

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): April 30, 2020

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)

1-4982
(Commission File Number)

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

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

Not Applicable

(Former name or former address, if changed since last report.)

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))

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on which Registered
Common Shares, \$.50 par value	PH	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition

On April 30, 2020, Parker-Hannifin Corporation issued a press release and presented a Webcast announcing results of operations for the quarter ended March 31, 2020. 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 April 30, 2020.](#)

[99.2 Webcast presentation by Parker-Hannifin Corporation, dated April 30, 2020.](#)

104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

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

Executive Vice President - Finance &

Administration and Chief Financial Officer

Date: April 30, 2020



For Release: **Immediately** Exhibit 99.1

Contact: **Media -**
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Stock Symbol: PH - NYSE

Parker Reports Fiscal 2020 Third Quarter Results

- EPS were \$2.83 as reported, or \$2.92 adjusted
- Total segment operating margin was 15.8% as reported, or 16.9% adjusted
- EBITDA margin was 18.2% as reported, or 19.3% adjusted
- Cash flow from operations was a Q3 YTD record at \$1.3 billion and reached 12.3% of sales
- Company withdraws fiscal 2020 full year guidance

CLEVELAND, April 30, 2020 -- Parker Hannifin Corporation (NYSE: PH), the global leader in motion and control technologies, today reported results for the fiscal 2020 third quarter ended March 31, 2020. Fiscal 2020 third quarter sales were \$3.70 billion, compared with \$3.69 billion in the prior year quarter. Net income was \$367.3 million, compared with \$411.2 million in the third quarter of fiscal 2019. Fiscal 2020 third quarter earnings per share were \$2.83, compared with \$3.14 in the prior year quarter. Adjusted earnings per share were \$2.92, compared with adjusted earnings per share of \$3.17 in the third quarter of fiscal 2019. Fiscal year-to-date cash flow from operations was \$1.29 billion and reached 12.3% of sales, compared with 10.3% in the prior year period, or 12.1% when adjusted for a fiscal 2019 discretionary pension contribution. A reconciliation of non-GAAP measures is included in the financial tables of this press release.

"The third quarter was a strong quarter for Parker during the early stages of this historic period of global disruption," said Chairman and Chief Executive Officer, Tom Williams. "Despite an organic sales decline of 7.4%, we delivered strong adjusted total segment operating margin, and adjusted EBITDA margin was 19.3%, an improvement of 60 basis points compared with the same quarter a year ago. Our year-to-date operating cash flow was a third quarter record at \$1.3 billion and we improved the balance sheet through repayments of debt that totaled \$611 million during the quarter.

"Our global team has worked hard to minimize the exposure and spread of the coronavirus in all workplaces around the world, produce strong financial results, and support our customers across

critical industries where Parker technologies are helping with the front-line effort to manage through the pandemic. Parker products are being used in countless applications to combat the spread and support the treatment of COVID-19, fulfilling our purpose of enabling engineering breakthroughs that lead to a better tomorrow.

“We expect that the months ahead will be much more challenging as April order trends have become more negative with the current global economy. As a result, we have been comprehensive in taking immediate cost reduction and cash preservation actions that include global salary reductions and reduced work schedules, a global hiring freeze, deferral of annual merit increases, targeted restructuring, elimination of discretionary spending, optimizing working capital and reducing capital expenditures all, of which will help us mitigate the financial impact of a drop off in demand. Our ability to manage costs and generate cash consistently across economic cycles is a hallmark of Parker’s resilience and ability to weather difficult conditions in our markets.”

Segment Results

Diversified Industrial Segment: North American third quarter sales increased 1% to \$1.8 billion, and operating income was \$279.6 million, compared with \$287.5 million in the same period a year ago. International third quarter sales decreased 8% to \$1.2 billion, and operating income was \$177.0 million, compared with \$208.7 million in the same period a year ago.

Aerospace Systems Segment: Third quarter sales increased 14% to \$744.6 million, and operating income was \$127.4 million, compared with \$134.8 million in the same period a year ago.

Parker reported the following orders for the quarter ending March 31, 2020, compared with the same quarter a year ago:

- Orders decreased 2% for total Parker
- Orders decreased 7% in the Diversified Industrial North America businesses
- Orders decreased 2% in the Diversified Industrial International businesses
- Orders increased 12% in the Aerospace Systems Segment on a rolling 12-month average basis

Outlook

Williams added, “The current environment makes it difficult to forecast results with any reasonable amount of accuracy. For that reason, we are withdrawing our earnings guidance for fiscal year 2020. The actions we have taken over the past five years to transform our portfolio and reduce fixed costs through restructuring, combined with the actions we are taking now, will position Parker to emerge from this global crisis stronger than ever.”

NOTICE OF CONFERENCE CALL: Parker Hannifin's conference call and slide presentation to discuss its fiscal 2020 third quarter results are available to all interested parties via live webcast today at 11:00 a.m. ET, at www.phstock.com. A replay of the webcast will be available on the site approximately one hour after the completion of the call and will remain available for one year. To register for e-mail notification of future events please visit www.phstock.com.

About Parker Hannifin

Parker Hannifin is a Fortune 250 global leader in motion and control technologies. For more than a century the company has been enabling engineering breakthroughs that lead to a better tomorrow. Parker has increased its annual dividend per share paid to shareholders for 64 consecutive fiscal years, among the top five longest-running dividend-increase records in the S&P 500 index. Learn more at 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 Net Income

Net income referenced in this press release is equal to net income attributable to common shareholders.

Note on Non-GAAP Financial Measures

This press release contains references to non-GAAP financial information including (a) adjusted earnings per share; (b) adjusted cash flow from operations; (c) adjusted total segment operating margin; EBITDA margin; and adjusted EBITDA margin. The adjusted earnings per share, cash flow from operations and total segment operating margin measures are presented to allow investors and the company to meaningfully evaluate changes in earnings per share, cash flows from operations and total segment operating margin on a comparable basis from period to period. This press release also contains references to EBITDA, EBITDA margin and adjusted EBITDA margin. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Although EBITDA, EBITDA margin and adjusted EBITDA margin are not measures of performance calculated in accordance with GAAP, we believe that they are useful to an investor in evaluating the results of this quarter versus the prior period. A reconciliation of non-GAAP measures is included in the financial tables of this press release.

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 the 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. Parker cautions readers not to place undue reliance on these 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. Additionally, the actual impact of changes in tax laws in the United States and foreign jurisdictions and any judicial or regulatory interpretation thereof on future performance and earnings projections may impact the company's tax calculations. 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: the impact of the global outbreak of COVID-19 and governmental and other actions taken in response; 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, including the integration of CLARCOR, LORD Corporation or Exotic Metals; 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; global competitive market conditions, including global reactions to U.S. trade policies, 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, as well as uncertainties associated with the timing and conditions surrounding the return to service of the Boeing 737 MAX. 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 March 31,		Nine Months Ended March 31,	
	2020	2019	2020	2019
(Dollars in thousands, except per share amounts)				
Net sales	\$ 3,702,432	\$ 3,687,518	\$ 10,534,917	\$ 10,638,857
Cost of sales	2,766,693	2,766,744	7,929,199	7,963,906
Selling, general and administrative expenses	413,460	360,865	1,303,760	1,152,446
Interest expense	80,765	48,209	233,612	140,066
Other (income), net	(12,643)	(17,500)	(73,713)	(37,638)
Income before income taxes	454,157	529,200	1,142,059	1,420,077
Income taxes	86,788	117,819	231,051	320,884
Net income	367,369	411,381	911,008	1,099,193
Less: Noncontrolling interests	116	133	383	497
Net income attributable to common shareholders	\$ 367,253	\$ 411,248	\$ 910,625	\$ 1,098,696
Earnings per share attributable to common shareholders:				
Basic earnings per share	\$ 2.86	\$ 3.20	\$ 7.09	\$ 8.42
Diluted earnings per share	\$ 2.83	\$ 3.14	\$ 7.01	\$ 8.29
Average shares outstanding during period - Basic	128,289,720	128,706,137	128,383,549	130,476,355
Average shares outstanding during period - Diluted	129,746,547	130,884,968	129,862,815	132,498,376

CASH DIVIDENDS PER COMMON SHARE

(Unaudited)	Three Months Ended March 31,		Nine Months Ended March 31,	
(Amounts in dollars)	2020	2019	2020	2019
Cash dividends per common share	\$ 0.88	\$ 0.76	\$ 2.64	\$ 2.28

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

(Unaudited)	Three Months Ended March 31,		Nine Months Ended March 31,	
(Amounts in dollars)	2020	2019	2020	2019
Earnings per diluted share	\$ 2.83	\$ 3.14	\$ 7.01	\$ 8.29
Adjustments:				
Business realignment charges	0.10	0.03	0.22	0.07
Clarcor costs to achieve	—	—	—	0.09
Lord costs to achieve	0.06	—	0.14	—
Exotic costs to achieve	—	—	0.01	—
Acquisition-related expenses	0.14	—	1.42	—
Tax effect of adjustments ¹	(0.07)	—	(0.43)	(0.04)
Favorable tax settlement	(0.14)	—	(0.14)	—
Tax expense related to U.S. Tax Reform	—	—	—	0.11
Adjusted earnings per diluted share	\$ 2.92	\$ 3.17	\$ 8.23	\$ 8.52

¹This 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 - March 31, 2020
RECONCILIATION OF EBITDA TO ADJUSTED EBITDA

Exhibit 99.1

(Unaudited) (Dollars in thousands)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2020	2019	2020	2019
Net sales	\$ 3,702,432	\$ 3,687,518	\$ 10,534,917	\$ 10,638,857
Net income	\$ 367,369	\$ 411,381	\$ 911,008	\$ 1,099,193
Income taxes	86,788	117,819	231,051	320,884
Depreciation and amortization	137,649	108,258	390,949	330,801
Interest expense	80,765	48,209	233,612	140,066
EBITDA	672,571	685,667	1,766,620	1,890,944
Adjustments:				
Business realignment charges	13,454	4,366	28,013	9,284
Clarcor costs to achieve	—	233	—	11,530
Lord costs to achieve	8,364	—	18,503	—
Exotic costs to achieve	486	—	1,570	—
Acquisition-related expenses	18,165	—	184,081	—
Adjusted EBITDA	\$ 713,040	\$ 690,266	\$ 1,998,787	\$ 1,911,758
EBITDA margin	18.2 %	18.6 %	16.8 %	17.8 %
Adjusted EBITDA margin	19.3 %	18.7 %	19.0 %	18.0 %

BUSINESS SEGMENT INFORMATION

(Unaudited) (Dollars in thousands)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2020	2019	2020	2019
Net sales				
Diversified Industrial:				
North America	\$ 1,775,578	\$ 1,750,554	\$ 5,016,035	\$ 5,063,657
International	1,182,273	1,284,866	3,408,207	3,742,311
Aerospace Systems	744,581	652,098	2,110,675	1,832,889
Total net sales	\$ 3,702,432	\$ 3,687,518	\$ 10,534,917	\$ 10,638,857
Segment operating income				
Diversified Industrial:				
North America	\$ 279,628	\$ 287,526	\$ 766,159	\$ 820,411
International	176,954	208,707	499,343	603,886
Aerospace Systems	127,440	134,789	371,459	366,107
Total segment operating income	584,022	631,022	1,636,961	1,790,404
Corporate general and administrative expenses	48,342	32,802	132,904	147,017
Income before interest expense and other expense	535,680	598,220	1,504,057	1,643,387
Interest expense	80,765	48,209	233,612	140,066
Other expense	758	20,811	128,386	83,244
Income before income taxes	\$ 454,157	\$ 529,200	\$ 1,142,059	\$ 1,420,077

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

(Unaudited) (Dollars in thousands)	Three Months Ended March 31, 2020		Three Months Ended March 31, 2019	
	Operating income	Operating margin	Operating income	Operating margin
	Total segment operating income	\$ 584,022	15.8 %	\$ 631,022
Adjustments:				
Business realignment charges	13,333		4,366	
Clarcor costs to achieve	—		233	
Lord costs to achieve	8,364		—	
Exotic costs to achieve	486		—	
Acquisition-related expenses	18,060		—	
Adjusted total segment operating income	\$ 624,265	16.9 %	\$ 635,621	17.2 %
	Nine Months Ended March 31, 2020		Nine Months Ended March 31, 2019	
	Operating income	Operating margin	Operating income	Operating margin
Total segment operating income	\$ 1,636,961	15.5 %	\$ 1,790,404	16.8 %
Adjustments:				
Business realignment charges	27,770		9,284	
Clarcor costs to achieve	—		11,255	
Lord costs to achieve	18,503		—	
Exotic costs to achieve	1,570		—	
Acquisition-related expenses	69,304		—	
Adjusted total segment operating income	\$ 1,754,108	16.7 %	\$ 1,810,943	17.0 %

CONSOLIDATED BALANCE SHEET

(Unaudited)	March 31,	June 30,	March 31,
(Dollars in thousands)	2020	2019	2019
Assets			
Current assets:			
Cash and cash equivalents	\$ 697,617	\$ 3,219,767	\$ 1,098,729
Marketable securities and other investments	92,536	150,931	70,190
Trade accounts receivable, net	2,174,425	2,131,054	2,117,103
Non-trade and notes receivable	322,187	310,708	317,412
Inventories	2,011,367	1,678,132	1,755,991
Prepaid expenses and other	183,294	182,494	178,366
Total current assets	5,481,426	7,673,086	5,537,791
Plant and equipment, net	2,296,990	1,768,287	1,779,892
Deferred income taxes	124,515	150,462	96,463
Goodwill	7,829,779	5,453,805	5,459,965
Intangible assets, net	3,881,827	1,783,277	1,834,433
Investments and other assets	750,743	747,773	769,391
Total assets	\$ 20,365,280	\$ 17,576,690	\$ 15,477,935
Liabilities and equity			
Current liabilities:			
Notes payable and long-term debt payable within one year	\$ 1,035,191	\$ 587,014	\$ 1,017,278
Accounts payable, trade	1,422,011	1,413,155	1,423,659
Accrued payrolls and other compensation	415,213	426,285	381,754
Accrued domestic and foreign taxes	151,029	167,312	186,113
Other accrued liabilities	650,165	558,007	540,146
Total current liabilities	3,673,609	3,151,773	3,548,950
Long-term debt	8,097,922	6,520,831	4,284,235
Pensions and other postretirement benefits	1,320,167	1,304,379	895,197
Deferred income taxes	497,920	193,066	277,212
Other liabilities	468,235	438,489	456,293
Shareholders' equity	6,295,990	5,961,969	6,009,978
Noncontrolling interests	11,437	6,183	6,070
Total liabilities and equity	\$ 20,365,280	\$ 17,576,690	\$ 15,477,935

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

Nine Months Ended March 31,

(Dollars in thousands)

	2020	2019
Cash flows from operating activities:		
Net income	\$ 911,008	\$ 1,099,193
Depreciation and amortization	390,949	330,801
Stock incentive plan compensation	91,857	84,525
Loss on sale of businesses	—	623
(Gain) loss on plant and equipment and intangible assets	(5,194)	3,993
Loss on marketable securities	434	4,487
Gain on investments	(1,849)	(4,175)
Net change in receivables, inventories and trade payables	111,416	(124,942)
Net change in other assets and liabilities	(218,979)	(340,241)
Other, net	11,217	38,333
Net cash provided by operating activities	1,290,859	1,092,597
Cash flows from investing activities:		
Acquisitions (net of cash of \$82,192 in 2020 and \$690 in 2019)	(5,076,064)	(2,042)
Capital expenditures	(182,502)	(145,071)
Proceeds from sale of plant and equipment	25,398	37,158
Proceeds from sale of businesses	—	19,540
Purchases of marketable securities and other investments	(191,277)	(51,736)
Maturities and sales of marketable securities and other investments	249,306	25,103
Other	129,938	953
Net cash used in investing activities	(5,045,201)	(116,095)
Cash flows from financing activities:		
Net payments for common stock activity	(192,174)	(769,820)
Net proceeds from debt	1,805,210	378,642
Dividends paid	(340,291)	(299,006)
Net cash provided by (used in) financing activities	1,272,745	(690,184)
Effect of exchange rate changes on cash	(40,553)	(9,726)
Net (decrease) increase in cash and cash equivalents	(2,522,150)	276,592
Cash and cash equivalents at beginning of period	3,219,767	822,137
Cash and cash equivalents at end of period	\$ 697,617	\$ 1,098,729

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

(Unaudited)

Nine Months Ended

Nine Months Ended

(Dollars in thousands)

	March 31, 2020	Percent of sales	March 31, 2019	Percent of sales
As reported cash flow from operations	\$ 1,290,859	12.3 %	\$ 1,092,597	10.3 %
Discretionary pension contribution	—		200,000	
Adjusted cash flow from operations	\$ 1,290,859	12.3 %	\$ 1,292,597	12.1 %

Parker Hannifin Corporation

Exhibit 99.2

**3rd Quarter Fiscal Year 2020
Earnings Release**



PH
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ENGINEERING YOUR SUCCESS.

April 30, 2020



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 the 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. Parker cautions readers not to place undue reliance on these 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. Additionally, the actual impact of changes in tax laws in the United States and foreign jurisdictions and any judicial or regulatory interpretation thereof on future performance and earnings projections may impact the company's tax calculations. 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: the impact of the global outbreak of COVID-19 and governmental and other actions taken in response; 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, including the integration of CLARCOR, LORD Corporation or Exotic Metals; 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; global competitive market conditions, including global reactions to U.S. trade policies, 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, as well as uncertainties associated with the timing and conditions surrounding the return to service of the Boeing 737 MAX. 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 contains references to non-GAAP financial information including adjusted operating margin, adjusted EBITDA margin, adjusted cash flow from operating activities, free cash flow, and adjusted earnings per share. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA before business realignment, integration costs to achieve, and acquisition related expenses. Free cash flow is defined as cash flow from operations less capital expenditures plus discretionary pension contribution. Although adjusted operating margin, adjusted EBITDA margin, adjusted cash flow from operating activities, free cash flow, and adjusted earnings per share are not measures of performance calculated in accordance with GAAP, we believe that they are useful to an investor in evaluating the company performance for the periods presented. Detailed reconciliations of these non-GAAP financial measures to the comparable GAAP financial measures have been included in the appendix to this presentation.

Please visit www.PHstock.com for more information

Agenda

- **CEO Update on Parker's Response to COVID-19**

- **CEO Highlights of Quarter Results**

- **CFO Summary of Quarter Results**

- **Questions & Answers**

Performance During a Health & Economic Crisis

Our strength comes from:

- The Win Strategy™
- A Portfolio of Products & Technologies that are needed
- Our Culture & Values
- Our Purpose
- Engaged People



Crisis Management Strategy

- Safety of our team members and their families
- Helping society through the crisis:
 - **We are Essential**
 - **Our Purpose in Action**
- Standing strong after the crisis

Utilizing our crisis response management team

Health & Safety Actions: Early & Decisive

- Enhanced hygiene, cleaning & sanitization protocols
- Physical distancing
- Early travel restrictions
- Early cancellation of in-person meetings
- Standard work: Investigation, disinfection & return-to-work protocols
- Contact tracing and quarantines
- Transparent communications to team members

Two Safest Places...Work and Home

Our Purpose in Action

Food Supply



Helping Patients



Essential Manufacturing



- Climate Control
- Electromechanical
- Engineered Materials
- Filtration
- Fluid & Gas Handling
- Hydraulics
- Pneumatics
- Process Control

Our Purpose in Action

Transportation



Power Generation



Healthcare - Ventilators



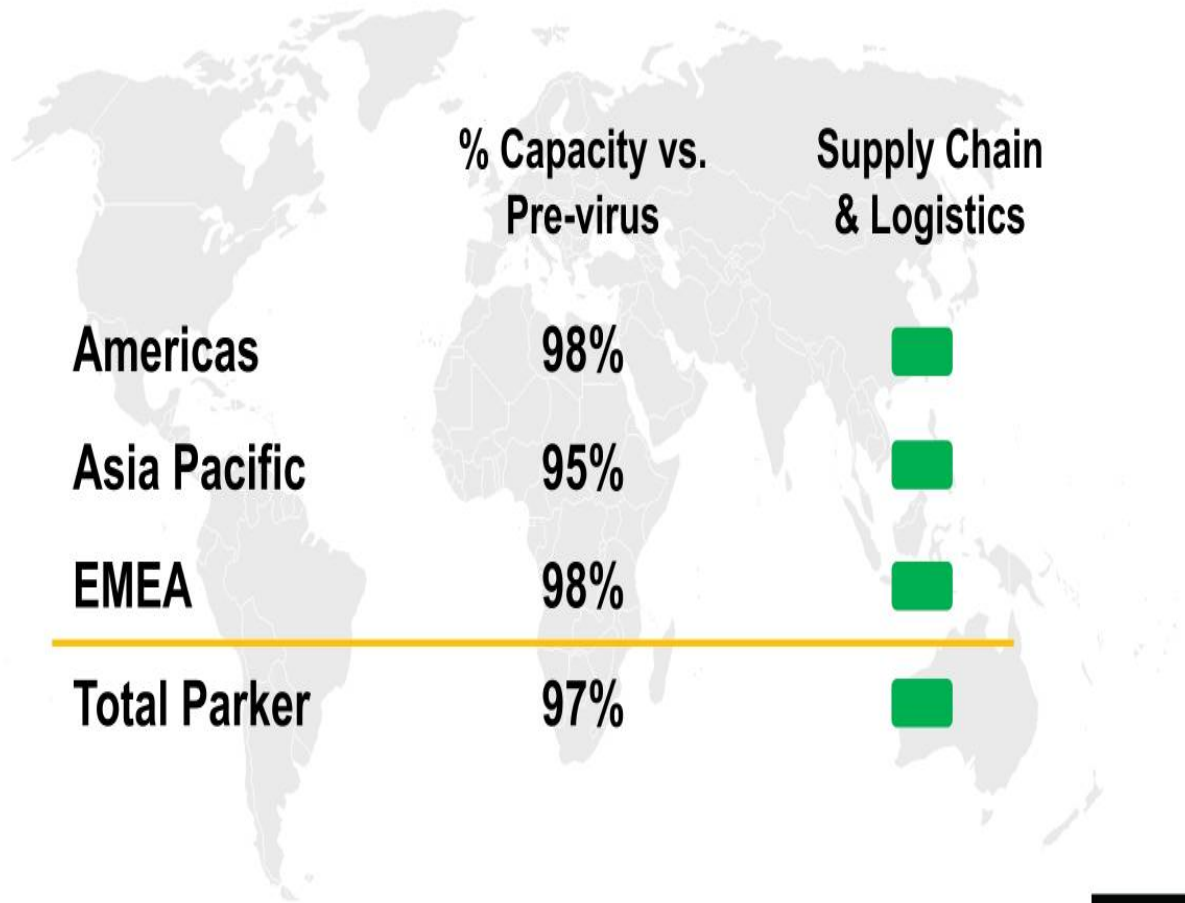
- Climate Control
- Electromechanical
- Engineered Materials
- Filtration
- Fluid & Gas Handling
- Hydraulics
- Pneumatics
- Process Control

Enabling Engineering Breakthroughs that Lead to a Better Tomorrow



ENGINEERING YOUR SUCCESS.

Facility & Supply Chain Status



3rd Quarter Highlights

- Safety: 27% reduction in recordable incidents; Top quartile incident rate
- Sales – Flat YoY; Acquisitions offset organic decline and FX
- Excellent adjusted margin performance:

<u>Without Acquisitions</u>	<u>FY20 Q3</u>	<u>FY19 Q3</u>	<u>Change</u>
Segment Operating Margin, As Reported	16.9%	17.1%	
Segment Operating Margin, Adjusted*	17.3%	17.2%	+10 bps
Decremental Margin vs. Prior Year			(16.4%)

<u>With Acquisitions</u>	<u>FY20 Q3</u>	<u>FY19 Q3</u>	<u>Change</u>
EBITDA Margin, As Reported	18.2%	18.6%	
EBITDA Margin, Adjusted*	19.3%	18.7%	+60 bps

3rd Quarter Highlights

- Strong EPS performance exceeded expectations
- Record Q3 YTD cash flow from operations of \$1.3 billion
- YTD Cash flow from operations margin of 12.3%
- YTD Free cash flow conversion rate of 122%
- Paid down \$611 million of debt
- Gross debt to EBITDA reduced from 4.0x at 12/31/19 to 3.8x at 3/31/20

Order Rates

	<u>Mar 2020</u>	<u>Dec 2019</u>	<u>Mar 2019</u>	<u>Dec 2018</u>
Total Parker	(2)%	(3)%	(4)%	1 %
Diversified Industrial North America	(7)%	(7)%	(6)%	0 %
Diversified Industrial International	(2)%	(6)%	(4)%	(2)%
Aerospace Systems	12 %	12 %	2 %	10 %

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

Q3 Order Trends & April

- Q3 orders improved through the quarter until mid-March
- Estimated April orders¹:

Diversified Industrial North America	(30 – 35%)
Diversified Industrial International	(25 – 30%)
Aerospace Systems	(40 – 45%)
<hr/>	
Total Parker	(30 – 35%)

4th Quarter Cost Reduction Actions

Discretionary Cost Actions¹

- Salaried base wage reductions
 - Salaried Team Members & Directors (10%)
 - Officers (20 – 30%)
 - Chairman & CEO (50%)
- Reduced work schedules
- Foregoing annual merit increases
- Reduced travel, variable and discretionary spending

~\$250 - \$300 million

Structural Cost Actions

- Restructuring savings – reductions in force

~\$25 - \$30 million

~\$275 - \$330 million

Targeting a ~30% decremental margin

Cash Actions

- Conserve capital spending
- Optimize working capital
- Temporarily suspended 10b5-1 share repurchase program
- Maintain dividend payout and annual record of increasing dividends paid

Confident in CFOA > 10% Performance

Parker's Transformation



The Win Strategy™

Our Vision: Engineering Your Success

Goals

Engaged People

STRATEGIES

- Environmental, Health & Safety
- Ownership – Entrepreneurial
- High Performance Teams & Leaders
- Continuous Improvement – Kaizen

Customer Experience

STRATEGIES

- Quality Solutions On Time
- Digital Leadership
- Ease of Doing Business

Profitable Growth

STRATEGIES

- Strategic Positioning
- Market-Driven Innovation
- System Solutions
- Strong Distribution
- Grow Share
- Acquisitions

Financial Performance

STRATEGIES

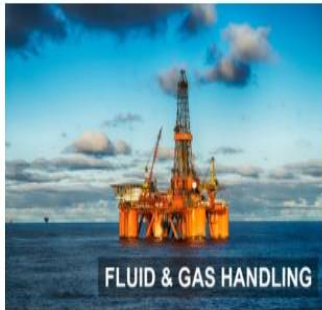
- Simplification
- Lean Enterprise
- Strategic Supply Chain
- Value Pricing

Our Culture & Values



SEPTEMBER 2019

Unmatched Breadth of Technologies



Transformational Acquisitions

CLARCOR

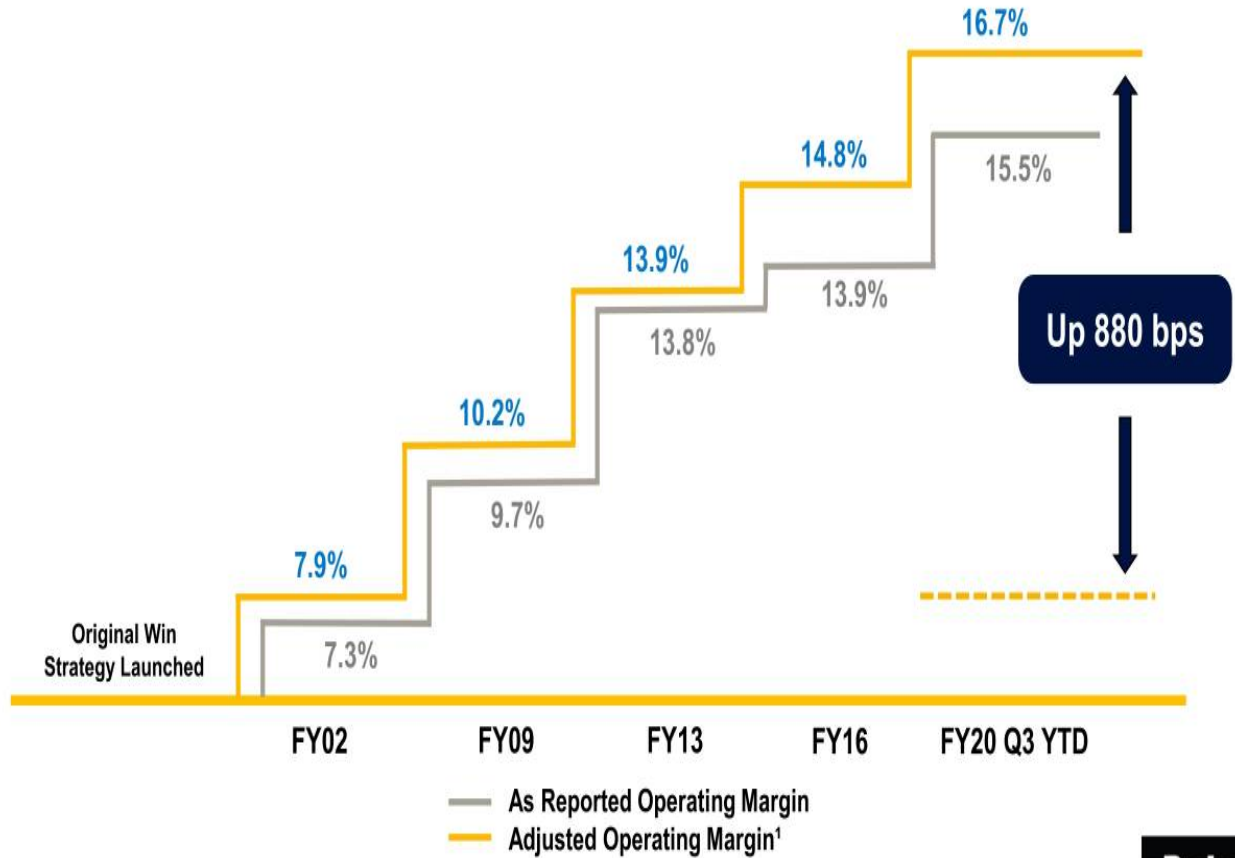
LORD

 EXOTIC METALS
FORMING COMPANY LLC

- \$3 billion in acquired sales¹
- More resilient
- Accretive to growth & margins

Raising the Floor on Operating Margins

Last five manufacturing recessions

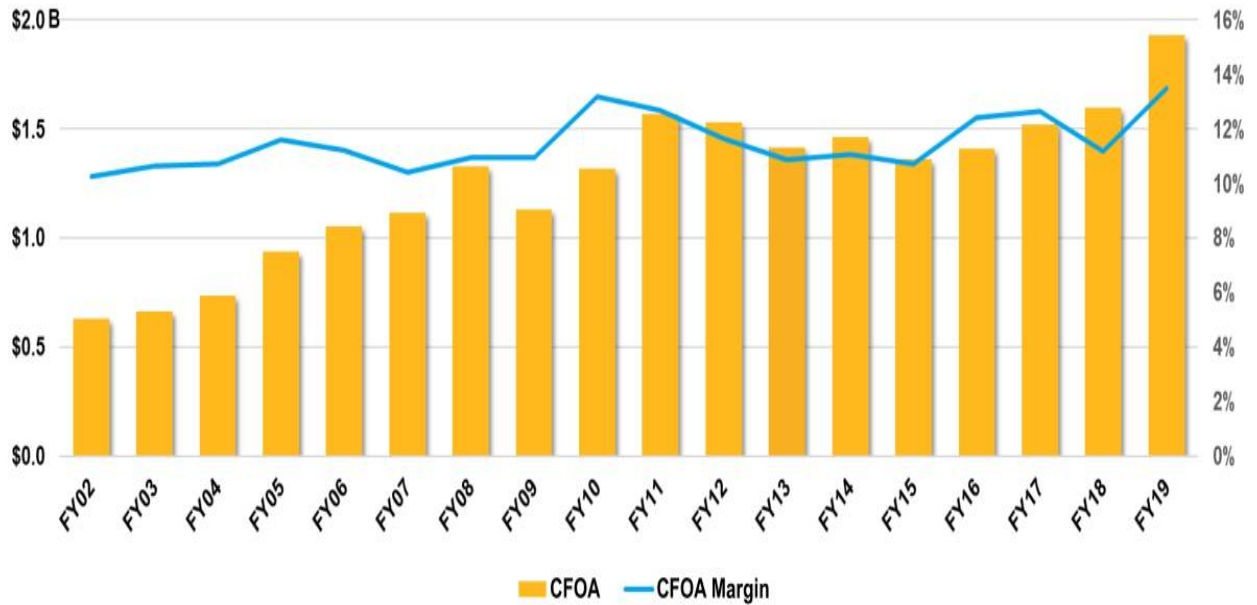


Financial Performance

18 Consecutive years with 10%+ CFOA margins*

\$1.9B FY19 CFOA*

18 Consecutive years with 100%+ FCF conversion



*Cash Flow Provided by Operating Activities adjusted for discretionary pension contributions;
Free Cash Flow = Cash Provided by Operating Activities - Capital Expenditures + Discretionary Pension Contribution



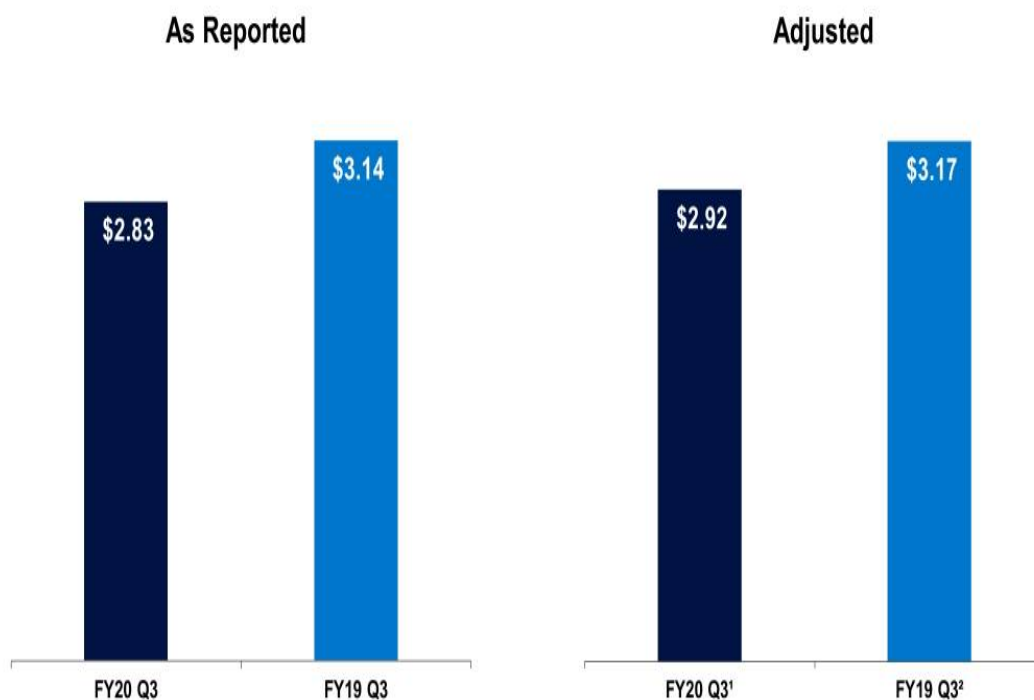
FY20 Outlook

- Current environment highly uncertain – withdrawing FY20 guidance
- Portfolio & cost structure has been transformed over the last five years
- Rapidly and aggressively adjusting costs to current environment
- Resilient – consistent cash flow from operations* >10% last 18 years

Win Strategy 3.0 & Our Purpose will Propel our Future

Diluted Earnings per Share

3rd Quarter FY2020 vs. FY2019

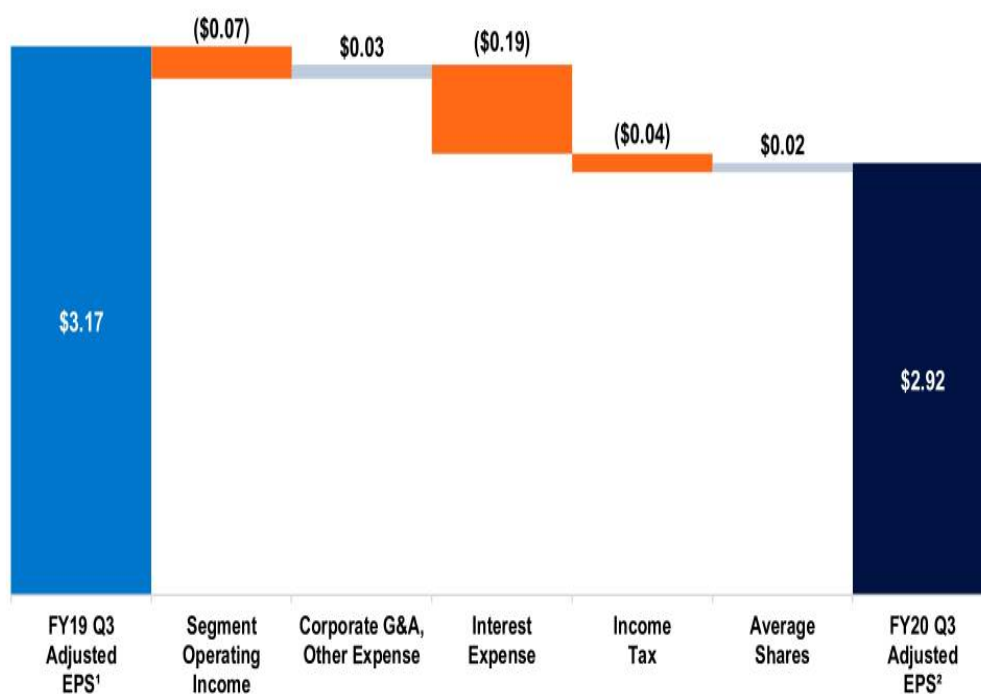


1. Adjusted for Business Realignment Charges, LORD and Exotic Costs to Achieve, Acquisition Related Expenses, the tax effect of such adjustments, and a net benefit from a favorable tax audit resolution
2. Adjusted for Business Realignment Charges, CLARCOR Costs to Achieve, and the tax effect of such adjustments



Influences on Adjusted Earnings per Share

3rd Quarter FY2020 vs. FY2019



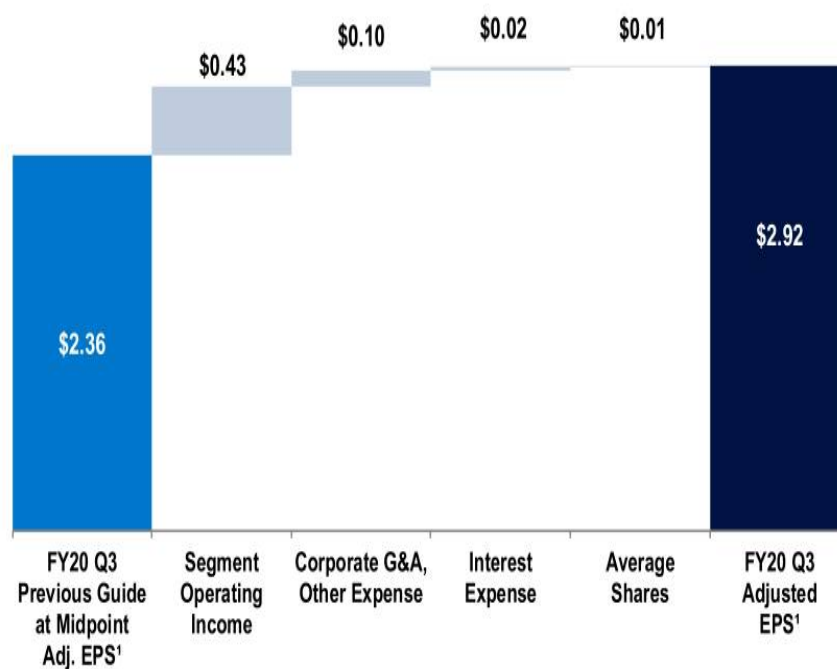
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Influences on Adjusted Earnings per Share

Reconciliation of Q3 Beat



Sales & Segment Operating Margin

Total Parker

\$ in millions	3rd Quarter			
	FY2020	Change	FY2019	
Sales		%		
As Reported	\$ 3,702	0.4 %	\$ 3,688	
Acquisitions ¹	343	9.3 %		
Currency	(56)	(1.5)%		
Organic Sales	\$ 3,415	(7.4)%		
		% of		% of
	FY2020	Sales	FY2019	Sales
Segment Operating Margin				
As Reported	\$ 584	15.8 %	\$ 631	17.1 %
Business Realignment	13		4	
Integration Costs to Achieve ²	9		1	
Acquisition Related Expenses ³	18		-	
Adjusted	\$ 624	16.9 %	\$ 636	17.2 %

FY2020 Q3 Acquisitions Impact on Segment Margins

As Reported	FY20 Q3			FY19 Q3
\$M	Total Parker	LORD + Exotic	Legacy Parker	Total Parker
Sales	\$3,702	\$343	\$3,359	\$3,688
Operating Income	\$584	\$16	\$568	\$631
Operating Margin	15.8%	4.7%	16.9%	17.1%

Adjusted*	FY20 Q3			FY19 Q3
\$M	Total Parker	LORD + Exotic	Legacy Parker	Total Parker
Sales	\$3,702	\$343	\$3,359	\$3,688
Operating Income	\$624	\$42	\$582	\$636
Operating Margin	16.9%	12.2%	17.3%	17.2%
Decremental Margin vs. Prior Year			(16.4%)	

Sales & Segment Operating Margin

Diversified Industrial North America

\$ in millions	3rd Quarter				
	FY2020	Change	FY2019	% of Sales	% of Sales
Sales					
As Reported	\$ 1,776	1.4 %	\$ 1,751		
Acquisitions ¹	155	8.9 %			
Currency	(4)	(0.4)%			
Organic Sales	\$ 1,625	(7.1)%			
Segment Operating Margin					
As Reported	\$ 280	15.7 %	\$ 288	16.4 %	
Business Realignment	3		1		
Integration Costs to Achieve ²	6		(0)		
Acquisition Related Expenses ³	15		-		
Adjusted	\$ 304	17.1 %	\$ 289	16.5 %	

Sales & Segment Operating Margin

Diversified Industrial International

\$ in millions	3rd Quarter				
	FY2020	Change	FY2019	% of Sales	% of Sales
Sales					
As Reported	\$ 1,182	(8.0)%	\$ 1,285		
Acquisitions ¹	79	6.2 %			
Currency	(50)	(4.0)%			
Organic Sales	\$ 1,153	(10.2)%			
Segment Operating Margin					
As Reported	\$ 177	15.0 %	\$ 209	16.2 %	
Business Realignment	9		3		
Integration Costs to Achieve ²	2		0		
Acquisition Related Expenses ³	3		-		
Adjusted	\$ 191	16.2 %	\$ 212	16.5 %	

Sales & Segment Operating Margin

Aerospace Systems

\$ in millions	3rd Quarter				
	FY2020	Change	FY2019	% of Sales	% of Sales
Sales					
As Reported	\$ 745	14.2 %	\$ 652		
Acquisitions ¹	109	16.7 %			
Currency	(0)	(0.1)%			
Organic Sales	\$ 636	(2.4)%			
Segment Operating Margin					
As Reported	\$ 127	17.1 %	\$ 135	20.7 %	
Business Realignment	1		-		
Integration Costs to Achieve ²	0		-		
Acquisition Related Expenses ³	1		-		
Adjusted	\$ 129	17.4 %	\$ 135	20.7 %	

1. Acquisitions reflect Exotic (closed 9/16/19) and LORD (closed 10/29/19)

2. Integration Costs to Achieve for Exotic (FY20)

3. Acquisition Related Expenses for LORD (FY20).

FY20 Q3 YTD Impact of Acquisitions

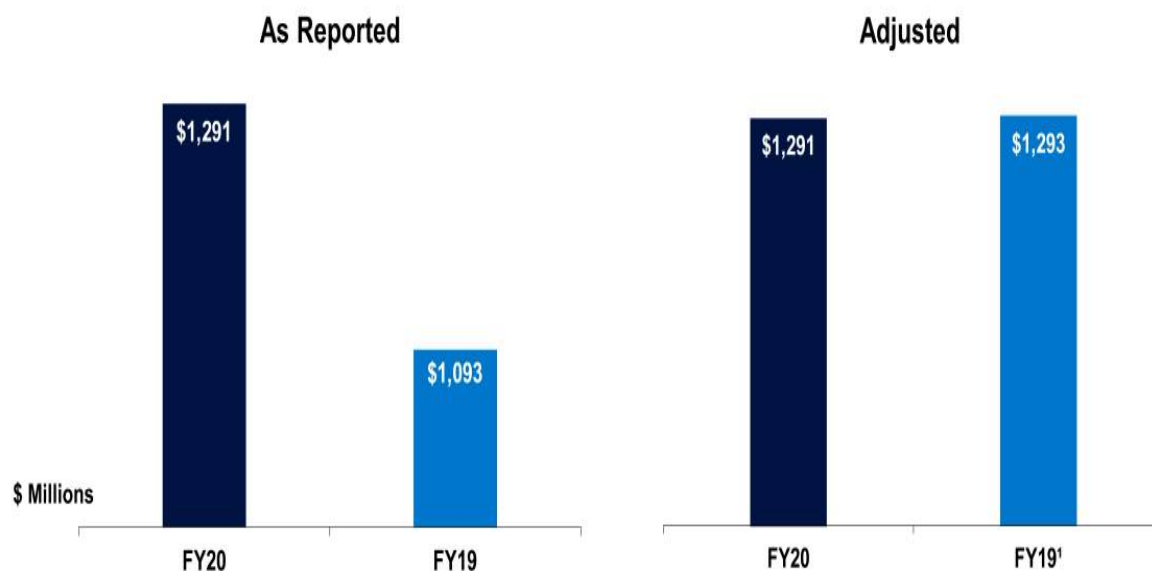
As Reported	FY20 YTD			FY19 YTD
\$M	Total Parker	LORD + Exotic	Legacy Parker	Total Parker
Sales	\$10,535	\$651	\$9,884	\$10,639
Operating Income	\$1,637	(\$4)	\$1,641	\$1,790
Operating Margin	15.5%	(0.6%)	16.6%	16.8%
EBITDA Margin	16.8%	(4.7%)	18.2%	17.8%
Adjusted*	FY20 YTD			FY19 YTD
\$M	Total Parker	LORD + Exotic	Legacy Parker	Total Parker
Sales	\$10,535	\$651	\$9,884	\$10,639
Operating Income	\$1,754	\$82	\$1,672	\$1,811
Operating Margin	16.7%	12.6%	16.9%	17.0%
EBITDA Margin	19.0%	26.3%	18.5%	18.0%

*Adjusted for Business Realignment Charges, Integration Costs to Achieve, Acquisition Related Expenses

Note: Segment Operating Income includes FY20 Q3 YTD Amortization expense estimated at \$25M for Exotic and \$40M for LORD. LORD Sales split approximately 64% Diversified Industrial North America, 32% Diversified Industrial International, and 4% Aerospace Systems. Exotic Sales 100% in Aerospace Systems

Cash Flow from Operating Activities

YTD FY2020 vs. FY2019



	YTD			
	<u>FY 2020</u>	<u>% of Sales</u>	<u>FY 2019</u>	<u>% of Sales</u>
As Reported Cash Flow From Operating Activities	\$ 1,291	12.3%	\$ 1,093	10.3%
Discretionary Pension Plan Contribution	-		200	
Adjusted Cash Flow From Operating Activities	<u>\$ 1,291</u>	<u>12.3%</u>	<u>\$ 1,293</u>	<u>12.1%</u>



Liquidity and Credit

- Cash balance \$0.7B as of March 31, 2020 – International operations self-financing
- Free cash flow > 100% conversion rate for 18+ years – expected to continue
 - Optimizing working capital
 - Deferring tax payments per government initiatives
 - Reducing capex spend
- Temporarily suspended 10b5-1 share repurchase program
- Remain committed to dividend and annual record of increasing dividends paid
- \$2.5B Revolving credit facility – matures September 2024
- No major debt repayment due until FY23 - \$1.0B
- Commercial paper readily available – March 31, 2020 balance \$0.9B
- Financial covenant: debt to debt-shareholders' equity cannot exceed 65%
 - 59.4% as of March 31, 2020
 - \$2.5B headroom as of March 31, 2020
- Gross Debt / EBITDA = 3.8x (down from 4.0x at December 31); Net Debt/EBITDA = 3.5x
 - \$611M reduction in debt during Q3 FY20

We are confident in
our ability to emerge
stronger than ever.



ENGINEERING YOUR SUCCESS.





PH

LISTED

NYSE

Appendix

- Consolidated Statement of Income
- Adjusted Amounts Reconciliation
- Reconciliation of EPS
- Business Segment Information
- Reconciliation of Total Segment Operating Margin to Adjusted Total Segment Operating Margin
- Reconciliation of EBITDA to Adjusted EBITDA
- Consolidated Balance Sheet
- Consolidated Statement of Cash Flows
- Reconciliation of Cash Flow from Operations to Adjusted Cash Flow from Operations
- Reconciliation of Free Cash Flow Conversion
- Supplemental Sales Information – Global Technology Platforms



Consolidated Statement of Income

(Unaudited) (Dollars in thousands, except per share amounts)	Three Months Ended March 31,	
	2020	2019
Net sales	\$ 3,702,432	\$ 3,687,518
Cost of sales	2,766,693	2,766,744
Selling, general and administrative expenses	413,460	360,865
Interest expense	80,765	48,209
Other (income), net	(12,643)	(17,500)
Income before income taxes	454,157	529,200
Income taxes	86,788	117,819
Net income	367,369	411,381
Less: Noncontrolling interests	116	133
Net income attributable to common shareholders	\$ 367,253	\$ 411,248
Earnings per share attributable to common shareholders:		
Basic earnings per share	\$ 2.86	\$ 3.20
Diluted earnings per share	\$ 2.83	\$ 3.14
Average shares outstanding during period - Basic	128,289,720	128,706,137
Average shares outstanding during period - Diluted	129,746,547	130,884,968

CASH DIVIDENDS PER COMMON SHARE

(Unaudited) (Amounts in dollars)	Three Months Ended March 31,	
	2020	2019
Cash dividends per common share	\$ 0.88	\$ 0.76

Adjusted Amounts Reconciliation Consolidated Statement of Income

(Dollars in thousands, except per share data)

(Unaudited)

	Quarter-to-Date FY 2020									
	As Reported		Business	Lord	Exotic	Acquisition	Favorable	Adjusted		
	March 31, 2020	% of Sales	Realignment Charges	Costs to Achieve	Costs to Achieve	Related Expenses	Tax Settlement	March 31, 2020	% of Sales	
Net sales	\$ 3,702,432	100.0 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,702,432	100.0 %	
Cost of sales	2,766,693	74.7 %	10,201	399	-	18,060	-	2,738,033	74.0 %	
Selling, general and admin. expenses	413,460	11.2 %	3,203	7,965	486	105	-	401,701	10.8 %	
Interest expense	80,765	2.2 %	-	-	-	-	-	80,765	2.2 %	
Other (income) expense, net	(12,643)	(0.3)%	50	-	-	-	-	(12,693)	(0.3)%	
Income before income taxes	454,157	12.3 %	(13,454)	(8,364)	(486)	(18,165)	-	494,626	13.4 %	
Income taxes	86,788	2.3 %	3,202	1,991	116	4,323	18,724	115,144	3.1 %	
Net income	367,369	9.9 %	(10,252)	(6,373)	(370)	(13,842)	18,724	379,482	10.2 %	
Less: Noncontrolling interests	116	0.0 %	-	-	-	-	-	116	0.0 %	
Net income - common shareholders	\$ 367,253	9.9 %	\$ (10,252)	\$ (6,373)	\$ (370)	\$ (13,842)	\$ 18,724	\$ 379,366	10.2 %	
Diluted earnings per share	\$ 2.83		\$ (0.08)	\$ (0.05)	\$ -	\$ (0.10)	\$ 0.14	\$ 2.92		

Adjusted Amounts Reconciliation

Business Segment Information

(Dollars in thousands)
(Unaudited)

	Quarter-to-Date FY 2020							
	As Reported		Business	Lord	Exotic	Acquisition	Adjusted	
	March 31, 2020	% of Sales	Realignment Charges	Costs to Achieve	Costs to Achieve	Related Expenses	March 31, 2020	% of Sales ²
Diversified Industrial:								
North America ¹	\$ 279,628	15.7%	\$ 3,303	\$ 6,249	\$ -	\$ 14,564	\$ 303,744	17.1%
International ¹	176,954	15.0%	9,417	2,115	-	2,684	191,170	16.2%
Aerospace Systems ¹	127,440	17.1%	613	-	486	812	129,351	17.4%
Total segment operating income	584,022	15.8%	(13,333)	(8,364)	(486)	(18,060)	624,265	16.9%
Corporate administration	48,342	1.3%	71	-	-	-	48,271	1.3%
Income before interest and other	535,680	14.5%	(13,404)	(8,364)	(486)	(18,060)	575,994	15.6%
Interest expense	80,765	2.2%	-	-	-	-	80,765	2.2%
Other (income) expense	758	0.0%	50	-	-	105	603	0.0%
Income before income taxes	\$ 454,157	12.3%	\$ (13,454)	\$ (8,364)	\$ (486)	\$ (18,165)	\$ 494,626	13.4%

¹Segment operating income as a percent of sales is calculated on segment sales.

²Adjusted amounts as a percent of sales are calculated on as reported sales.

Reconciliation of Earnings per Diluted Share to Adjusted Earnings per Diluted Share

(Unaudited) (Amounts in dollars)	Three Months Ended March 31,	
	2020	2019
Earnings per diluted share	\$ 2.83	\$ 3.14
Adjustments:		
Business realignment charges	0.10	0.03
Lord costs to achieve	0.06	-
Acquisition-related expenses	0.14	-
Tax effect of adjustments ¹	(0.07)	-
Favorable tax settlement	(0.14)	-
Adjusted earnings per diluted share	\$ 2.92	\$ 3.17

¹This 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.

Business Segment Information

(Unaudited) (Dollars in thousands)	Three Months Ended March 31,	
	2020	2019
Net sales		
Diversified Industrial:		
North America	\$ 1,775,578	\$ 1,750,554
International	1,182,273	1,284,866
Aerospace Systems	744,581	652,098
Total net sales	\$ 3,702,432	\$ 3,687,518
Segment operating income		
Diversified Industrial:		
North America	\$ 279,628	\$ 287,526
International	176,954	208,707
Aerospace Systems	127,440	134,789
Total segment operating income	584,022	631,022
Corporate general and administrative expenses	48,342	32,802
Income before interest expense and other expense	535,680	598,220
Interest expense	80,765	48,209
Other expense	758	20,811
Income before income taxes	\$ 454,157	\$ 529,200

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

(Unaudited)

(Dollars in millions)

	12 Months ended 6/30/02	12 Months ended 6/30/09	12 Months ended 6/30/13	12 Months ended 6/30/16	9 Months ended 3/31/20
Net Sales	\$ 6,149	\$ 10,309	\$ 13,016	\$ 11,361	\$ 10,535
Total segment operating income	\$ 446	\$ 1,004	\$ 1,791	\$ 1,576	\$ 1,637
Adjustments:					
Business realignment charges	37	45	12	107	28
Acquisition-related expenses & Costs to Achieve					89
Adjusted total segment operating income*	\$ 483	\$ 1,049	\$ 1,804	\$ 1,682	\$ 1,754
Total segment operating margin	7.3%	9.7%	13.8%	13.9%	15.5%
Adjusted total segment operating margin	7.9%	10.2%	13.9%	14.8%	16.7%

*Totals may not foot due to rounding

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

(Unaudited) (Dollars in millions)	Three Months Ended March 31, 2020 Total Parker		Three Months Ended March 31, 2020 LORD & Exotic		Three Months Ended March 31, 2020 Legacy Parker	
	Operating income	Operating margin	Operating income	Operating margin	Operating income	Operating margin
	\$		\$		\$	
Total segment operating income	584	15.8 %	16	4.7 %	568	16.9 %
Adjustments:						
Business realignment charges	13		-		13	
Costs to achieve	9		9		-	
One-time acquisition expenses	18		18		-	
Adjusted total segment operating income	624	16.9 %	42	12.2 %	582	17.3 %

Reconciliation of EBITDA to Adjusted EBITDA

(Unaudited) (Dollars in thousands)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2020	2019	2020	2019
Net sales	\$ 3,702,432	\$ 3,687,518	\$ 10,534,917	\$ 10,638,857
Net income	\$ 367,369	\$ 411,381	\$ 911,008	\$ 1,099,193
Income taxes	86,788	117,819	231,051	320,884
Depreciation and amortization	137,649	108,258	390,949	330,801
Interest expense	80,765	48,209	233,612	140,066
EBITDA	672,571	685,667	1,766,620	1,890,944
Adjustments:				
Business realignment charges	13,454	4,366	28,013	9,284
Clarcor costs to achieve	-	233	-	11,530
Lord costs to achieve	8,364	-	18,503	-
Exotic costs to achieve	486	-	1,570	-
Acquisition-related expenses	18,165	-	184,081	-
Adjusted EBITDA	\$ 713,040	\$ 690,266	\$ 1,998,787	\$ 1,911,758
EBITDA margin	18.2 %	18.6 %	16.8 %	17.8 %
Adjusted EBITDA margin	19.3 %	18.7 %	19.0 %	18.0 %

Reconciliation of FY2020 Q3 YTD Total Segment Operating Margin to Adjusted Total Segment Operating Margin and EBITDA to Adjusted EBITDA

RECONCILIATION OF FISCAL 2020 Q3 YTD TOTAL SEGMENT OPERATING MARGIN TO FISCAL 2020 Q3 YTD ADJUSTED TOTAL SEGMENT OPERATING MARGIN

(Unaudited) (Dollars in millions)	Total Parker		LORD & Exotic		Legacy Parker	
	Operating income	Operating margin	Operating income	Operating margin	Operating income	Operating margin
Total segment operating income	\$ 1,637	15.5 %	\$ (4)	(0.6)%	\$ 1,641	16.6 %
Adjustments:						
Business realignment charges	28				28	
Costs to achieve	20		17		3	
One-time acquisition expenses	69		69			
income	<u>\$ 1,754</u>	<u>16.7 %</u>	<u>\$ 82</u>	<u>12.6 %</u>	<u>\$ 1,672</u>	<u>16.9 %</u>

RECONCILIATION OF FISCAL 2020 Q3 YTD EBITDA TO FISCAL 2020 Q3 YTD ADJUSTED EBITDA

(Unaudited) (Dollars in millions)	Total Parker	LORD & Exotic	Legacy Parker
Net sales	\$ 10,535	\$ 651	\$ 9,884
Net income	911	(148)	1,059
Income taxes	231	(45)	276
Depreciation and amortization	391	89	302
Interest expense	234	74	160
EBITDA	<u>1,767</u>	<u>(30)</u>	<u>1,797</u>
Adjustments:			
Business realignment charges	28		28
Costs to achieve	20	17	3
One-time acquisition expenses	184	184	
Adjusted EBITDA	<u>\$ 1,999</u>	<u>\$ 171</u>	<u>\$ 1,828</u>
EBITDA margin	16.8 %	(4.7)%	18.2 %
Adjusted EBITDA margin	19.0 %	26.3 %	18.5 %

Consolidated Balance Sheet

(Unaudited)	March 31,	June 30,	March 31,
(Dollars in thousands)	2020	2019	2019
Assets			
Current assets:			
Cash and cash equivalents	\$ 697,617	\$ 3,219,767	\$ 1,098,729
Marketable securities and other investments	92,536	150,931	70,190
Trade accounts receivable, net	2,174,425	2,131,054	2,117,103
Non-trade and notes receivable	322,187	310,708	317,412
Inventories	2,011,367	1,678,132	1,755,991
Prepaid expenses and other	183,294	182,494	178,366
Total current assets	5,481,426	7,673,086	5,537,791
Plant and equipment, net	2,296,990	1,768,287	1,779,892
Deferred income taxes	124,515	150,462	96,463
Goodwill	7,829,779	5,453,805	5,459,965
Intangible assets, net	3,881,827	1,783,277	1,834,433
Investments and other assets	750,743	747,773	769,391
Total assets	\$ 20,365,280	\$ 17,576,690	\$ 15,477,935
Liabilities and equity			
Current liabilities:			
Notes payable and long-term debt payable within one year	\$ 1,035,191	\$ 587,014	\$ 1,017,278
Accounts payable, trade	1,422,011	1,413,155	1,423,659
Accrued payrolls and other compensation	415,213	426,285	381,754
Accrued domestic and foreign taxes	151,029	167,312	186,113
Other accrued liabilities	650,165	558,007	540,146
Total current liabilities	3,673,609	3,151,773	3,548,950
Long-term debt	8,097,922	6,520,831	4,284,235
Pensions and other postretirement benefits	1,320,167	1,304,379	895,197
Deferred income taxes	497,920	193,066	277,212
Other liabilities	468,235	438,489	456,293
Shareholders' equity	6,295,990	5,961,969	6,009,978
Noncontrolling interests	11,437	6,183	6,070
Total liabilities and equity	\$ 20,365,280	\$ 17,576,690	\$ 15,477,935

Consolidated Statement of Cash Flows

(Unaudited) (Dollars in thousands)	Nine Months Ended March 31,	
	2020	2019
Cash flows from operating activities:		
Net income	\$ 911,008	\$ 1,099,193
Depreciation and amortization	390,949	330,801
Stock incentive plan compensation	91,857	84,525
Loss on sale of businesses	-	623
(Gain) loss on plant and equipment and intangible assets	(5,194)	3,993
Loss on marketable securities	434	4,487
Gain on investments	(1,849)	(4,175)
Net change in receivables, inventories and trade payables	111,416	(124,942)
Net change in other assets and liabilities	(218,979)	(340,241)
Other, net	11,217	38,333
Net cash provided by operating activities	1,290,859	1,092,597
Cash flows from investing activities:		
Acquisitions (net of cash of \$82,192 in 2020 and \$690 in 2019)	(5,076,064)	(2,042)
Capital expenditures	(182,502)	(145,071)
Proceeds from sale of plant and equipment	25,398	37,158
Proceeds from sale of businesses	-	19,540
Purchases of marketable securities and other investments	(191,277)	(51,736)
Maturities and sales of marketable securities and other investments	249,306	25,103
Other	129,938	953
Net cash used in investing activities	(5,045,201)	(116,095)
Cash flows from financing activities:		
Net payments for common stock activity	(192,174)	(769,820)
Net proceeds from debt	1,805,210	378,642
Dividends paid	(340,291)	(299,006)
Net cash provided by (used in) financing activities	1,272,745	(690,184)
Effect of exchange rate changes on cash	(40,553)	(9,726)
Net (decrease) increase in cash and cash equivalents	(2,522,150)	276,592
Cash and cash equivalents at beginning of period	3,219,767	822,137
Cash and cash equivalents at end of period	\$ 697,617	\$ 1,098,729

Reconciliation of Cash Flow from Operations to Adjusted Cash Flow from Operations and Free Cash Flow

Cash Provided by Operating Activities
Reconciliation to GAAP
(\$MM) YTD

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Cash Provided by Operating Activities - As Reported	631	558	662	854	951	957	1,317	1,129	1,219	1,167	1,530	1,191	1,388	1,363	1,211	1,302	1,597	1,730
Discretionary Pension Contribution	-	106	75	83	101	161	12	-	100	400	-	226	75	-	200	220	-	200
Cash Provided by Operating Activities - Adjusted	631	663	737	936	1,051	1,118	1,329	1,129	1,319	1,567	1,530	1,417	1,463	1,363	1,411	1,522	1,597	1,930

Free Cash Flow
Reconciliation to GAAP
(\$MM) YTD

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Cash Provided by Operating Activities - As Reported	631	558	662	854	951	957	1,317	1,129	1,219	1,167	1,530	1,191	1,388	1,363	1,211	1,302	1,597	1,730
Capital Expenditures	207	156	138	155	198	238	280	271	129	207	219	266	216	216	149	204	248	195
Free Cash Flow	424	401	524	699	753	719	1,036	858	1,090	960	1,312	925	1,172	1,148	1,061	1,099	1,349	1,535
Discretionary Pension Contribution	-	106	75	83	101	161	12	-	100	400	-	226	75	-	200	220	-	200
Free Cash Flow - Adjusted for Discretionary Pension	424	507	599	782	853	880	1,049	858	1,190	1,360	1,312	1,151	1,247	1,148	1,261	1,319	1,349	1,735

Reconciliation of Free Cash Flow Conversion

(Unaudited) (Dollars in thousands)	Nine Months Ended March 31, 2020
Net income	\$ 911,008
Cash flow from operations	\$ 1,290,859
Capital Expenditures	(182,502)
Free cash flow	\$ 1,108,357
Free cash flow conversion (free cash flow / net income)	122 %

Supplemental Sales Information

Global Technology Platforms

(Unaudited) (Dollars in thousands)	Three Months Ended	
	March 31,	
	2020	2019
Net sales		
Diversified Industrial:		
Motion Systems	\$ 778,840	\$ 899,948
Flow and Process Control	1,015,430	1,105,176
Filtration and Engineered Material	1,163,581	1,030,296
Aerospace Systems	744,581	652,098
Total	\$ 3,702,432	\$ 3,687,518

