

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): August 6, 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:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on which Registered</u>
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 August 6, 2020, Parker-Hannifin Corporation issued a press release and presented a Webcast announcing results of operations for the quarter ended June 30, 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 June 30, 2020.](#)

[99.2 Webcast presentation by Parker-Hannifin Corporation, dated June 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: August 6, 2020



For Release: Immediately

Exhibit 99.1

Contact: Media -

Aidan Gormley - Director, Global Communications and Branding
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216-896-3258

Financial Analysts -

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Stock Symbol: PH - NYSE

Parker Reports Fiscal 2020 Fourth Quarter and Full Year Results and Issues Guidance for Fiscal 2021

- Fourth quarter EPS were \$2.27 as reported, or \$2.55 adjusted
- Fourth quarter total segment operating margin was 15.8% as reported, or 17.4% adjusted
- Fourth quarter EBITDA margin was 18.7% as reported, or 20.4% adjusted
- Full year cash flow from operations was an all-time record at \$2.1 billion, or 15.1% of sales
- Full year total segment operating margin was 15.6% as reported, or 16.8% adjusted
- Full year EBITDA margin was 17.2% as reported, or 19.3% adjusted

CLEVELAND, August 6, 2020 -- Parker Hannifin Corporation (NYSE: PH), the global leader in motion and control technologies, today reported results for the fiscal 2020 fourth quarter and full year ended June 30, 2020. Fiscal 2020 fourth quarter sales were \$3.16 billion, compared with \$3.68 billion in the prior year quarter. Net income was \$295.7 million, compared with \$413.7 million in the fourth quarter of fiscal 2019. Fiscal 2020 fourth quarter earnings per share were \$2.27, compared with \$3.17 in the prior year quarter. Adjusted earnings per share were \$2.55, compared with adjusted earnings per share of \$3.31 in the fourth quarter of fiscal 2019. A reconciliation of non-GAAP measures is included in the financial tables of this press release.

For the full year, fiscal 2020 sales were \$13.70 billion, compared with \$14.32 billion in fiscal 2019. Net income was \$1.21 billion, compared with \$1.51 billion in fiscal 2019. Fiscal 2020 earnings per share were \$9.29, compared with \$11.48 per share in the prior year. Adjusted earnings per share were \$10.79, compared with \$11.85 per share in fiscal 2019. Cash flow from operations for fiscal 2020 was a record at \$2.07 billion or 15.1% of sales, compared with \$1.73 billion or 12.1% of sales in the prior year period. Excluding a discretionary pension contribution, cash flow from operations for fiscal 2019 was 13.5% of sales.

"In light of the economic crisis resulting from the ongoing COVID-19 pandemic, our global team delivered outstanding performance in the fiscal 2020 fourth quarter," said Chairman and Chief

Executive Officer, Tom Williams. “The improvement of Parker’s portfolio through transformative acquisitions, continued execution of The Win Strategy™, and near-term actions to reduce costs and preserve cash, have positioned us to achieve exceptional levels of performance during such a steep decline in demand. Despite an organic sales decline of 21%, adjusted total segment operating margin was 17.4% and our adjusted EBITDA margin was impressive at 20.4% in the quarter. Our full year cash flow from operations was a record, surpassing the \$2 billion mark for the first time. We continued to aggressively reduce our debt by making repayments totaling \$687 million in the fourth quarter and \$1.3 billion year to date, which is approximately 25% of the acquisition related debt issued.”

Williams added, “Our global team has not only delivered outstanding financial performance but has also taken actions to manage the impact of the pandemic on our operations. Since the early stages of this global crisis, we have maintained manufacturing capacity across the enterprise, demonstrating the essential nature of Parker’s technologies in every major country in the world. We continue to make the safety of our team members, their families and our communities our highest priority and have implemented rigorous safety protocols globally. My thanks to all Parker team members who continue to serve our customers, many of whom are on the front-line in the fight against the pandemic, and keep our operations running safely and efficiently.”

Segment Results

Diversified Industrial Segment: North American fourth quarter sales decreased 18% to \$1.4 billion, and operating income was \$219.8 million, compared with \$318.2 million in the same period a year ago. International fourth quarter sales decreased 13% to \$1.1 billion, and operating income was \$175.4 million, compared with \$201.0 million in the same period a year ago.

Aerospace Systems Segment: Fourth quarter sales decreased 8% to \$624.0 million, and operating income was \$105.4 million, compared with \$121.7 million in the same period a year ago.

Parker reported the following orders for the quarter ending June 30, 2020, compared with the same quarter a year ago:

- Orders decreased 22% for total Parker
- Orders decreased 29% in the Diversified Industrial North America businesses
- Orders decreased 21% in the Diversified Industrial International businesses
- Orders decreased 5% in the Aerospace Systems Segment on a rolling 12-month average basis

Outlook

As previously communicated at our March 2020 Investor Meeting, going forward, Parker will include intangible asset amortization expense related to acquisitions as a line item in its adjustments to

earnings. The company believes this change will lead to a better representation of its core operating earnings, especially since amortization expense has become much more material because of recent acquisitions.

For the fiscal year ending June 30, 2021, the company has issued guidance for earnings per share in the range of \$7.41 to \$8.41, or \$9.80 to \$10.80 on an adjusted basis. Fiscal year 2021 guidance is adjusted on a pre-tax basis for expected business realignment expenses of approximately \$65 million, costs to achieve of approximately \$19 million and acquisition-related intangible asset amortization of approximately \$321 million. Guidance assumes an organic sales decline in the range of 13% to 9%. A reconciliation of forecasted earnings per share to adjusted forecasted earnings per share is included in the financial tables of this press release.

Commenting on the outlook, Williams added, "We expect that the global COVID-19 pandemic will continue to have a negative effect on economic activity in fiscal 2021. We will continue to manage our costs and preserve cash for the current environment and position ourselves for economic recovery. The actions we have taken under the Win Strategy to strengthen our portfolio and improve our performance have built a business that is better equipped than ever before to be resilient across macro-economic cycles. Importantly, we remain committed to achieving our long-term targets for sales growth, margins, earnings growth and cash flow that would solidify Parker as a top quartile performer. While significant challenges lie ahead, we are positioned to weather these conditions and emerge stronger than ever before. Guided by our purpose: Enabling Engineering Breakthroughs that lead to a Better Tomorrow, Parker has a very bright future."

NOTICE OF CONFERENCE CALL: Parker Hannifin's conference call and slide presentation to discuss its fiscal 2020 fourth quarter and full year 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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PARKER HANNIFIN CORPORATION - JUNE 30, 2020

Exhibit 99.1

CONSOLIDATED STATEMENT OF INCOME

(Unaudited)	Three Months Ended June 30,		Twelve Months Ended June 30,	
	2020	2019	2020	2019
(Dollars in thousands, except per share amounts)				
Net sales	\$ 3,160,603	\$ 3,681,467	\$ 13,695,520	\$ 14,320,324
Cost of sales	2,357,319	2,739,578	10,286,518	10,703,484
Selling, general and administrative expenses	352,793	391,493	1,656,553	1,543,939
Interest expense	74,549	50,072	308,161	190,138
Other expense (income), net	5,374	(13,024)	(68,339)	(50,662)
Income before income taxes	370,568	513,348	1,512,627	1,933,425
Income taxes	74,873	99,610	305,924	420,494
Net income	295,695	413,738	1,206,703	1,512,931
Less: Noncontrolling interests	(21)	70	362	567
Net income attributable to common shareholders	\$ 295,716	\$ 413,668	\$ 1,206,341	\$ 1,512,364
Earnings per share attributable to common shareholders:				
Basic earnings per share	\$ 2.30	\$ 3.22	\$ 9.39	\$ 11.63
Diluted earnings per share	\$ 2.27	\$ 3.17	\$ 9.29	\$ 11.48
Average shares outstanding during period - Basic	128,523,334	128,561,494	128,418,495	129,997,640
Average shares outstanding during period - Diluted	129,993,001	130,460,247	129,805,034	131,781,617

CASH DIVIDENDS PER COMMON SHARE

(Unaudited)	Three Months Ended June 30,		Twelve Months Ended June 30,	
(Amounts in dollars)	2020	2019	2020	2019
Cash dividends per common share	\$ 0.88	\$ 0.88	\$ 3.52	\$ 3.16

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

(Unaudited)	Three Months Ended June 30,		Twelve Months Ended June 30,	
(Amounts in dollars)	2020	2019	2020	2019
Earnings per diluted share	\$ 2.27	\$ 3.17	\$ 9.29	\$ 11.48
Adjustments:				
Business realignment charges	0.37	0.05	0.59	0.12
Clarcor costs to achieve	—	0.01	—	0.10
Lord costs to achieve	0.02	0.01	0.16	0.01
Exotic costs to achieve	—	—	0.01	—
Acquisition-related expenses	0.03	0.12	1.45	0.12
Tax effect of adjustments ¹	(0.09)	(0.05)	(0.52)	(0.09)
Favorable tax settlement	(0.05)	—	(0.19)	—
Tax expense related to U.S. Tax Reform	—	—	—	0.11
Adjusted earnings per diluted share	\$ 2.55	\$ 3.31	\$ 10.79	\$ 11.85

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 - JUNE 30, 2020
RECONCILIATION OF EBITDA TO ADJUSTED EBITDA

Exhibit 99.1

(Unaudited) (Dollars in thousands)	Three Months Ended June 30,		Twelve Months Ended June 30,	
	2020	2019	2020	2019
Net sales	\$ 3,160,603	\$ 3,681,467	\$ 13,695,520	\$ 14,320,324
Net income	295,695	413,738	1,206,703	1,512,931
Income taxes	74,873	99,610	305,924	420,494
Depreciation and amortization	146,582	105,388	537,531	436,189
Interest expense	74,549	50,072	308,161	190,138
EBITDA	591,699	668,808	2,358,319	2,559,752
Adjustments:				
Business realignment charges	47,601	6,393	75,614	15,677
Clarcor costs to achieve	—	928	—	12,458
Lord costs to achieve	2,166	912	20,669	912
Exotic costs to achieve	338	—	1,908	—
Acquisition-related expenses	4,437	16,234	188,518	16,234
Adjusted EBITDA	\$ 646,241	\$ 693,275	\$ 2,645,028	\$ 2,605,033
EBITDA margin	18.7 %	18.2 %	17.2 %	17.9 %
Adjusted EBITDA margin	20.4 %	18.8 %	19.3 %	18.2 %

BUSINESS SEGMENT INFORMATION

(Unaudited) (Dollars in thousands)	Three Months Ended June 30,		Twelve Months Ended June 30,	
	2020	2019	2020	2019
Net sales				
Diversified Industrial:				
North America	\$ 1,440,263	\$ 1,745,291	\$ 6,456,298	\$ 6,808,948
International	1,096,380	1,258,288	4,504,587	5,000,599
Aerospace Systems	623,960	677,888	2,734,635	2,510,777
Total net sales	\$ 3,160,603	\$ 3,681,467	\$ 13,695,520	\$ 14,320,324
Segment operating income				
Diversified Industrial:				
North America	\$ 219,785	\$ 318,175	\$ 985,944	\$ 1,138,586
International	175,420	201,004	674,763	804,890
Aerospace Systems	105,441	121,650	476,900	487,757
Total segment operating income	500,646	640,829	2,137,607	2,431,233
Corporate general and administrative expenses	37,999	47,977	170,903	194,994
Income before interest expense and other expense	462,647	592,852	1,966,704	2,236,239
Interest expense	74,549	50,072	308,161	190,138
Other expense	17,530	29,432	145,916	112,676
Income before income taxes	\$ 370,568	\$ 513,348	\$ 1,512,627	\$ 1,933,425

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

(Unaudited) (Dollars in thousands)	Three Months Ended June 30, 2020		Three Months Ended June 30, 2019	
	Operating income	Operating margin	Operating income	Operating margin
	Total segment operating income	\$ 500,646	15.8 %	\$ 640,829
Adjustments:				
Business realignment charges	46,619		6,219	
Clarcor costs to achieve	—		1,072	
Lord costs to achieve	2,166		912	
Exotic costs to achieve	338		—	
Adjusted total segment operating income	\$ 549,769	17.4 %	\$ 649,032	17.6 %
	Twelve Months Ended June 30, 2020		Twelve Months Ended June 30, 2019	
	Operating income	Operating margin	Operating income	Operating margin
Total segment operating income	\$ 2,137,607	15.6 %	\$ 2,431,233	17.0 %
Adjustments:				
Business realignment charges	74,389		15,503	
Clarcor costs to achieve	—		12,327	
Lord costs to achieve	20,669		912	
Exotic costs to achieve	1,908		—	
Acquisition-related expenses	69,304		—	
Adjusted total segment operating income	\$ 2,303,877	16.8 %	\$ 2,459,975	17.2 %

CONSOLIDATED BALANCE SHEET

(Unaudited) June 30
(Dollars in thousands) 2020 June 30
2019

<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 685,514	\$ 3,219,767
Marketable securities and other investments	70,805	150,931
Trade accounts receivable, net	1,854,398	2,131,054
Non-trade and notes receivable	244,870	310,708
Inventories	1,814,631	1,678,132
Prepaid expenses and other	214,986	182,494
Total current assets	4,885,204	7,673,086
Plant and equipment, net	2,292,735	1,768,287
Deferred income taxes	126,839	150,462
Investments and other assets	764,563	747,773
Intangible assets, net	3,798,913	1,783,277
Goodwill	7,869,935	5,453,805
Total assets	\$ 19,738,189	\$ 17,576,690

Liabilities and equity

Current liabilities:		
Notes payable and long-term debt payable within one year	\$ 809,529	\$ 587,014
Accounts payable, trade	1,111,759	1,413,155
Accrued payrolls and other compensation	424,231	426,285
Accrued domestic and foreign taxes	195,314	167,312
Other accrued liabilities	607,540	558,007
Total current liabilities	3,148,373	3,151,773
Long-term debt	7,652,256	6,520,831
Pensions and other postretirement benefits	1,887,414	1,304,379
Deferred income taxes	382,528	193,066
Other liabilities	539,089	438,489
Shareholders' equity	6,113,983	5,961,969
Noncontrolling interests	14,546	6,183
Total liabilities and equity	\$ 19,738,189	\$ 17,576,690

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

(Dollars in thousands)

Twelve Months Ended June 30,

	2020	2019
Cash flows from operating activities:		
Net income	\$ 1,206,703	\$ 1,512,931
Depreciation and amortization	537,531	436,189
Stock incentive plan compensation	111,375	104,078
Loss on sale of businesses	—	5,854
(Gain) loss on plant and equipment and intangible assets	(1,850)	5,091
(Gain) loss on marketable securities	(587)	7,563
Gain on investments	(2,084)	(16,749)
Net change in receivables, inventories and trade payables	409,252	(61,762)
Net change in other assets and liabilities	(211,049)	(301,480)
Other, net	21,658	38,425
Net cash provided by operating activities	2,070,949	1,730,140
Cash flows from investing activities:		
Acquisitions (less acquired cash of \$82,192 in 2020 and \$690 in 2019)	(5,076,064)	(2,042)
Capital expenditures	(232,591)	(195,089)
Proceeds from sale of plant and equipment	26,345	46,592
Proceeds from sale of businesses	—	19,678
Purchases of marketable securities and other investments	(194,742)	(181,780)
Maturities and sales of marketable securities and other investments	275,483	74,908
Other	177,576	19,223
Net cash used in investing activities	(5,023,993)	(218,510)
Cash flows from financing activities:		
Net payments for common stock activity	(213,426)	(857,577)
Acquisition of noncontrolling interests	(1,200)	—
Net proceeds from debt	1,117,774	2,172,351
Dividends paid	(453,838)	(412,468)
Net cash provided by financing activities	449,310	902,306
Effect of exchange rate changes on cash	(30,519)	(16,306)
Net (decrease) increase in cash and cash equivalents	(2,534,253)	2,397,630
Cash and cash equivalents at beginning of period	3,219,767	822,137
Cash and cash equivalents at end of period	\$ 685,514	\$ 3,219,767

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

(Unaudited)

(Dollars in thousands)

	Twelve Months Ended		Twelve Months Ended	
	June 30, 2020	Percent of sales	June 30, 2019	Percent of sales
As reported cash flow from operations	\$ 2,070,949	15.1 %	\$ 1,730,140	12.1 %
Discretionary pension contribution	—		200,000	
Adjusted cash flow from operations	\$ 2,070,949	15.1 %	\$ 1,930,140	13.5 %

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

(Unaudited)	Fiscal Year 2021
(Amounts in dollars)	
Forecasted earnings per diluted share	\$7.41 to \$8.41
Adjustments:	
Business realignment charges	0.50
Costs to achieve	0.14
Acquisition-related intangible asset amortization expense	2.46
Tax effect of adjustments ¹	(0.71)
Adjusted forecasted earnings per diluted share	\$9.80 to \$10.80

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

**4th Quarter & Fiscal Year 2020
Earnings Release**



PH
LISTED
NYSE

ENGINEERING YOUR SUCCESS.

August 6, 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 and Full Year Results**

- **CFO Summary of Quarter Results**

- **Questions & Answers**

Responding to COVID-19 Pandemic

- Safety of our team members and their families
 - **Rigorous prevention, screening, and hygiene protocols**
- Helping society through the crisis
 - **Our Technologies are Essential**
 - **Our Purpose in Action**
- Manufacturing capacity near normal levels throughout pandemic

Two safest places...Work and Home

Performance During a Health & Economic Crisis

Our strength comes from:

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



Strength of our Portfolio & Our Purpose in Action

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Unmatched Breadth of Technologies



Transforming Portfolio Through Strategic Acquisitions

CLARCOR

LORD

 EXOTIC METALS
FORMING COMPANY LLC

- \$3 billion in acquired sales¹
- Increased resilience from new technologies and aftermarket content
- Accretive to growth, margins & cash²

What is Parker's purpose?



**Enabling
Engineering
Breakthroughs
that Lead to
a Better
Tomorrow**



Our Purpose in Action

Food Supply



Helping Patients



Essential Manufacturing



Transportation



Healthcare Applications



Power Generation



FY20 Fourth Quarter and Full Year Performance Highlights

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Outstanding Performance in FY20 Fourth Quarter

- Sales – (14.1%) YoY; (21.1%) Organic YoY
- Paid down \$687 million of debt
- Improved performance and portfolio drive margin excellence:

<u>Without Acquisitions</u>	<u>FY20 Q4</u>	<u>FY19 Q4</u>	<u>Change</u>
Total Segment Operating Margin, As Reported	16.6%	17.4%	
Total Segment Operating Margin, Adjusted ¹	18.1%	17.6%	+50 bps
Decremental Margin vs. Prior Year			(16.0%)

<u>With Acquisitions</u>	<u>FY20 Q4</u>	<u>FY19 Q4</u>	<u>Change</u>
EBITDA Margin, As Reported	18.7%	18.2%	
EBITDA Margin, Adjusted ²	20.4%	18.8%	+160 bps

A Year of Continued Progress - FY20 Full Year Highlights

- Safety: 35% reduction in recordable incidents; Top quartile performance
- Cash flow from operations an all-time record at \$2.1 billion
- Cash flow from operations margin of 15.1%
- Free cash flow conversion rate of 152%
- Gross debt to EBITDA reduced to 3.6x from 3.8x at March 31, 2020
 - Net debt reduced to 3.3x from 3.5x at March 31, 2020
- Cumulative debt reduction of \$1.3B, ~25% of transaction debt

Great Margin Performance in FY20

- Sales – (4.4%) YoY; (9.8%) Organic YoY
- Increased adjusted EBITDA margin by 110 bps

<u>Without Acquisitions</u>	<u>FY20</u>	<u>FY19</u>	<u>Change</u>
Total Segment Operating Margin, As Reported	16.6%	17.0%	
Total Segment Operating Margin, Adjusted ¹	17.2%	17.2%	Flat
Decremental Margin vs. Prior Year			(17.2%)

<u>With Acquisitions</u>	<u>FY20</u>	<u>FY19</u>	<u>Change</u>
EBITDA Margin, As Reported	17.2%	17.9%	
EBITDA Margin, Adjusted ²	19.3%	18.2%	+110 bps

Parker's Transformation

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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

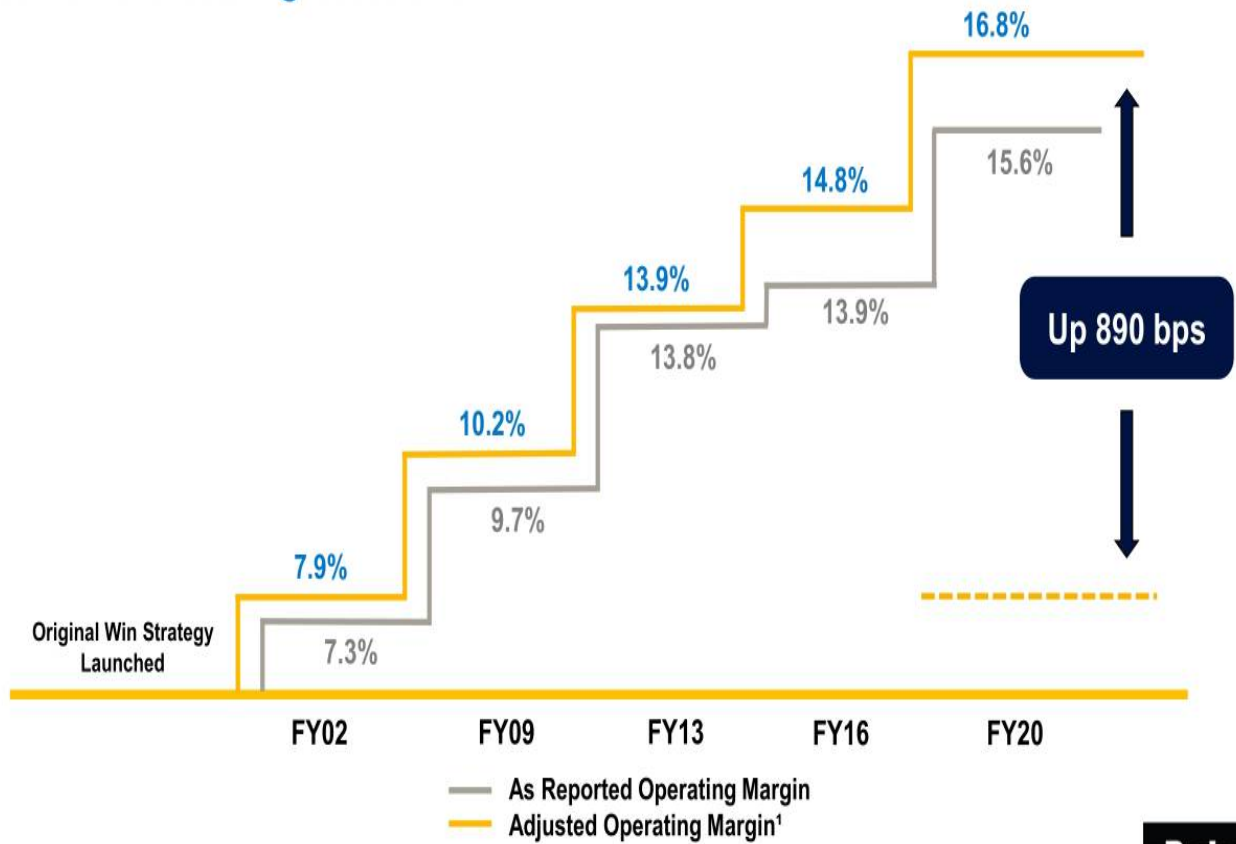
Parker's Transformation – What's Different?

- Strategic restructuring FY14-FY16 has reduced cost structure
- Simplification has streamlined organization structure:
 - 126 to 84 divisions inclusive of acquisitions
- Two major updates to the Parker Business System:
 - 2015 – The Win Strategy™ 2.0
 - 2019 – The Win Strategy™ 3.0
- Acquired companies with higher growth rates, resiliency and margins
 - CLARCOR, LORD, Exotic
- Enhanced performance resilience over business cycle

Purpose Statement provides alignment & inspiration

Raising the Floor on Operating Margins

Last five manufacturing recessions



Top Line Resilience - Great Recession vs. COVID-19

<u>Time Period</u>	<u>Organic Sales</u>	<u>Structural Improvements</u>
FY09 Q4	(32%)	<ul style="list-style-type: none">▪ CLARCOR acquisition – 80% aftermarket▪ % Revenue from innovative products has doubled▪ Increased International Distribution mix by 500 bps▪ Improved customer experience
FY20 Q4	(21%)	

Top line more resilient...Will improve further with LORD & Exotic

Great Generators of Cash - Record CFOA in FY20

19 Consecutive years with 10%+ CFOA margins*

\$2.1B FY20 CFOA

19 Consecutive years with 100%+ FCF conversion



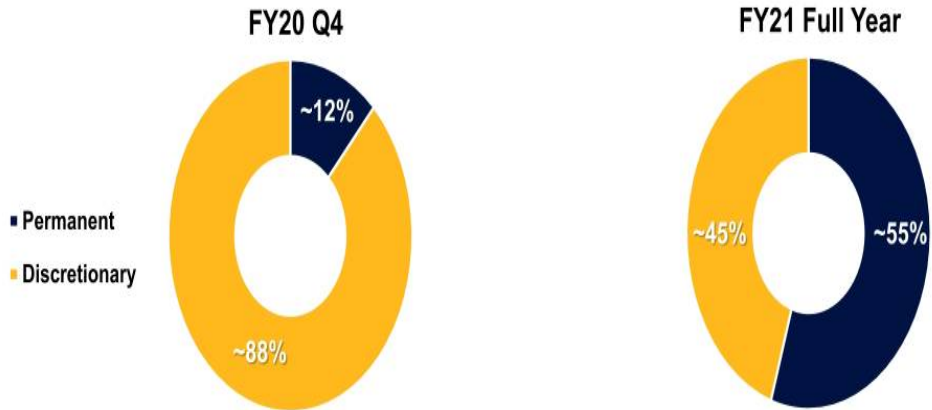
Fiscal 2021 Outlook

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Continued Cost Actions Expected in FY21

Shifting to more permanent actions



Savings

	<u>FY20 Q4</u>	<u>FY21</u>
Discretionary Actions	~175	~200
Permanent Actions	~25	~250
Total	~\$200	~\$450*

Targeting a ~30% decremental margin for FY21

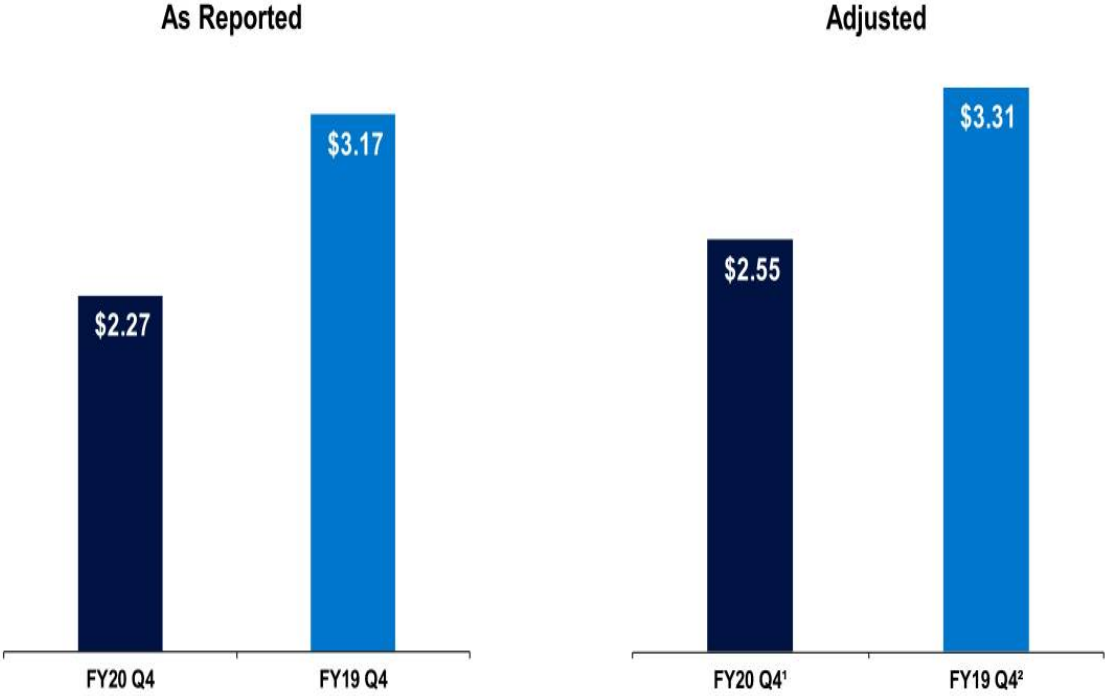
Summary of Fiscal 2020 4th Quarter Results

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Diluted Earnings per Share

4th Quarter FY2020 vs. FY2019

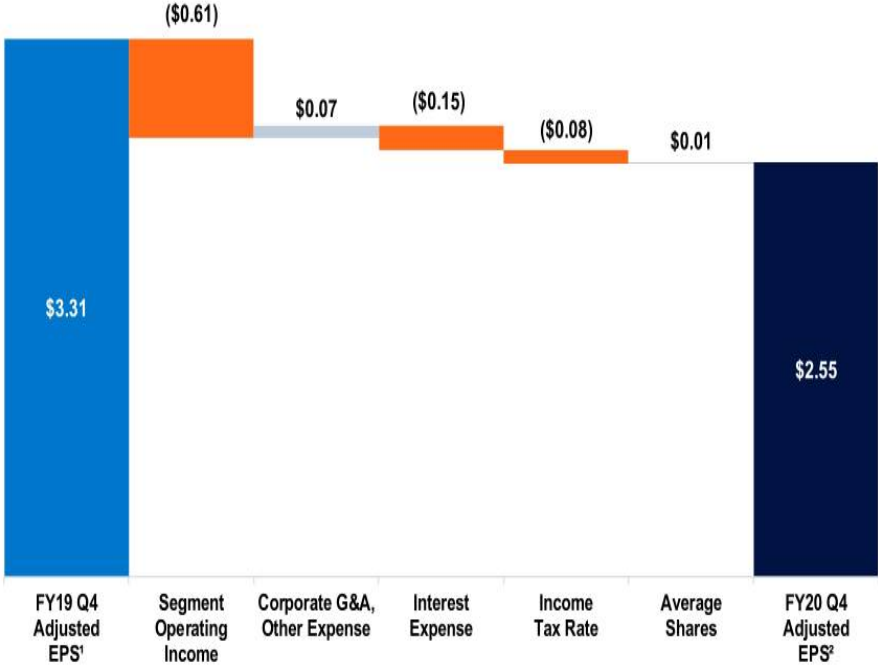


1. Adjusted for Business Realignment Charges, LORD and Exotic Costs to Achieve, Acquisition Related Expenses, the tax effect of such adjustments, and a net benefit from a favorable tax audit resolution
2. Adjusted for Business Realignment Charges, CLARCOR and LORD Costs to Achieve, Acquisition Related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



Influences on Adjusted Earnings per Share

4th Quarter FY2019 vs. 4th Quarter FY2020



1. Adjusted for Business Realignment Charges, CLARCOR and LORD Costs to Achieve, Acquisition Related Expenses, and the tax effect of such adjustments
 2. 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



Sales & Segment Operating Margin

Total Parker

\$ in millions	4th Quarter		
	FY2020	% Change	FY2019
Sales			
As Reported	\$ 3,161	(14.1)%	\$ 3,681
Acquisitions ¹	298	8.1 %	
Currency	(43)	(1.1)%	
Organic Sales	\$ 2,906	(21.1)%	

	FY2020	% of Sales	FY2019	% of Sales
Segment Operating Margin				
As Reported	\$ 501	15.8 %	\$ 641	17.4 %
Business Realignment	47		6	
Integration Costs to Achieve ²	2		2	
Adjusted	\$ 550	17.4 %	\$ 649	17.6 %

FY2020 Acquisitions Impact on Q4 Segment Margins

As Reported	FY20 Q4			FY19 Q4
\$M	Total Parker	LORD + Exotic	Legacy Parker	Total Parker
Sales	\$3,161	\$298	\$2,863	\$3,681
Operating Income	\$501	\$27	\$474	\$641
Operating Margin	15.8%	9.1%	16.6%	17.4%

Adjusted*	FY20 Q4			FY19 Q4
\$M	Total Parker	LORD + Exotic	Legacy Parker	Total Parker
Sales	\$3,161	\$298	\$2,863	\$3,681
Operating Income	\$550	\$32	\$518	\$649
Operating Margin	17.4%	10.8%	18.1%	17.6%
Decremental Margin vs. Prior Year			(16.0%)	

Sales & Segment Operating Margin

Diversified Industrial North America

\$ in millions	4th Quarter		
	FY2020	% Change	FY2019
Sales			
As Reported	\$ 1,440	(17.5)%	\$ 1,745
Acquisitions ¹	133	7.6 %	
Currency	(7)	(0.4)%	
Organic Sales	\$ 1,314	(24.7)%	

	FY2020	% of Sales	FY2019	% of Sales
Segment Operating Margin				
As Reported	\$ 220	15.3 %	\$ 318	18.2 %
Business Realignment	18		2	
Integration Costs to Achieve ²	0		2	
Adjusted	\$ 238	16.5 %	\$ 322	18.4 %

Sales & Segment Operating Margin

Diversified Industrial International

\$ in millions	4th Quarter		
	FY2020	% Change	FY2019
Sales			
As Reported	\$ 1,096	(12.9)%	\$ 1,258
Acquisitions ¹	68	5.4 %	
Currency	(37)	(2.9)%	
Organic Sales	\$ 1,065	(15.4)%	

	FY2020	% of Sales	FY2019	% of Sales
Segment Operating Margin				
As Reported	\$ 175	16.0 %	\$ 201	16.0 %
Business Realignment	7		5	
Integration Costs to Achieve ²	2		0	
Adjusted	\$ 184	16.8 %	\$ 206	16.4 %

Sales & Segment Operating Margin

Aerospace Systems

\$ in millions	4th Quarter		
	FY2020	% Change	FY2019
Sales			
As Reported	\$ 624	(8.0)%	\$ 678
Acquisitions ¹	97	14.3 %	
Currency	(0)	(0.0)%	
Organic Sales	\$ 527	(22.3)%	

	FY2020	% of Sales	FY2019	% of Sales
Segment Operating Margin				
As Reported	\$ 105	16.9 %	\$ 122	17.9 %
Business Realignment	21		-	
Integration Costs to Achieve ²	1		-	
Adjusted	\$ 127	20.4 %	\$ 122	17.9 %

FY20 Impact of Acquisitions

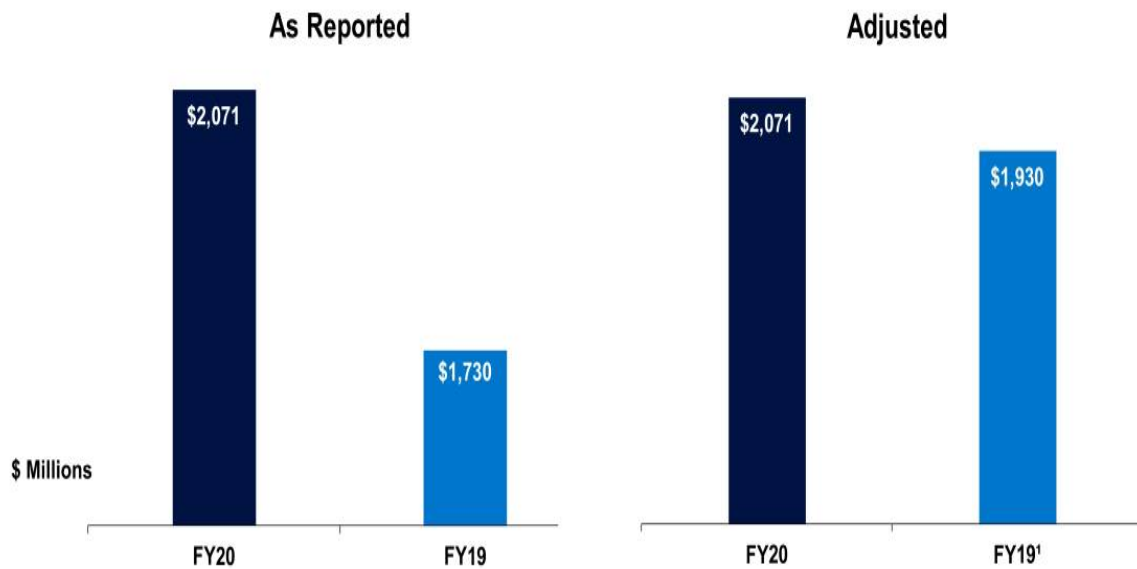
As Reported	FY20			FY19
\$M	Total Parker	LORD + Exotic	Legacy Parker	Total Parker
Sales	\$13,696	\$949	\$12,747	\$14,320
Operating Income	\$2,138	\$22	\$2,116	\$2,431
Operating Margin	15.6%	2.3%	16.6%	17.0%
EBITDA Margin	17.2%	4.3%	18.2%	17.9%
Adjusted*	FY20			FY19
\$M	Total Parker	LORD + Exotic	Legacy Parker	Total Parker
Sales	\$13,696	\$949	\$12,747	\$14,320
Operating Income	\$2,304	\$114	\$2,190	\$2,460
Operating Margin	16.8%	12.0%	17.2%	17.2%
EBITDA Margin	19.3%	26.3%	18.8%	18.2%

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

Note: Segment Operating Income includes FY20 Amortization expense \$37M for Exotic and \$63M 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

FY2020 vs. FY2019



	FY20 Full Year			
	FY 2020	% of Sales	FY 2019	% of Sales
As Reported Cash Flow From Operating Activities	\$ 2,071	15.1%	\$ 1,730	12.1%
Discretionary Pension Plan Contribution	-		200	
Adjusted Cash Flow From Operating Activities	\$ 2,071	15.1%	\$ 1,930	13.5%



1. Adjusted for Discretionary Pension Plan Contributions

Leverage and Liquidity Highlights

- \$687M reduction in debt during Q4 FY20
- \$1.3M cumulative debt reduction in FY20
- Gross debt to EBITDA reduced to 3.6x from 3.8x at March 31, 2020
 - Net debt reduced to 3.3x from 3.5x at March 31, 2020
- Continue suspension of 10b5-1 share repurchase program
- Remain committed to dividend and annual record of increasing dividends paid

Remain Confident in CFOA > 10% Performance

Order Rates Impacted by COVID-19 Pandemic

	<u>Jun 2020</u>	<u>Mar 2020</u>	<u>Jun 2019</u>	<u>Mar 2019</u>
Total Parker	(22)%	(2)%	(3)%	(4)%
Diversified Industrial North America	(29)%	(7)%	(4)%	(6)%
Diversified Industrial International	(21)%	(2)%	(8)%	(4)%
Aerospace Systems	(5)%	12 %	10 %	2 %

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

FY2021 Guidance

EPS Midpoint: \$7.91 As Reported, \$10.30 Adjusted

Sales Growth vs. Prior Year	
Diversified Industrial North America	(10.2)% - (6.2)%
Diversified Industrial International	(6.3)% - (2.3)%
Aerospace Systems	(19.2)% - (15.2)%
Total Parker	(10.7)% - (6.7)%

Segment Operating Margins	As Reported	Adjusted ¹
Diversified Industrial North America	14.7% - 15.4%	18.6% - 19.2%
Diversified Industrial International	14.2% - 14.8%	16.8% - 17.4%
Aerospace Systems	14.6% - 15.5%	17.4% - 18.4%
Total Parker	14.5% - 15.2%	17.8% - 18.4%

Below the Line Items	As Reported
Corporate General & Administrative Expense, Interest and Other	\$ 517 M

Tax Rate	As Reported
Full Year	23.0%

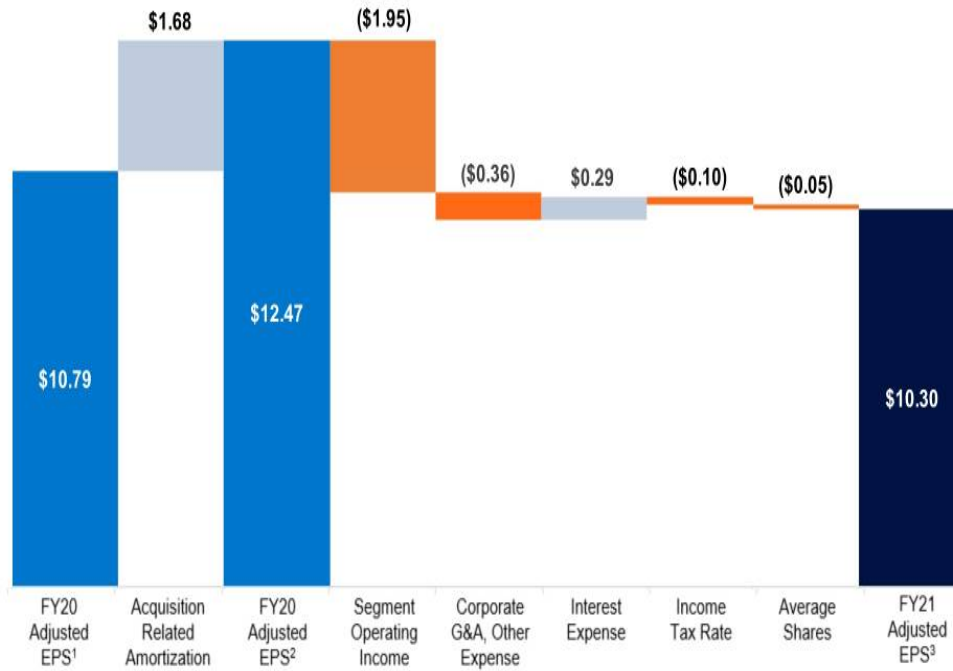
Shares	
Diluted Shares Outstanding	130.5 M

Earnings Per Share	As Reported	Adjusted ¹
Range	\$7.41 - \$8.41	\$9.80 - \$10.80

1. Detail of Pre-Tax Adjustments	
Business Realignment Charges	\$ 65 M
Integration Costs to Achieve	\$ 19 M
Acquisition-Related Intangible Asset Amortization	\$ 321 M

FY2021 Guidance

FY20 Actual vs. FY21 Guidance



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, LORD and Exotic Costs to Achieve, Acquisition Related Expenses, Acquisition-Related Intangible Asset Amortization, the tax effect of such adjustments, and a net benefit from a favorable tax audit resolution.

3. Adjusted for Business Realignment Charges, LORD Costs to Achieve, Acquisition-Related Intangible Asset Amortization, and the tax effect of such adjustments

Note: FY20 acquisition-related intangible asset amortization was \$2.19 before tax and \$1.68 after tax. We expect the FY21 amount to be \$2.46 before tax and \$1.89 after tax.

FY23 Corporate Targets

FY23 Target Metrics

Growth	→	150 bps > GIPI
Adj. Seg Op Margin	→	21%
Adj. EBITDA Margin	→	21%
FCF Conversion	→	> 100%
Adj. EPS CAGR	→	10%+



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Appendix

- Supplementary Reconciliation of Segment Operating Margin including acquisition-related intangible asset amortization
- Supplementary Reconciliation of EPS including acquisition-related intangible asset amortization
- 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



Supplementary Reconciliation of Segment Operating Income including adjustment for acquisition-related amortization Diversified Industrial North America

(unaudited)

(Dollars in thousands)

	3 months ended 9/30/2018	3 months ended 12/31/2018	3 months ended 3/31/2019	3 months ended 6/30/2019	12 months ended 6/30/2019	3 months ended 9/30/2019	3 months ended 12/31/2019	3 months ended 3/31/2020	3 months ended 6/30/2020	12 months ended 6/30/2020
Diversified Industrial North America										
Sales	\$ 1,681,044	\$ 1,632,059	\$ 1,750,554	\$ 1,745,291	\$ 6,808,948	\$ 1,624,605	\$ 1,615,852	\$ 1,775,578	\$ 1,440,263	\$ 6,456,298
Total segment operating income	\$ 275,111	\$ 257,774	\$ 287,526	\$ 318,175	\$ 1,138,586	\$ 275,192	\$ 211,339	\$ 279,628	\$ 219,785	\$ 985,944
Adjustments:										
Business realignment charges	822	526	1,789	1,579	4,716	2,278	3,285	3,303	18,110	26,976
Clarcor costs to achieve	3,915	3,293	(39)	906	8,075	-	-	-	-	-
Lord costs to achieve	-	-	-	912	912	3,038	4,685	6,249	275	14,247
Acquisition-related expenses	-	-	-	-	-	-	29,126	14,564	-	43,690
Acquisition related intangible amortization expense	36,919	36,432	35,751	34,136	143,238	34,090	45,339	51,032	43,077	173,538
Adjusted total segment operating income	\$ 316,767	\$ 298,025	\$ 325,027	\$ 355,708	\$ 1,295,527	\$ 314,598	\$ 293,774	\$ 354,776	\$ 281,247	\$ 1,244,395
As reported %	16.4%	15.8%	16.4%	18.2%	16.7%	16.9%	13.1%	15.7%	15.3%	15.3%
As adjusted %	18.8%	18.3%	18.6%	20.4%	19.0%	19.4%	18.2%	20.0%	19.5%	19.3%

Supplementary Reconciliation of Segment Operating Income including adjustment for acquisition-related amortization Diversified Industrial International

(unaudited)

(Dollars in thousands)

	3 months ended 9/30/2018	3 months ended 12/31/2018	3 months ended 3/31/2019	3 months ended 6/30/2019	12 months ended 6/30/2019	3 months ended 9/30/2019	3 months ended 12/31/2019	3 months ended 3/31/2020	3 months ended 6/30/2020	12 months ended 6/30/2020
Diversified Industrial International										
Sales	\$ 1,233,766	\$ 1,223,679	\$ 1,284,866	\$ 1,258,288	\$ 5,000,599	\$ 1,078,850	\$ 1,147,084	\$ 1,182,273	\$ 1,096,380	\$ 4,504,587
Total segment operating income	\$ 206,094	\$ 189,085	\$ 208,707	\$ 201,004	\$ 804,890	\$ 168,573	\$ 153,816	\$ 176,954	\$ 175,420	\$ 674,763
Adjustments:										
Business realignment charges	1,581	1,989	2,577	4,640	10,787	2,447	6,382	9,417	7,066	25,312
Clarcor costs to achieve	2,240	1,574	272	166	4,252	-	-	-	-	-
Lord costs to achieve	-	-	-	-	-	376	2,040	2,115	1,891	6,422
Acquisition-related expenses	-	-	-	-	-	-	5,375	2,684	-	8,059
Acquisition related intangible amortization expense	14,466	13,081	13,213	12,682	53,442	12,444	16,118	16,707	24,907	70,176
Adjusted total segment operating income	\$ 224,381	\$ 205,729	\$ 224,769	\$ 218,492	\$ 873,371	\$ 183,840	\$ 183,731	\$ 207,877	\$ 209,284	\$ 784,732
As reported %	16.7%	15.5%	16.2%	16.0%	16.1%	15.6%	13.4%	15.0%	16.0%	15.0%
As adjusted %	18.2%	16.8%	17.5%	17.4%	17.5%	17.0%	16.0%	17.6%	19.1%	17.4%

Supplementary Reconciliation of Segment Operating Income including adjustment for acquisition-related amortization Aerospace Systems

(unaudited)

	3 months ended	3 months ended	3 months ended	3 months ended	12 months ended	3 months ended	3 months ended	3 months ended	3 months ended	12 months ended
(Dollars in thousands)	9/30/2018	12/31/2018	3/31/2019	6/30/2019	6/30/2019	9/30/2019	12/31/2019	3/31/2020	6/30/2020	6/30/2020
Aerospace										
Sales	\$ 564,484	\$ 616,307	\$ 652,098	\$ 677,888	\$ 2,510,777	\$ 631,056	\$ 735,038	\$ 744,581	\$ 623,960	\$ 2,734,635
Total segment operating income	\$ 109,855	\$ 121,463	\$ 134,789	\$ 121,650	\$ 487,757	\$ 122,980	\$ 121,039	\$ 127,440	\$ 105,441	\$ 476,900
Adjustments:										
Business realignment charges	-	-	-	-	-	(7)	52	613	21,443	22,101
Exotic costs to achieve	-	-	-	-	-	595	489	486	338	1,908
Acquisition-related expenses	-	-	-	-	-	2,519	14,224	812	-	17,555
Acquisition related intangible amortization expense	768	768	768	768	3,072	2,899	12,499	12,767	12,753	40,918
Adjusted total segment operating income	\$ 110,623	\$ 122,231	\$ 135,557	\$ 122,418	\$ 490,829	\$ 128,986	\$ 148,303	\$ 142,118	\$ 139,975	\$ 559,382
As reported %	19.5%	19.7%	20.7%	17.9%	19.4%	19.5%	16.5%	17.1%	16.9%	17.4%
As adjusted %	19.6%	19.8%	20.8%	18.1%	19.5%	20.4%	20.2%	19.1%	22.4%	20.5%

Supplementary Reconciliation of Segment Operating Income including adjustment for acquisition-related amortization

Total Parker

(unaudited)

(Dollars in thousands)

	3 months ended 9/30/2018	3 months ended 12/31/2018	3 months ended 3/31/2019	3 months ended 6/30/2019	12 months ended 6/30/2019	3 months ended 9/30/2019	3 months ended 12/31/2019	3 months ended 3/31/2020	3 months ended 6/30/2020	12 months ended 6/30/2020
Total Parker										
Sales	\$ 3,479,294	\$ 3,472,045	\$ 3,687,518	\$ 3,681,467	\$ 14,320,324	\$ 3,334,511	\$ 3,497,974	\$ 3,702,432	\$ 3,160,603	\$ 13,695,520
Total segment operating income	\$ 591,060	\$ 568,322	\$ 631,022	\$ 640,829	\$ 2,431,233	\$ 566,745	\$ 486,194	\$ 584,022	\$ 500,646	\$ 2,137,607
Adjustments:										
Business realignment charges	2,403	2,515	4,366	6,219	15,503	4,718	9,719	13,333	46,619	74,389
Clarcor costs to achieve	6,155	4,867	233	1,072	12,327	-	-	-	-	-
Lord costs to achieve	-	-	-	912	912	3,414	6,725	8,364	2,166	20,669
Exotic costs to achieve	-	-	-	-	-	595	489	486	338	1,908
Acquisition-related expenses	-	-	-	-	-	2,519	48,725	18,060	-	69,304
Acquisition related intangible amortization expense	52,153	50,281	49,732	47,586	199,752	49,433	73,956	80,506	80,737	284,632
Adjusted total segment operating income	\$ 651,771	\$ 625,985	\$ 685,353	\$ 696,618	\$ 2,659,727	\$ 627,424	\$ 625,808	\$ 704,771	\$ 630,506	\$ 2,588,509
As reported %	17.0%	16.4%	17.1%	17.4%	17.0%	17.0%	13.9%	15.8%	15.8%	15.6%
As adjusted %	18.7%	18.0%	18.6%	18.9%	18.6%	18.8%	17.9%	19.0%	19.9%	18.9%

Supplementary Reconciliation of EPS including adjustment for acquisition-related amortization

(Unaudited)	3 months	3 months	3 months	3 months	12 months	3 months	3 months	3 months	3 months	12 months
	ended	ended	ended	ended	ended	ended	ended	ended	ended	ended
	9/30/2018	12/31/2018	3/31/2019	6/30/2019	6/30/2019	9/30/2019	12/31/2019	3/31/2020	6/30/2020	6/30/2020
Earnings per diluted share	\$ 2.79	\$ 2.36	\$ 3.14	\$ 3.17	\$ 11.48	\$ 2.60	\$ 1.57	\$ 2.83	\$ 2.27	\$ 9.29
Adjustments:										
Business realignment charges	0.02	0.02	0.03	0.05	0.12	0.04	0.08	0.10	0.37	0.59
Clarcor costs to achieve	0.05	0.04	-	0.01	0.10	-	-	-	-	-
LORD costs to achieve	-	-	-	0.01	0.01	0.03	0.05	0.06	0.02	0.16
Exotic costs to achieve	-	-	-	-	-	0.01	-	-	-	0.01
Acquisition-related expenses	-	-	-	0.12	0.12	0.14	1.14	0.14	0.03	1.45
Acquisition-related intangible amortization expense ¹	0.39	0.38	0.38	0.36	1.51	0.38	0.57	0.62	0.62	2.19
Tax effect of adjustments	(0.11)	(0.11)	(0.09)	(0.13)	(0.44)	(0.15)	(0.43)	(0.22)	(0.23)	(1.03)
Favorable tax settlement	-	-	-	-	-	-	-	(0.14)	(0.05)	(0.19)
Tax expense related to U.S. Tax Reform	-	0.11	-	-	0.11	-	-	-	-	-
Adjusted earnings per diluted share	\$ 3.14	\$ 2.80	\$ 3.46	\$ 3.59	\$ 13.01	\$ 3.05	\$ 2.98	\$ 3.39	\$ 3.03	\$ 12.47

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.

Consolidated Statement of Income

(Unaudited) (Dollars in thousands, except per share amounts)	Three Months Ended June 30,		Twelve Months Ended June 30,	
	2020	2019	2020	2019
Net sales	\$ 3,160,603	\$ 3,681,467	\$ 13,695,520	\$ 14,320,324
Cost of sales	2,357,319	2,739,578	10,286,518	10,703,484
Selling, general and administrative expenses	352,793	391,493	1,656,553	1,543,939
Interest expense	74,549	50,072	308,161	190,138
Other expense (income), net	5,374	(13,024)	(68,339)	(50,662)
Income before income taxes	370,568	513,348	1,512,627	1,933,425
Income taxes	74,873	99,610	305,924	420,494
Net income	295,695	413,738	1,206,703	1,512,931
Less: Noncontrolling interests	(21)	70	362	567
Net income attributable to common shareholders	\$ 295,716	\$ 413,668	\$ 1,206,341	\$ 1,512,364
Earnings per share attributable to common shareholders:				
Basic earnings per share	\$ 2.30	\$ 3.22	\$ 9.39	\$ 11.63
Diluted earnings per share	\$ 2.27	\$ 3.17	\$ 9.29	\$ 11.48
Average shares outstanding during period - Basic	128,523,334	128,561,494	128,418,495	129,997,640
Average shares outstanding during period - Diluted	129,993,001	130,460,247	129,805,034	131,781,617
CASH DIVIDENDS PER COMMON SHARE				
(Unaudited)				
(Amounts in dollars)				
Cash dividends per common share	\$ 0.88	\$ 0.88	\$ 3.52	\$ 3.16

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	
June 30, 2020		Realignment		Costs to		Costs to		Related		Tax		June 30, 2020	
	% of Sales	Charges		Achieve		Achieve		Expenses		Settlement			% of Sales
Net sales	\$ 3,160,603	100.0 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,160,603	100.0 %
Cost of sales	2,357,319	74.6 %	37,566	324	-	-	-	-	-	-	-	2,319,429	73.4 %
Selling, general and admin. expenses	352,793	11.2 %	10,035	1,842	338	4,437	-	-	-	-	-	336,141	10.6 %
Interest expense	74,549	2.4 %	-	-	-	-	-	-	-	-	-	74,549	2.4 %
Other (income) expense, net	5,374	0.2 %	-	-	-	-	-	-	-	-	-	5,374	0.2 %
Income before income taxes	370,568	11.7 %	(47,601)	(2,166)	(338)	(4,437)	-	-	-	-	-	425,110	13.5 %
Income taxes	74,873	2.4 %	11,091	505	79	1,034	-	-	-	6,039	-	93,621	3.0 %
Net income	295,695	9.4 %	(36,510)	(1,661)	(259)	(3,403)	-	-	-	6,039	-	331,489	10.5 %
Less: Noncontrolling interests	(21)	(0.0)%	-	-	-	-	-	-	-	-	-	(21)	(0.0)%
Net income - common shareholders	\$ 295,716	9.4 %	\$ (36,510)	\$ (1,661)	\$ (259)	\$ (3,403)	\$ -	\$ (3,403)	\$ -	\$ 6,039	\$ -	\$ 331,510	10.5 %
Diluted earnings per share	\$ 2.27		\$ (0.28)	\$ (0.02)	\$ -	\$ (0.03)	\$ -	\$ (0.03)	\$ -	\$ 0.05	\$ -	\$ 2.55	

(Dollars in thousands, except per share data)

(Unaudited)

		Year-to-Date FY 2020											
As Reported		Business		Lord		Exotic		Acquisition		Favorable		Adjusted	
June 30, 2020		Realignment		Costs to		Costs to		Related		Tax		June 30, 2020	
	% of Sales	Charges		Achieve		Achieve		Expenses		Settlement			% of Sales
Net sales	\$ 13,695,520	100.0 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,695,520	100.0 %
Cost of sales	10,286,518	75.1 %	58,791	1,516	-	69,304	-	-	-	-	-	10,156,907	74.2 %
Selling, general and admin. expenses	1,656,553	12.1 %	16,773	19,153	1,908	119,214	-	-	-	-	-	1,499,505	10.9 %
Interest expense	308,161	2.3 %	-	-	-	-	-	-	-	-	-	308,161	2.3 %
Other (income) expense, net	(68,339)	(0.5)%	50	-	-	-	-	-	-	-	-	(68,389)	(0.5)%
Income before income taxes	1,512,627	11.0 %	(75,614)	(20,669)	(1,908)	(188,518)	-	-	-	-	-	1,799,336	13.1 %
Income taxes	305,924	2.2 %	17,675	4,851	447	43,868	-	-	24,763	-	-	397,528	2.9 %
Net income	1,206,703	8.8 %	(57,939)	(15,818)	(1,461)	(144,650)	-	-	24,763	-	-	1,401,808	10.2 %
Less: Noncontrolling interests	362	0.0 %	-	-	-	-	-	-	-	-	-	362	0.0 %
Net income - common shareholders	\$ 1,206,341	8.8 %	\$ (57,939)	\$ (15,818)	\$ (1,461)	\$ (144,650)	\$ -	\$ (144,650)	\$ 24,763	\$ -	\$ -	\$ 1,401,446	10.2 %
Diluted earnings per share	\$ 9.29		\$ (0.45)	\$ (0.13)	\$ (0.01)	\$ (1.10)	\$ -	\$ (1.10)	\$ 0.19	\$ -	\$ -	\$ 10.79	

Adjusted Amounts Reconciliation

Business Segment Information

(Dollars in thousands)
(Unaudited)

	Quarter-to-Date FY 2020							
	As Reported		Business	Lord	Exotic	Acquisition	Adjusted	
	June 30, 2020	% of Sales	Realignment Charges ³	Costs to Achieve	Costs to Achieve	Related Expenses	June 30, 2020	% of Sales ²
Diversified Industrial:								
North America ¹	\$ 219,785	15.3%	\$ 18,110	\$ 275	\$ -	\$ -	\$ 238,170	16.5%
International ¹	175,420	16.0%	7,066	1,891	-	-	184,377	16.8%
Aerospace Systems ¹	105,441	16.9%	21,443	-	338	-	127,222	20.4%
Total segment operating income	500,646	15.8%	(46,619)	(2,166)	(338)	-	549,769	17.4%
Corporate administration	37,999	1.2%	982	-	-	-	37,017	1.2%
Income before interest and other	462,647	14.6%	(47,601)	(2,166)	(338)	-	512,752	16.2%
Interest expense	74,549	2.4%	-	-	-	-	74,549	2.4%
Other (income) expense	17,530	0.6%	-	-	-	4,437	13,093	0.4%
Income before income taxes	\$ 370,568	11.7%	\$ (47,601)	\$ (2,166)	\$ (338)	\$ (4,437)	\$ 425,110	13.5%

(Dollars in thousands)
(Unaudited)

	Year-to-Date FY 2020							
	As Reported		Business	Lord	Exotic	Acquisition	Adjusted	
	June 30, 2020	% of Sales	Realignment Charges ³	Costs to Achieve	Costs to Achieve	Related Expenses	June 30, 2020	% of Sales ²
Diversified Industrial:								
North America ¹	\$ 985,944	15.3%	\$ 26,976	\$ 14,247	\$ -	\$ 43,690	\$ 1,070,857	16.6%
International ¹	674,763	15.0%	25,312	6,422	-	8,059	714,556	15.9%
Aerospace Systems ¹	476,900	17.4%	22,101	-	1,908	17,555	518,464	19.0%
Total segment operating income	2,137,607	15.6%	(74,389)	(20,669)	(1,908)	(69,304)	2,303,877	16.8%
Corporate administration	170,903	1.2%	1,175	-	-	-	169,728	1.2%
Income before interest and other	1,966,704	14.4%	(75,564)	(20,669)	(1,908)	(69,304)	2,134,149	15.6%
Interest expense	308,161	2.3%	-	-	-	-	308,161	2.3%
Other (income) expense	145,916	1.1%	50	-	-	119,214	26,652	0.2%
Income before income taxes	\$ 1,512,627	11.0%	\$ (75,614)	\$ (20,669)	\$ (1,908)	\$ (188,518)	\$ 1,799,336	13.1%

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.

³Aerospace Systems includes \$3,056 of Exotic business realignment charges; No Lord business realignment charges were incurred.

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

(Unaudited) (Amounts in dollars)	Three Months Ended June 30,		Twelve Months Ended June 30,	
	2020	2019	2020	2019
Earnings per diluted share	\$ 2.27	\$ 3.17	\$ 9.29	\$ 11.48
Adjustments:				
Business realignment charges	0.37	0.05	0.59	0.12
Clarcor costs to achieve	-	0.01	-	0.10
Lord costs to achieve	0.02	0.01	0.16	0.01
Exotic costs to achieve	-	-	0.01	-
Acquisition-related expenses	0.03	0.12	1.45	0.12
Tax effect of adjustments ¹	(0.09)	(0.05)	(0.52)	(0.09)
Favorable tax settlement	(0.05)	-	(0.19)	-
Tax expense related to U.S. Tax Reform	-	-	-	0.11
Adjusted earnings per diluted share	\$ 2.55	\$ 3.31	\$ 10.79	\$ 11.85

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 June 30,		Twelve Months Ended June 30,	
	2020	2019	2020	2019
Net sales				
Diversified Industrial:				
North America	\$ 1,440,263	\$ 1,745,291	\$ 6,456,298	\$ 6,808,948
International	1,096,380	1,258,288	4,504,587	5,000,599
Aerospace Systems	623,960	677,888	2,734,635	2,510,777
Total net sales	\$ 3,160,603	\$ 3,681,467	\$ 13,695,520	\$ 14,320,324
Segment operating income				
Diversified Industrial:				
North America	\$ 219,785	\$ 318,175	\$ 985,944	\$ 1,138,586
International	175,420	201,004	674,763	804,890
Aerospace Systems	105,441	121,650	476,900	487,757
Total segment operating income	500,646	640,829	2,137,607	2,431,233
Corporate general and administrative expenses	37,999	47,977	170,903	194,994
Income before interest expense and other expense	462,647	592,852	1,966,704	2,236,239
Interest expense	74,549	50,072	308,161	190,138
Other expense	17,530	29,432	145,916	112,676
Income before income taxes	\$ 370,568	\$ 513,348	\$ 1,512,627	\$ 1,933,425

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	12 Months ended 6/30/20
Net Sales	\$ 6,149	\$ 10,309	\$ 13,016	\$ 11,361	\$ 13,696
Total segment operating income	\$ 446	\$ 1,004	\$ 1,791	\$ 1,576	\$ 2,138
Adjustments:					
Business realignment charges	37	45	12	107	74
Acquisition-related expenses & Costs to Achieve					92
Adjusted total segment operating income*	\$ 483	\$ 1,049	\$ 1,804	\$ 1,682	\$ 2,304
Total segment operating margin	7.3%	9.7%	13.8%	13.9%	15.6%
Adjusted total segment operating margin	7.9%	10.2%	13.9%	14.8%	16.8%

*Totals may not foot due to rounding

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

(Unaudited)
(Dollars in thousands)

	Three Months Ended June 30, 2020		Three Months Ended June 30, 2019	
	Operating income	Operating margin	Operating income	Operating margin
Total segment operating income	\$ 500,646	15.8 %	\$ 640,829	17.4 %
Adjustments:				
Business realignment charges	46,619		6,219	
Clarcor costs to achieve	-		1,072	
Lord costs to achieve	2,166		912	
Exotic costs to achieve	338		-	
Adjusted total segment operating income	\$ 549,769	17.4 %	\$ 649,032	17.6 %

	Twelve Months Ended June 30, 2020		Twelve Months Ended June 30, 2019	
	Operating income	Operating margin	Operating income	Operating margin
Total segment operating income	\$ 2,137,607	15.6 %	\$ 2,431,233	17.0 %
Adjustments:				
Business realignment charges	74,389		15,503	
Clarcor costs to achieve	-		12,327	
Lord costs to achieve	20,669		912	
Exotic costs to achieve	1,908		-	
Acquisition-related expenses	69,304		-	
Adjusted total segment operating income	\$ 2,303,877	16.8 %	\$ 2,459,975	17.2 %

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

(Unaudited) (Dollars in millions)	Three Months Ended June 30, 2020 Total Parker		Three Months Ended June 30, 2020 LORD & Exotic		Three Months Ended June 30, 2020 Legacy Parker	
	Operating income	Operating margin	Operating income	Operating margin	Operating income	Operating margin
	Total segment operating income	\$ 501	15.8 %	\$ 27	9.1 %	\$ 474
Adjustments:						
Business realignment charges	47		3		44	
Costs to achieve	3		3		-	
Adjusted total segment operating income	\$ 550	17.4 %	\$ 32	10.8 %	\$ 518	18.1 %

Reconciliation of EBITDA to Adjusted EBITDA

(Unaudited) (Dollars in thousands)	Three Months Ended June 30,		Twelve Months Ended June 30,	
	2020	2019	2020	2019
Net sales	\$ 3,160,603	\$ 3,681,467	\$ 13,695,520	\$ 14,320,324
Net income	\$ 295,695	\$ 413,738	\$ 1,206,703	\$ 1,512,931
Income taxes	74,873	99,610	305,924	420,494
Depreciation and amortization	146,582	105,388	537,531	436,189
Interest expense	74,549	50,072	308,161	190,138
EBITDA	591,699	668,808	2,358,319	2,559,752
Adjustments:				
Business realignment charges	47,601	6,393	75,614	15,677
Clarcor costs to achieve	-	928	-	12,458
Lord costs to achieve	2,166	912	20,669	912
Exotic costs to achieve	338	-	1,908	-
Acquisition-related expenses	4,437	16,234	188,518	16,234
Adjusted EBITDA	\$ 646,241	\$ 693,275	\$ 2,645,028	\$ 2,605,033
EBITDA margin	18.7 %	18.2 %	17.2 %	17.9 %
Adjusted EBITDA margin	20.4 %	18.8 %	19.3 %	18.2 %

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

RECONCILIATION OF FISCAL 2020 TOTAL SEGMENT OPERATING MARGIN TO FISCAL 2020 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	\$ 2,138	15.6 %	\$ 22	2.3 %	\$ 2,116	16.6 %
Adjustments:						
Business realignment charges	74		3		71	
Costs to achieve	23		20		3	
One-time acquisition expenses	69		69			
Income	\$ 2,304	16.8 %	\$ 114	12.0 %	\$ 2,190	17.2 %

RECONCILIATION OF FISCAL 2020 EBITDA TO FISCAL 2020 ADJUSTED EBITDA

(Unaudited) (Dollars in millions)	Total Parker	LORD & Exotic	Legacy Parker
Net sales	\$ 13,696	\$ 949	\$ 12,747
Net income	1,207	(158)	1,365
Income taxes	306	(48)	354
Depreciation and amortization	538	138	399
Interest expense	308	109	199
EBITDA	2,358	41	2,317
Adjustments:			
Business realignment charges	76	-	76
Costs to achieve	23	20	3
One-time acquisition expenses	189	189	-
Adjusted EBITDA	\$ 2,645	\$ 249	\$ 2,396
EBITDA margin	17.2 %	4.3 %	18.2 %
Adjusted EBITDA margin	19.3 %	26.3 %	18.8 %

Consolidated Balance Sheet

(Unaudited) (Dollars in thousands)	June 30, 2020	June 30, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 685,514	\$ 3,219,767
Marketable securities and other investments	70,805	150,931
Trade accounts receivable, net	1,854,398	2,131,054
Non-trade and notes receivable	244,870	310,708
Inventories	1,814,631	1,678,132
Prepaid expenses and other	214,986	182,494
Total current assets	4,885,204	7,673,086
Plant and equipment, net	2,292,735	1,768,287
Deferred income taxes	126,839	150,462
Investments and other assets	764,563	747,773
Intangible assets, net	3,798,913	1,783,277
Goodwill	7,869,935	5,453,805
Total assets	\$ 19,738,189	\$ 17,576,690
Liabilities and equity		
Current liabilities:		
Notes payable and long-term debt payable within one year	\$ 809,529	\$ 587,014
Accounts payable, trade	1,111,759	1,413,155
Accrued payrolls and other compensation	424,231	426,285
Accrued domestic and foreign taxes	195,314	167,312
Other accrued liabilities	607,540	558,007
Total current liabilities	3,148,373	3,151,773
Long-term debt	7,652,256	6,520,831
Pensions and other postretirement benefits	1,887,414	1,304,379
Deferred income taxes	382,528	193,066
Other liabilities	539,089	438,489
Shareholders' equity	6,113,983	5,961,969
Noncontrolling interests	14,546	6,183
Total liabilities and equity	\$ 19,738,189	\$ 17,576,690

Consolidated Statement of Cash Flows

(Unaudited) (Dollars in thousands)	Twelve Months Ended June 30,	
	2020	2019
Cash flows from operating activities:		
Net income	\$ 1,206,703	\$ 1,512,931
Depreciation and amortization	537,531	436,189
Stock incentive plan compensation	111,375	104,078
Loss on sale of businesses	-	5,854
(Gain) loss on plant and equipment and intangible assets	(1,850)	5,091
(Gain) loss on marketable securities	(587)	7,563
Gain on investments	(2,084)	(16,749)
Net change in receivables, inventories and trade payables	409,252	(61,762)
Net change in other assets and liabilities	(211,049)	(301,480)
Other, net	21,658	38,425
Net cash provided by operating activities	2,070,949	1,730,140
Cash flows from investing activities:		
Acquisitions (less acquired cash of \$82,192 in 2020 and \$690 in 2019)	(5,076,064)	(2,042)
Capital expenditures	(232,591)	(195,089)
Proceeds from sale of plant and equipment	26,345	46,592
Proceeds from sale of businesses	-	19,678
Purchases of marketable securities and other investments	(194,742)	(181,780)
Maturities and sales of marketable securities and other investments	275,483	74,908
Other	177,576	19,223
Net cash used in investing activities	(5,023,993)	(218,510)
Cash flows from financing activities:		
Net payments for common stock activity	(213,426)	(857,577)
Acquisition of noncontrolling interests	(1,200)	-
Net proceeds from debt	1,117,774	2,172,351
Dividends paid	(453,838)	(412,468)
Net cash provided by financing activities	449,310	902,306
Effect of exchange rate changes on cash	(30,519)	(16,306)
Net (decrease) increase in cash and cash equivalents	(2,534,253)	2,397,630
Cash and cash equivalents at beginning of period	3,219,767	822,137
Cash and cash equivalents at end of period	\$ 685,514	\$ 3,219,767

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	FY20
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	2,071
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	2,071

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	FY20
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	2,071
Capital Expenditures	207	156	138	155	198	238	280	271	129	207	219	266	216	216	149	204	248	195	233
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	1,838
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	1,838

Reconciliation of Free Cash Flow Conversion

(Unaudited) (Dollars in thousands)	Twelve Months Ended June 30, 2020
Net income	\$ 1,206,703
Cash flow from operations	\$ 2,070,949
Capital Expenditures	(232,591)
Free cash flow	\$ 1,838,358
Free cash flow conversion (free cash flow / net income)	152 %

Reconciliation of EPS

Fiscal Year 2021 Guidance

(Unaudited)	
(Amounts in dollars)	
Forecasted earnings per diluted share	<u>Fiscal Year 2021</u>
	<u>\$7.41 to \$8.41</u>
Adjustments:	
Business realignment charges	0.50
Costs to achieve	0.14
Acquisition-related intangible asset amortization expense	2.46
Tax effect of adjustments ¹	<u>(0.71)</u>
Adjusted forecasted earnings per diluted share	<u><u>\$9.80 to \$10.80</u></u>

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.

Supplemental Sales Information

Global Technology Platforms

(Unaudited) (Dollars in thousands)	Three Months Ended	
	June 30,	
	2020	2019
Net sales		
Diversified Industrial:		
Motion Systems	\$ 698,684	\$ 869,190
Flow and Process Control	826,919	1,111,953
Filtration and Engineered Material	1,011,040	1,022,436
Aerospace Systems	623,960	677,888
Total	\$ 3,160,603	\$ 3,681,467

