
\*\*Adjusted for Business Realignment Charges



# Influences on Adjusted Earnings Per Share

## 2<sup>nd</sup> Quarter FY2017 vs. 2<sup>nd</sup> Quarter FY2016



\*Adjusted for Business Realignment Charges, CLARCOR Acquisition Expenses  
 \*\*Adjusted for Business Realignment Charges

# Sales & Segment Operating Margin

## Total Parker

\$ in millions	2nd Quarter		
	FY2017	% Change	FY2016
Sales			
As Reported	\$2,671	(1.3)%	\$2,706
Acquisitions	8	0.3%	
Currency	(31)	(1.1)%	
Organic Sales	\$2,694	(0.5)%	

	FY2017	% of Sales	FY2016	% of Sales
Segment Operating Margin				
As Reported	\$ 384	14.4 %	\$ 331	12.2 %
Business Realignment	8		35	
Adjusted	\$ 392	14.7 %	\$ 366	13.5 %

# Sales & Segment Operating Margin

## Diversified Industrial North America

\$ in millions	2nd Quarter		
	FY2017	% Change	FY2016
<u>Sales</u>			
As Reported	\$ 1,121	(3.4)%	\$ 1,161
Acquisitions	-	- %	
Currency	(7)	(0.6)%	
Organic Sales	\$ 1,128	(2.8)%	

	FY2017	% of Sales	FY2016	% of Sales
<u>Segment Operating Margin</u>				
As Reported	\$ 184	16.4 %	\$ 154	13.2 %
Business Realignment	2		20	
Adjusted	\$ 186	16.6 %	\$ 174	15.0 %

# Sales & Segment Operating Margin

## Diversified Industrial International

\$ in millions	2nd Quarter		
	FY2017	% Change	FY2016
<u>Sales</u>			
As Reported	\$ 1,006	1.4 %	\$ 993
Acquisitions	8	0.8 %	
Currency	(24)	(2.4)%	
Organic Sales	\$ 1,022	3.0 %	

	FY2017	% of Sales	FY2016	% of Sales
<u>Segment Operating Margin</u>				
As Reported	\$ 128	12.7 %	\$ 95	9.6 %
Business Realignment	4		14	
Adjusted	\$ 132	13.1 %	\$ 109	11.0 %

# Sales & Segment Operating Margin

## Aerospace Systems

\$ in millions	2nd Quarter		
	FY2017	% Change	FY2016
<u>Sales</u>			
As Reported	\$ 544	(1.6)%	\$ 552
Acquisitions	-	-%	
Currency	-	-%	
Organic Sales	\$ 544	(1.6)%	

	FY2017	% of Sales	FY2016	% of Sales
<u>Segment Operating Margin</u>				
As Reported	\$ 73	13.3 %	\$ 82	14.8 %
Business Realignment	1		0	
Adjusted	\$ 74	13.5 %	\$ 82	14.8 %

# Order Rates

	<u>Dec 2016</u>	<u>Sep 2016</u>	<u>Dec 2015</u>	<u>Sep 2015</u>
<b>Total Parker</b>	<b>+ 5 %</b>	<b>+ 2 %</b>	<b>- 12 %</b>	<b>- 11 %</b>
Diversified Industrial North America	+ 0 %	- 4 %	- 15 %	- 12 %
Diversified Industrial International	+ 10 %	+ 3 %	- 10 %	- 8 %
Aerospace Systems	+ 9 %	+ 14 %	- 11 %	- 16 %

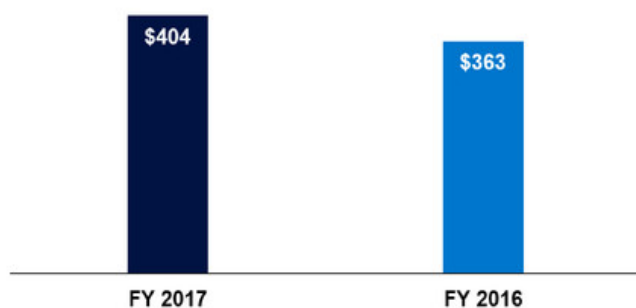
**Excludes Acquisitions, Divestitures & Currency**  
**3-month year-over-year comparisons of total dollars, except Aerospace Systems**  
**Aerospace Systems is calculated using a 12-month rolling average**



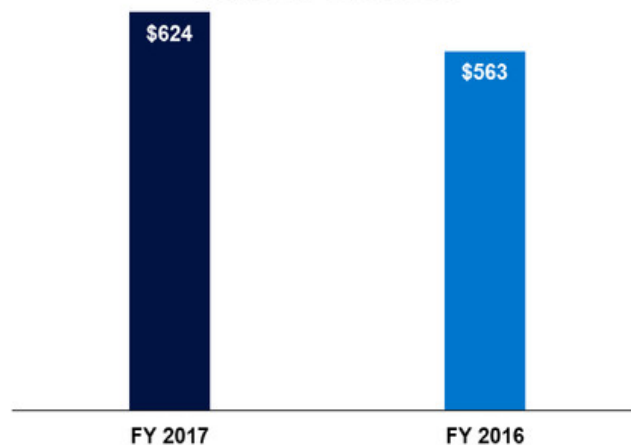
# Cash Flow from Operating Activities<sup>1</sup>

## FY2017 YTD

As Reported Cash Flow



Adjusted Cash Flow\*



\*Adjusted for Discretionary Pension Plan Contribution

As Reported Cash Flow From Operating Activities  
 Discretionary Pension Plan Contribution  
 Adjusted Cash Flow From Operating Activities

FY 2017	% of Sales	FY 2016	% of Sales
\$ 404	7.5%	\$ 363	6.5%
\$ 220		\$ 200	
\$ 624	11.5%	\$ 563	10.1%

# FY2017 Guidance

## EPS Midpoint: \$6.96 As Reported, \$7.30 Adjusted

Sales Growth vs. Prior Year	
Diversified Industrial North America	(5.0%) - (1.0%)
Diversified Industrial International	(1.0)% - 3.0%
Aerospace Systems	1.0% - 3.0%
<b>Total Parker</b>	<b>(2.3%) - 1.3%</b>

Segment Operating Margins	As Reported	Adjusted
Diversified Industrial North America	17.2% - 17.6%	17.5% - 17.9%
Diversified Industrial International	12.8% - 13.2%	13.6% - 14.0%
Aerospace Systems	14.9% - 15.1%	15.0% - 15.2%
<b>Total Parker</b>	<b>15.1% - 15.5%</b>	<b>15.5% - 15.9%</b>

Below the Line Items		
Corporate General & Administrative Expense, Interest and Other	\$425 M	\$409 M

Tax Rate	
Full Year	27.5%

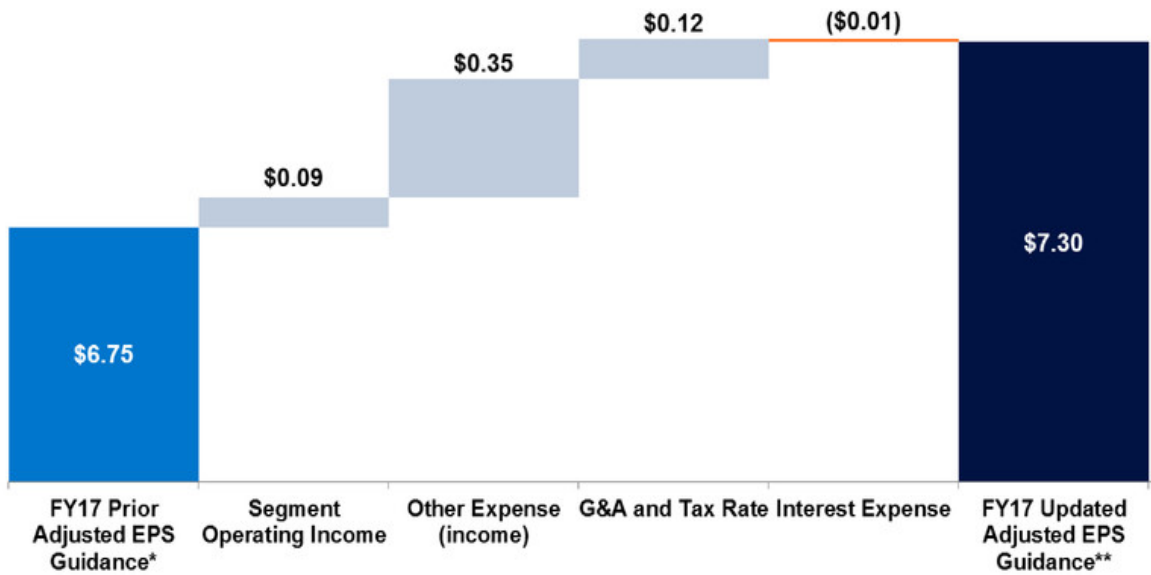
Shares	
Diluted Shares Outstanding	135.7M

Earnings Per Share	As Reported	Adjusted
Range	\$6.71 - \$7.21	\$7.05 - \$7.55

Expected FY17 Adjusted Segment Operating Margins exclude FY17 Business Realignment Charges  
 Expected FY17 Adjusted Below the Line Items and Adjusted Earnings Per Share exclude FY17 Q2 CLARCOR  
 Acquisition Expenses and Business Realignment Charges

# FY2017 Guidance

## Reconciliation to Prior Guidance



\*Adjusted for Business Realignment Charges

\*\*Adjusted for Business Realignment Charges and CLARCOR Acquisition Expenses



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**LISTED**  
**NYSE.**

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# Appendix

- Consolidated Statement of Income
- Reconciliation of EPS
- Business Segment Information
- Consolidated Balance Sheet
- Consolidated Statement of Cash Flows
- Reconciliation of Cash Flow from Operations to Adjusted Cash Flow from Operations
- Reconciliation of Forecasted Segment Operating Margins and EPS
- 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,	
	2016	2015	2016	2015
<b>Net sales</b>	<b>\$ 2,670,804</b>	<b>\$ 2,705,590</b>	<b>\$ 5,413,935</b>	<b>\$ 5,574,938</b>
Cost of sales	2,044,484	2,140,624	4,150,490	4,341,528
Gross profit	626,320	564,966	1,263,445	1,233,410
Selling, general and administrative expenses	336,578	314,666	659,547	684,880
Interest expense	33,444	34,297	67,592	70,057
Other (income), net	(64,424)	(13,877)	(76,661)	(27,056)
Income before income taxes	320,722	229,880	612,967	505,529
Income taxes	79,322	46,743	161,329	127,366
Net income	241,400	183,137	451,638	378,163
Less: Noncontrolling interests	95	155	204	203
<b>Net income attributable to common shareholders</b>	<b>\$ 241,305</b>	<b>\$ 182,982</b>	<b>\$ 451,434</b>	<b>\$ 377,960</b>
<b>Earnings per share attributable to common shareholders:</b>				
Basic earnings per share	\$ 1.81	\$ 1.35	\$ 3.38	\$ 2.78
Diluted earnings per share	\$ 1.78	\$ 1.33	\$ 3.33	\$ 2.74
Average shares outstanding during period - Basic	133,320,109	135,373,356	133,499,744	136,108,930
Average shares outstanding during period - Diluted	135,812,760	137,065,447	135,596,707	137,788,219
Cash dividends per common share	\$ .63	\$ .63	\$ 1.26	\$ 1.26

# Reconciliation of EPS

(Unaudited)

(Amounts in Dollars)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
<b>Earnings per diluted share</b>	<b>\$ 1.78</b>	<b>\$ 1.33</b>	<b>\$ 3.33</b>	<b>\$ 2.74</b>
Adjustments:				
Business realignment charges	0.04	0.19	0.10	0.30
Acquisition expenses	0.09	-	0.09	-
<b>Adjusted earnings per diluted share</b>	<b>\$ 1.91</b>	<b>\$ 1.52</b>	<b>\$ 3.52</b>	<b>\$ 3.04</b>

# Business Segment Information

(Unaudited)	Three Months Ended December 31,		Six Months Ended December 31,	
(Dollars in thousands)	2016	2015	2016	2015
<b>Net sales</b>				
Diversified Industrial:				
North America	\$ 1,121,053	\$ 1,160,774	\$ 2,288,024	\$ 2,447,104
International	1,005,968	992,464	2,020,891	2,030,911
Aerospace Systems	543,783	552,352	1,105,020	1,096,923
<b>Total</b>	<b>\$ 2,670,804</b>	<b>\$ 2,705,590</b>	<b>\$ 5,413,935</b>	<b>\$ 5,574,938</b>
<b>Segment operating income</b>				
Diversified Industrial:				
North America	\$ 184,013	\$ 153,581	\$ 384,624	\$ 366,329
International	127,517	95,367	264,713	224,662
Aerospace Systems	72,516	81,764	145,797	155,767
<b>Total segment operating income</b>	<b>384,046</b>	<b>330,712</b>	<b>795,134</b>	<b>746,758</b>
Corporate general and administrative expenses	43,926	31,210	74,960	84,261
<b>Income before interest and other expense</b>	<b>340,120</b>	<b>299,502</b>	<b>720,174</b>	<b>662,497</b>
Interest expense	33,444	34,297	67,592	70,057
Other (income) expense	(14,046)	35,325	39,615	86,911
<b>Income before income taxes</b>	<b>\$ 320,722</b>	<b>\$ 229,880</b>	<b>\$ 612,967</b>	<b>\$ 505,529</b>



# Reconciliation of Total Segment Operating Margin to Adjusted Total Segment Operating Margin

(Unaudited)  
(Dollars in thousands)

	Three Months Ended December 31, 2016	<u>Operating margin</u>	Three Months Ended December 31, 2015	<u>Operating margin</u>
<b>Total segment operating income</b>	\$ 384,046	14.4%	\$ 330,712	12.2%
Adjustments:				
Business realignment charges	7,897		34,800	
<b>Adjusted total segment operating income</b>	<b>\$ 391,943</b>	<b>14.7%</b>	<b>\$ 365,512</b>	<b>13.5%</b>

# Consolidated Balance Sheet

(Unaudited)	December 31,		June 30,	December 31,
(Dollars in thousands)	2016		2016	2015
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 1,520,736	\$ 1,221,653	\$ 1,047,494	
Marketable securities and other investments	684,299	882,342	820,682	
Trade accounts receivable, net	1,411,074	1,593,920	1,419,934	
Non-trade and notes receivable	256,545	232,183	293,913	
Inventories	1,241,593	1,173,329	1,279,760	
Prepaid expenses	133,592	104,360	141,030	
<b>Total current assets</b>	<b>5,247,839</b>	<b>5,207,787</b>	<b>5,002,813</b>	
Plant and equipment, net	1,506,201	1,568,100	1,598,185	
Deferred income taxes	482,136	605,155	383,805	
Goodwill	2,813,238	2,903,037	2,913,065	
Intangible assets, net	849,692	922,571	975,515	
Other assets	832,507	827,492	840,920	
<b>Total assets</b>	<b>\$ 11,731,613</b>	<b>\$ 12,034,142</b>	<b>\$ 11,714,303</b>	
<b>Liabilities and equity</b>				
<b>Current liabilities:</b>				
Notes payable	\$ 581,487	\$ 361,787	\$ 574,302	
Accounts payable	997,189	1,034,589	948,157	
Accrued liabilities	720,844	841,915	736,145	
Accrued domestic and foreign taxes	125,954	127,597	105,130	
<b>Total current liabilities</b>	<b>2,425,474</b>	<b>2,365,888</b>	<b>2,363,734</b>	
Long-term debt	2,653,560	2,652,457	2,701,121	
Pensions and other postretirement benefits	1,766,209	2,076,143	1,475,351	
Deferred income taxes	50,809	54,395	64,721	
Other liabilities	304,583	306,581	306,655	
Shareholders' equity	4,527,709	4,575,255	4,799,406	
Noncontrolling interests	3,269	3,423	3,315	
<b>Total liabilities and equity</b>	<b>\$ 11,731,613</b>	<b>\$ 12,034,142</b>	<b>\$ 11,714,303</b>	

# Consolidated Statement of Cash Flows

(Unaudited) (Dollars in thousands)	Six Months Ended December 31,	
	2016	2015
<b>Cash flows from operating activities:</b>		
Net income	\$ 451,638	\$ 378,163
Depreciation and amortization	149,085	156,093
Stock incentive plan compensation	47,161	39,026
(Gain) on sale of business	(44,930)	-
Loss (gain) on disposal of assets	310	(336)
(Gain) on sale of marketable securities	(230)	(158)
Net change in receivables, inventories, and trade payables	44,802	41,866
Net change in other assets and liabilities	(313,783)	(239,277)
Other, net	70,123	(12,730)
<b>Net cash provided by operating activities</b>	<b>404,176</b>	<b>362,647</b>
<b>Cash flows from investing activities:</b>		
Acquisitions (net of cash of \$1,760 in 2016 and \$3,814 in 2015)	(29,927)	(67,552)
Capital expenditures	(71,356)	(75,419)
Proceeds from sale of plant and equipment	4,991	8,506
Proceeds from sale of business	85,610	-
Purchases of marketable securities and other investments	(393,909)	(575,183)
Maturities and sales of marketable securities and other investments	506,642	527,819
Other, net	241	(41,450)
<b>Net cash provided by (used in) investing activities</b>	<b>102,292</b>	<b>(223,279)</b>
<b>Cash flows from financing activities:</b>		
Net payments for common stock activity	(194,110)	(410,049)
Net proceeds from debt	222,425	356,591
Dividends	(168,990)	(171,707)
<b>Net cash (used in) financing activities</b>	<b>(140,675)</b>	<b>(225,165)</b>
Effect of exchange rate changes on cash	(66,710)	(47,293)
Net increase (decrease) in cash and cash equivalents	299,083	(133,090)
Cash and cash equivalents at beginning of period	1,221,653	1,180,584
<b>Cash and cash equivalents at end of period</b>	<b>\$ 1,520,736</b>	<b>\$ 1,047,494</b>

# Reconciliation of Cash Flow from Operations to Adjusted Cash Flow from Operations

(Unaudited)  
(Dollars in thousands)

	Six Months Ended December 31, 2016	Percent of sales	Six Months Ended December 31, 2015	Percent of sales
<b>As reported cash flow from operations</b>	\$ 404,176	7.5%	\$ 362,647	6.5%
Discretionary pension contribution	220,000		200,000	
<b>Adjusted cash flow from operations</b>	<b>\$ 624,176</b>	<b>11.5%</b>	<b>\$ 562,647</b>	<b>10.1%</b>

# Reconciliation of Forecasted Segment Operating Margins and EPS

(Unaudited)

	Fiscal Year 2017
Forecasted As Reported Diversified Industrial North America Operating Margin	17.2% - 17.6%
Forecasted Segment Business Realignment Charges as % Net Sales	0.3%
<b>Forecasted Adjusted Diversified Industrial North America Operating Margin</b>	<b>17.5% - 17.9%</b>
Forecasted As Reported Diversified Industrial International Operating Margin	12.8% - 13.2%
Forecasted Segment Business Realignment Charges as % Net Sales	0.8%
<b>Forecasted Adjusted Diversified Industrial International Operating Margin</b>	<b>13.6% - 14.0%</b>
Forecasted As Reported Aerospace Systems Operating Margin	14.9% - 15.1%
Forecasted Segment Business Realignment Charges as % Net Sales	0.1%
<b>Forecasted Adjusted Aerospace Systems Operating Margin</b>	<b>15.0% - 15.2%</b>
Forecasted As Reported Total Parker Operating Margin	15.1% - 15.5%
Forecasted Segment Business Realignment Charges as % Net Sales	0.4%
<b>Forecasted Adjusted Total Parker Operating Margin</b>	<b>15.5% - 15.9%</b>

(Unaudited)

(Amounts in dollars)

	Fiscal Year
	2017
<b>Forecasted earnings per diluted share</b>	<b>\$6.71 to \$7.21</b>
Adjustments:	
Business realignment charges	.25
Acquisition expenses	.09
<b>Adjusted forecasted earnings per diluted share</b>	<b>\$7.05 to \$7.55</b>

# Supplemental Sales Information

## Global Technology Platforms

(Unaudited)  
(Dollars in thousands)

	Three Months Ending				Fiscal Year-to-Date			
	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017
<b>Net sales</b>								
Diversified Industrial:								
Motion Systems	\$ 741,650	\$ 754,772		\$ -	\$ 741,650	\$ 1,496,422		
Flow and Process Control	824,314	783,864		-	824,314	1,608,178		
Filtration and Engineered Materials	615,930	588,385		-	615,930	1,204,315		
Aerospace Systems	561,237	543,783		-	561,237	1,105,020		
<b>Total</b>	\$ 2,743,131	\$ 2,670,804	\$ -	\$ -	\$ 2,743,131	\$ 5,413,935	\$ -	\$ -

