

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2022

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File number 1-4982

**PARKER-HANNIFIN CORPORATION**

(Exact name of registrant as specified in its charter)

Ohio (State or other jurisdiction of Incorporation or Organization)	34-0451060 (I.R.S. Employer Identification No.)
6035 Parkland Boulevard, Cleveland, Ohio (Address of Principal Executive Offices)	44124-4141 (Zip Code)

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

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 (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Number of Common Shares outstanding at September 30, 2022: 128,405,731

**PART I - FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**PARKER-HANNIFIN CORPORATION**  
**CONSOLIDATED STATEMENT OF INCOME**  
**(Dollars in thousands, except per share amounts)**  
**(Unaudited)**

	Three Months Ended	
	September 30,	
	2022	2021*
Net sales	\$ 4,232,775	\$ 3,762,809
Cost of sales	2,795,456	2,504,382
Selling, general and administrative expenses	835,804	626,749
Interest expense	117,794	59,350
Other (income) expense, net	(19,624)	583
Income before income taxes	503,345	571,745
Income taxes	115,308	120,282
Net income	388,037	451,463
Less: Noncontrolling interest in subsidiaries' earnings	183	306
Net income attributable to common shareholders	\$ 387,854	\$ 451,157
Earnings per share attributable to common shareholders:		
Basic	\$ 3.02	\$ 3.50
Diluted	\$ 2.98	\$ 3.45

\*Prior period amounts have been reclassified to reflect the income statement reclassification as described in Note 1.

See accompanying notes to consolidated financial statements.

**PARKER-HANNIFIN CORPORATION**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
(Dollars in thousands)  
(Unaudited)

	Three Months Ended	
	September 30,	
	2022	2021
Net income	\$ 388,037	\$ 451,463
Less: Noncontrolling interests in subsidiaries' earnings	183	306
Net income attributable to common shareholders	<u>387,854</u>	<u>451,157</u>
Other comprehensive (loss) income, net of tax		
Foreign currency translation adjustment	(306,483)	(68,324)
Retirement benefits plan activity	4,771	29,022
Other comprehensive (loss)	(301,712)	(39,302)
Less: Other comprehensive (loss) for noncontrolling interests	<u>(1,130)</u>	<u>(539)</u>
Other comprehensive (loss) attributable to common shareholders	<u>(300,582)</u>	<u>(38,763)</u>
Total comprehensive income attributable to common shareholders	<u>\$ 87,272</u>	<u>\$ 412,394</u>

See accompanying notes to consolidated financial statements.

**PARKER-HANNIFIN CORPORATION**  
**CONSOLIDATED BALANCE SHEET**  
(Dollars in thousands)  
(Unaudited)

	September 30, 2022	June 30, 2022
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 502,307	\$ 535,799
Marketable securities and other investments	19,504	27,862
Trade accounts receivable, net	2,649,166	2,341,504
Non-trade and notes receivable	374,177	543,757
Inventories	3,130,182	2,214,553
Prepaid expenses and other	492,491	6,383,169
Total current assets	7,167,827	12,046,644
Property, plant and equipment	6,488,563	5,897,955
Less: Accumulated depreciation	3,734,956	3,775,197
Property, plant and equipment, net	2,753,607	2,122,758
Deferred income taxes	125,604	110,585
Investments and other assets	1,135,728	788,057
Intangible assets, net	8,388,011	3,135,817
Goodwill	10,384,130	7,740,082
Total assets	<u>\$ 29,954,907</u>	<u>\$ 25,943,943</u>
<b>LIABILITIES</b>		
Current liabilities:		
Notes payable and long-term debt payable within one year	\$ 1,725,077	\$ 1,724,310
Accounts payable, trade	2,018,209	1,731,925
Accrued payrolls and other compensation	462,075	470,132
Accrued domestic and foreign taxes	230,899	250,292
Other accrued liabilities	1,062,448	1,682,659
Total current liabilities	5,498,708	5,859,318
Long-term debt	12,238,900	9,755,825
Pensions and other postretirement benefits	770,032	639,939
Deferred income taxes	1,778,074	307,044
Other liabilities	895,789	521,897
Total liabilities	21,181,503	17,084,023
<b>EQUITY</b>		
Shareholders' equity:		
Serial preferred stock, \$.50 par value; authorized 3,000,000 shares; none issued	—	—
Common stock, \$.50 par value; authorized 600,000,000 shares; issued 181,046,128 shares at September 30 and June 30	90,523	90,523
Additional capital	360,443	327,307
Retained earnings	15,878,565	15,661,808
Accumulated other comprehensive (loss)	(1,843,780)	(1,543,198)
Treasury shares, at cost; 52,640,397 shares at September 30 and 52,594,956 shares at June 30	(5,723,230)	(5,688,429)
Total shareholders' equity	8,762,521	8,848,011
Noncontrolling interests	10,883	11,909
Total equity	8,773,404	8,859,920
Total liabilities and equity	<u>\$ 29,954,907</u>	<u>\$ 25,943,943</u>

See accompanying notes to consolidated financial statements.

**PARKER-HANNIFIN CORPORATION**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(Dollars in thousands)  
(Unaudited)

	Three Months Ended September 30,	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 388,037	\$ 451,463
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	66,967	65,751
Amortization	87,014	79,771
Share incentive plan compensation	65,018	57,666
Deferred income taxes	193,620	(40,027)
Foreign currency transaction loss (gain)	36,221	(9,470)
Gain on disposal of property, plant and equipment	(4,287)	(30)
Gain on sale of business	(372,930)	—
(Gain) loss on marketable securities	(1,361)	804
Gain on investments	(1,957)	(200)
Other	7,437	42,823
Changes in assets and liabilities, net of effect of acquisitions and divestitures:		
Accounts receivable, net	(1,228)	74,070
Inventories	(137,143)	(190,779)
Prepaid expenses and other	(186,579)	37,763
Other assets	(95,135)	(27,553)
Accounts payable, trade	107,579	(20,365)
Accrued payrolls and other compensation	(89,455)	(161,560)
Accrued domestic and foreign taxes	8,047	46,592
Other accrued liabilities	336,444	36,288
Pensions and other postretirement benefits	49,378	(15,651)
Other liabilities	1,671	(2,997)
Net cash provided by operating activities	457,358	424,359
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions (net of cash of \$89,704 in 2022)	(7,146,110)	—
Capital expenditures	(83,555)	(48,203)
Proceeds from sale of property, plant and equipment	11,107	7,751
Proceeds from sale of businesses	441,340	—
Purchases of marketable securities and other investments	(7,687)	(7,456)
Maturities and sales of marketable securities and other investments	16,467	5,312
Payments of deal-contingent forward contracts	(1,405,418)	—
Other	246,438	649
Net cash used in investing activities	(7,927,418)	(41,947)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from exercise of stock options	559	1,089
Payments for common shares	(67,241)	(245,820)
Payments for notes payable, net	(112,430)	(4)
Proceeds from long-term borrowings	2,000,000	1
Payments for long-term borrowings	(301,389)	(592)
Financing fees paid	(8,754)	(42,703)
Dividends paid	(171,176)	(132,921)
Net cash provided by (used in) financing activities	1,339,569	(420,950)
Effect of exchange rate changes on cash	(15,078)	(997)
Net decrease in cash, cash equivalents and restricted cash	(6,145,569)	(39,535)
Cash, cash equivalents and restricted cash at beginning of year	6,647,876	733,117
Cash, cash equivalents and restricted cash at end of period	\$ 502,307	\$ 693,582

See accompanying notes to consolidated financial statements.

**PARKER-HANNIFIN CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Dollars in thousands, except per share amounts or as otherwise noted)**

As used in this Quarterly Report on Form 10-Q, unless the context otherwise requires, the terms "Company", "Parker", "we" or "us" refer to Parker-Hannifin Corporation and its subsidiaries.

**1. Management representation**

In the opinion of the management of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the Company's financial position as of September 30, 2022, the results of operations for the three months ended September 30, 2022 and 2021 and cash flows for the three months then ended. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's 2022 Annual Report on Form 10-K.

The future impacts of the Russia-Ukraine war and the novel coronavirus ("COVID-19") pandemic and their residual effects, including economic uncertainty, inflationary environment and disruption within the global supply chain, labor markets and aerospace industry, on our business remain uncertain. Therefore, accounting estimates and assumptions may change over time in response to these impacts. Interim period results are not necessarily indicative of the results to be expected for the full fiscal year.

*Reclassification*

Certain prior-year amounts in the Consolidated Statement of Income have been reclassified to conform to the current-year presentation. Effective July 1, 2022, we began classifying certain expenses, previously classified as cost of sales, as selling, general and administrative expenses ("SG&A") or within other (income) expense, net. During the integration of recently acquired businesses, the Company has seen diversity in practice of the classification of certain expenses, and the reclassification was made to better align the presentation of expenses on the Consolidated Statement of Income with management's internal reporting. The expenses reclassified from cost of sales to SG&A relate to certain administrative activities conducted in production facilities and research and development. Foreign currency transaction expense was also reclassified from cost of sales to other (income) expense, net on the Consolidated Statement of Income. These reclassifications had no impact on net income, earnings per share, cash flows, segment reporting or the financial position of the Company.

The reclassifications resulted in a \$210 million decrease to cost of sales, a \$219 million increase to SG&A and a \$9 million decrease to other (income) expense, net during the three months ended September 30, 2021.

*Subsequent Events*

The Company has evaluated subsequent events that occurred through the date these financial statements were issued. No subsequent events have occurred that required adjustment to or disclosure in these financial statements.

**2. New accounting pronouncements**

In November 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2021-10, "Government Assistance (Topic 832), Disclosures by Business Entities about Government Assistance", which requires entities to provide disclosures on material government assistance transactions for annual reporting periods. The disclosures include information around the nature of the assistance, the related accounting policies used to account for government assistance, the effect of government assistance on the entity's financial statements, and any significant terms and conditions of the agreements, including commitments and contingencies. The new guidance is effective for all entities for annual reporting periods beginning after December 15, 2021; however, early adoption is permitted. The guidance may be applied either prospectively to all in-scope transactions that are reflected in the financial statements at the date of initial application and to new transactions that are entered into after the date of initial application, or retrospectively. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements and does not expect it to be material.

In September 2022, the FASB issued ASU 2022-04, "Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations", which requires a buyer in a supplier finance program to disclose information about the program's nature, activity during the period, changes from period to period, and potential magnitude. To achieve that objective, the buyer should disclose qualitative and quantitative information about its supplier finance programs, including the outstanding amount under the program, the balance sheet presentation of the outstanding amount, and a rollforward of the obligations in the program. This ASU should be adopted retrospectively for each balance sheet period presented; however, the rollforward information should be provided prospectively. The amendments in this ASU are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, except for the amendment on rollforward information, which is effective for fiscal years beginning after December 15, 2023. Early adoption is permitted. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements and does not expect it to be material.

### 3. Revenue recognition

Revenue is derived primarily from the sale of products in a variety of mobile, industrial and aerospace markets. A majority of the Company's revenues are recognized at a point in time. However, a portion of the Company's revenues are recognized over time.

Diversified Industrial Segment revenues by technology platform:

	Three Months Ended September 30,	
	2022	2021
Motion Systems	\$ 906,014	\$ 828,672
Flow and Process Control	1,204,464	1,085,423
Filtration and Engineered Materials	1,376,295	1,256,056
Total	\$ 3,486,773	\$ 3,170,151

Aerospace Systems Segment revenues by product platform:

	Three Months Ended September 30,	
	2022	2021
Flight Control Actuation	\$ 182,841	\$ 177,353
Fuel, Inerting and Engine Motion Control	141,221	122,319
Hydraulics	77,190	73,341
Engine Components	151,259	141,608
Airframe and Engine Fluid Conveyance	52,954	54,033
Other	25,190	24,004
Meggitt Aerospace	115,347	—
Total	\$ 746,002	\$ 592,658

Total Company revenues by geographic region based on the Company's selling operation's location:

	Three Months Ended September 30,	
	2022	2021
North America	\$ 2,834,920	\$ 2,384,974
Europe	753,932	761,970
Asia Pacific	588,398	568,134
Latin America	55,525	47,731
Total	\$ 4,232,775	\$ 3,762,809

The majority of revenues from the Aerospace Systems Segment are generated from sales to customers within North America.

### Contract balances

Contract assets and contract liabilities are reported on a contract-by-contract basis. Contract assets reflect revenue recognized and performance obligations satisfied in advance of customer billing. Contract liabilities relate to payments received in advance of the satisfaction of performance under the contract. Payments from customers are received based on the terms established in the contract with the customer.

Total contract assets and contract liabilities are as follows:

	September 30, 2022	June 30, 2022
Contract assets, current (included within Prepaid expenses and other)	\$ 95,148	\$ 28,546
Contract assets, noncurrent (included within Investments and other assets)	27,089	794
<b>Total contract assets</b>	<b>122,237</b>	<b>29,340</b>
Contract liabilities, current (included within Other accrued liabilities)	(129,930)	(60,472)
Contract liabilities, noncurrent (included within Other liabilities)	(105,267)	(2,225)
<b>Total contract liabilities</b>	<b>(235,197)</b>	<b>(62,697)</b>
<b>Net contract liabilities</b>	<b>\$ (112,960)</b>	<b>\$ (33,357)</b>

Net contract liabilities at September 30, 2022 increased from the June 30, 2022 amount primarily due to acquiring Meggitt plc ("Meggitt") contract liabilities in excess of Meggitt contract assets. During the three months ended September 30, 2022, approximately \$19 million of revenue was recognized that was included in the contract liabilities at June 30, 2022.

### Remaining performance obligations

Our backlog represents written firm orders from a customer to deliver products and, in the case of blanket purchase orders, only includes the portion of the order for which a schedule or release has been agreed to with the customer. We believe our backlog represents our unsatisfied or partially unsatisfied performance obligations. Backlog at September 30, 2022 was \$10.2 billion, of which approximately 82 percent is expected to be recognized as revenue within the next 12 months and the balance thereafter.

## 4. Acquisitions and divestitures

### Acquisitions

On September 12, 2022, we completed the acquisition (the "Acquisition") of all of the outstanding ordinary shares of Meggitt for 800 pence per share, resulting in an aggregate cash purchase price of \$7.2 billion, including the assumption of debt.

Meggitt is a leader in design, manufacturing and aftermarket support of technologically differentiated systems and equipment in aerospace, defense and selected energy markets with annual sales of approximately \$2.1 billion for the year ended December 31, 2021. For segment reporting purposes, approximately 82 percent of Meggitt's sales are included in the Aerospace Systems Segment, while the remaining 18 percent are included in the Diversified Industrial Segment.

Assets acquired and liabilities assumed are recognized at their respective fair values as of the Acquisition date. The process of estimating the fair values of certain tangible assets, identifiable intangible assets and assumed liabilities requires the use of judgment in determining the appropriate assumptions and estimates. The following table presents the preliminary estimated fair values of Meggitt's assets acquired and liabilities assumed on the Acquisition date. These preliminary estimates are based on available information and will be revised during the measurement period, not to exceed 12 months from the Acquisition date, as third-party valuations are finalized, additional information becomes available and as additional analysis is performed. Such revisions may have a material impact on our results of operations and financial position within the measurement period.



	September 12, 2022
<b>Assets:</b>	
Cash and cash equivalents	\$ 89,704
Accounts receivable	427,255
Inventories	833,602
Prepaid expenses and other	125,763
Plant and equipment	675,232
Deferred income taxes	5,720
Other assets	219,472
Intangible assets	5,418,795
Goodwill	2,830,845
Total assets acquired	\$ 10,626,388
<b>Liabilities:</b>	
Notes payable and long-term debt payable within one year	\$ 306,266
Accounts payable, trade	219,780
Accrued payrolls and other compensation	89,226
Other accrued liabilities	367,605
Long-term debt	669,321
Pensions and other postretirement benefits	85,899
Deferred income taxes	1,274,726
Other liabilities	377,751
Total liabilities assumed	3,390,574
Net assets acquired	\$ 7,235,814

Goodwill is calculated as the excess of the purchase price over the net assets acquired and represents cost synergies and enhancements to our existing technologies. For tax purposes, Meggitt's goodwill is not deductible. Based upon a preliminary acquisition valuation, we acquired \$3.2 billion of customer-related intangible assets, \$1.7 billion of patents and technology and \$490 million of trademarks, each with estimated useful lives of 20 years.

The fair value of the assets acquired includes \$161 million and \$76 million of operating lease right-of-use assets and finance lease right-of-use assets, respectively. The fair value of liabilities assumed includes \$150 million and \$87 million of operating lease liabilities and finance lease liabilities, respectively, of which, \$17 million and \$2 million of operating lease liabilities and finance lease liabilities, respectively, are current liabilities.

Long-term debt assumed includes \$900 million aggregate principal amount of private placement notes with fixed interest rates ranging from 2.78 percent to 3.60 percent, and maturity dates ranging from July 2023 to July 2026. In October 2022, we paid off \$300 million aggregate principal amount of private placement notes in two tranches, with fixed interest rates of 2.78 percent and 3.00 percent and maturity dates of November 2023 and November 2025, respectively, pursuant to an offer to noteholders according to change in control provisions. Upon acquiring Meggitt, we also assumed \$113 million of liabilities associated with environmental matters.

Our consolidated financial statements for the three months ended September 30, 2022 include the results of operations of Meggitt from the date of acquisition through September 30, 2022. Net sales and segment operating loss attributable to Meggitt during this period was \$143 million and \$27 million, respectively. Segment operating loss attributable to Meggitt includes estimated amortization and depreciation expense associated with the preliminary fair value estimates of intangible assets, plant and equipment, and inventory, as well as acquisition integration charges. Refer to Note 10 for further discussion of acquisition integration charges.

Acquisition-related transaction costs totaled \$109 million for the three months ended September 30, 2022. These costs are included in SG&A in the Consolidated Statement of Income.

### Divestitures

During September 2022, we divested our aircraft wheel and brake business, which was part of the Aerospace Systems Segment, resulting in a pre-tax gain of \$73 million. The gain is included in other (income) expense, net in the Consolidated Statement of Income. The operating results and net assets of the aircraft wheel and brake business were immaterial to the Company's consolidated results of operations and financial position. As of June 30, 2022, the aggregate carrying amount of aircraft wheel and brake assets held for sale was \$66 million. These assets primarily included goodwill and inventory and were recorded within prepaid expenses and other assets in the Consolidated Balance Sheet. Goodwill was allocated to the aircraft wheel and brake business using the relative fair value method.

### Restricted Cash

At June 30, 2022, prepaid expenses and other in the Consolidated Balance Sheet included a \$6.1 billion balance in an escrow account restricted to payments for the Acquisition. These funds were used to finance a portion of the Acquisition, and there was no restricted cash at September 30, 2022.

### 5. Earnings per share

The following table presents a reconciliation of the numerator and denominator of basic and diluted earnings per share for the three months ended September 30, 2022 and 2021.

	Three Months Ended	
	September 30,	
	2022	2021
<b>Numerator:</b>		
Net income attributable to common shareholders	\$ 387,854	\$ 451,157
<b>Denominator:</b>		
Basic - weighted average common shares	128,425,002	128,726,721
Increase in weighted average common shares from dilutive effect of equity-based awards	1,517,406	2,101,250
Diluted - weighted average common shares, assuming exercise of equity-based awards	129,942,408	130,827,971
Basic earnings per share	\$ 3.02	\$ 3.50
Diluted earnings per share	\$ 2.98	\$ 3.45

For the three months ended September 30, 2022 and 2021, 887,307 and 165,732 common shares subject to equity-based awards, respectively, were excluded from the computation of diluted earnings per share because the effect of their exercise would be anti-dilutive.

### 6. Share repurchase program

The Company has a program to repurchase its common shares. On October 22, 2014, the Board of Directors of the Company approved an increase in the overall number of shares authorized for repurchase under the program so that, beginning on such date, the aggregate number of shares authorized for repurchase was 35 million. There is no limitation on the number of shares that can be repurchased in a fiscal year. There is no expiration date for this program. Repurchases may be funded primarily from operating cash flows and commercial paper borrowings and the shares are initially held as treasury shares. During the three months ended September 30, 2022, we repurchased 185,766 shares at an average price, including commissions, of \$269.16 per share.

### 7. Trade accounts receivable, net

Trade accounts receivable are initially recorded at their net collectible amount and are generally recorded at the time the revenue from the sales transaction is recorded. We evaluate the collectibility of our receivables based on historical experience and current and forecasted economic conditions based on management's judgment. Additionally, receivables are written off to bad debt when management makes a final determination of uncollectibility. Allowance for credit losses was \$26 million and \$10 million at September 30, 2022 and June 30, 2022, respectively. The increase in the allowance for credit losses from the June 30, 2022 amount is due to the Acquisition.

## 8. Non-trade and notes receivable

The non-trade and notes receivable caption in the Consolidated Balance Sheet is comprised of the following components:

	September 30, 2022	June 30, 2022
Notes receivable	\$ 104,573	\$ 103,558
Cash collateral receivable <sup>(a)</sup>	—	250,000
Accounts receivable, other	269,604	190,199
Total	<u>\$ 374,177</u>	<u>\$ 543,757</u>

<sup>(a)</sup> The cash collateral receivable at June 30, 2022 related to the deal-contingent forward contracts settled in the first three months of fiscal 2023.

## 9. Inventories

The inventories caption in the Consolidated Balance Sheet is comprised of the following components:

	September 30, 2022	June 30, 2022
Finished products	\$ 919,691	\$ 811,702
Work in process	1,581,545	1,128,501
Raw materials	628,946	274,350
Total	<u>\$ 3,130,182</u>	<u>\$ 2,214,553</u>

## 10. Business realignment and acquisition integration charges

We incurred business realignment and acquisition integration charges in the first three months of fiscal 2023 and 2022. In both the first three months of fiscal 2023 and 2022, business realignment charges included severance costs related to actions taken under the Company's simplification initiative aimed at reducing organizational and process complexity, as well as plant closures. In fiscal 2023, a majority of the business realignment charges were incurred in Europe. In fiscal 2022, a majority of the business realignment charges were incurred in North America and Europe. We believe the realignment actions will positively impact future results of operations, but will not have a material effect on liquidity and sources and uses of capital.

Business realignment charges by business segment are as follows:

	Three Months Ended September 30,	
	2022	2021
Diversified Industrial	\$ 2,012	\$ 3,017
Aerospace Systems	1,849	(3)

Workforce reductions in connection with such business realignment charges by business segment are as follows:

	Three Months Ended September 30,	
	2022	2021
Diversified Industrial	51	35
Aerospace Systems	12	—

The business realignment charges are presented in the Consolidated Statement of Income as follows:

	Three Months Ended September 30,	
	2022	2021*
Cost of sales	\$ 2,499	\$ 187
Selling, general and administrative expenses	1,362	2,827

\*Prior period amounts have been reclassified to reflect the income statement reclassification as described in Note 1.

During the first three months of fiscal 2023, approximately \$4 million in payments were made relating to business realignment charges. Remaining payments related to business realignment actions of approximately \$7 million, a majority of which are expected to be paid by March 31, 2023, are primarily reflected within the other accrued liabilities caption in the Consolidated Balance Sheet. Additional charges may be recognized in future periods related to the business realignment actions described above, the timing and amount of which are not known at this time.

We also incurred the following acquisition integration charges:

	Three Months Ended September 30,	
	2022	2021
Diversified Industrial	\$ 186	\$ 1,202
Aerospace Systems	11,805	—

Charges incurred in fiscal 2023 and 2022 relate to the acquisitions of Meggitt and LORD Corporation, respectively. In both fiscal 2023 and 2022, these charges were primarily included in SG&A within the Consolidated Statement of Income.

## 11. Equity

Changes in equity for the three months ended September 30, 2022 and 2021 are as follows:

	Common Stock	Additional Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Treasury Shares	Noncontrolling Interests	Total Equity
Balance at June 30, 2022	\$ 90,523	\$ 327,307	\$ 15,661,808	\$ (1,543,198)	\$ (5,688,429)	\$ 11,909	\$ 8,859,920
Net income			387,854			183	388,037
Other comprehensive income (loss)				(300,582)		(1,130)	(301,712)
Dividends paid (\$1.33 per share)			(171,097)			(79)	(171,176)
Stock incentive plan activity		33,136			15,199		48,335
Shares purchased at cost					(50,000)		(50,000)
Balance at September 30, 2022	<u>\$ 90,523</u>	<u>\$ 360,443</u>	<u>\$ 15,878,565</u>	<u>\$ (1,843,780)</u>	<u>\$ (5,723,230)</u>	<u>\$ 10,883</u>	<u>\$ 8,773,404</u>

	Common Stock	Additional Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Treasury Shares	Noncontrolling Interests	Total Equity
Balance at June 30, 2021	\$ 90,523	\$ 329,619	\$ 14,915,497	\$ (1,566,727)	\$ (5,370,605)	\$ 15,363	\$ 8,413,670
Net income			451,157			306	451,463
Other comprehensive (loss)				(38,763)		(539)	(39,302)
Dividends paid (\$1.03 per share)			(132,855)			(66)	(132,921)
Stock incentive plan activity		29,058			14,211		43,269
Shares purchased at cost					(230,334)		(230,334)
Balance at September 30, 2021	<u>\$ 90,523</u>	<u>\$ 358,677</u>	<u>\$ 15,233,799</u>	<u>\$ (1,605,490)</u>	<u>\$ (5,586,728)</u>	<u>\$ 15,064</u>	<u>\$ 8,505,845</u>

Changes in accumulated other comprehensive (loss) in shareholders' equity by component for the three months ended September 30, 2022 and 2021 are as follows:

	Foreign Currency Translation Adjustment	Retirement Benefit Plans	Total
Balance at June 30, 2022	\$ (1,149,071)	\$ (394,127)	\$ (1,543,198)
Other comprehensive (loss) before reclassifications	(305,353)	—	(305,353)
Amounts reclassified from accumulated other comprehensive (loss)	—	4,771	4,771
Balance at September 30, 2022	<u>\$ (1,454,424)</u>	<u>\$ (389,356)</u>	<u>\$ (1,843,780)</u>

	Foreign Currency Translation Adjustment	Retirement Benefit Plans	Total
Balance at June 30, 2021	\$ (865,865)	\$ (700,862)	\$ (1,566,727)
Other comprehensive (loss) before reclassifications	(67,785)	—	(67,785)
Amounts reclassified from accumulated other comprehensive (loss)	—	29,022	29,022
Balance at September 30, 2021	<u>\$ (933,650)</u>	<u>\$ (671,840)</u>	<u>\$ (1,605,490)</u>

Significant reclassifications out of accumulated other comprehensive (loss) in shareholders' equity for the three months ended September 30, 2022 and 2021 are as follows:

Details about Accumulated Other Comprehensive (Loss) Components	Income (Expense) Reclassified from Accumulated Other Comprehensive (Loss) Three Months Ended September 30, 2022	Consolidated Statement of Income Classification
Retirement benefit plans		
Amortization of prior service cost and initial net obligation	\$ (210)	Other (income) expense, net
Recognized actuarial loss	(6,110)	Other (income) expense, net
Total before tax	(6,320)	
Tax benefit	1,549	
Net of tax	<u>\$ (4,771)</u>	

Details about Accumulated Other Comprehensive (Loss) Components	Income (Expense) Reclassified from Accumulated Other Comprehensive (Loss) Three Months Ended September 30, 2021	Consolidated Statement of Income Classification
Retirement benefit plans		
Amortization of prior service cost and initial net obligation	\$ (936)	Other (income) expense, net
Recognized actuarial loss	(37,503)	Other (income) expense, net
Total before tax	(38,439)	
Tax benefit	9,417	
Net of tax	<u>\$ (29,022)</u>	

## 12. Goodwill and intangible assets

The changes in the carrying amount of goodwill for the three months ended September 30, 2022 are as follows:

	Diversified Industrial Segment	Aerospace Systems Segment	Total
Balance at June 30, 2022	\$ 7,185,981	\$ 554,101	\$ 7,740,082
Acquisition	53,934	2,776,911	2,830,845
Foreign currency translation	(166,413)	(20,384)	(186,797)
Balance at September 30, 2022	\$ 7,073,502	\$ 3,310,628	\$ 10,384,130

Acquisition represents goodwill resulting from the preliminary purchase price allocation for the Acquisition during the measurement period. Refer to Note 4 for further discussion.

Intangible assets are amortized using the straight-line method over their legal or estimated useful lives. The following summarizes the gross carrying value and accumulated amortization for each major category of intangible assets:

	September 30, 2022		June 30, 2022	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents and technology	\$ 2,699,116	\$ 274,128	\$ 990,775	\$ 259,587
Trademarks	1,203,677	340,902	727,820	339,244
Customer lists and other	6,842,011	1,741,763	3,735,042	1,718,989
Total	\$ 10,744,804	\$ 2,356,793	\$ 5,453,637	\$ 2,317,820

Total intangible amortization expense for the three months ended September 30, 2022 and 2021 was \$7 million and \$80 million, respectively. The estimated amortization expense for the five years ending June 30, 2023 through 2027 is \$520 million, \$559 million, \$551 million, \$546 million and \$540 million, respectively.

Intangible assets are evaluated for impairment whenever events or circumstances indicate that the undiscounted net cash flows to be generated by their use over their expected useful lives and eventual disposition may be less than their net carrying value. No material intangible asset impairments occurred during the three months ended September 30, 2022 and 2021.

## 13. Retirement benefits

Net pension benefit expense recognized included the following components:

	Three Months Ended September 30,	
	2022	2021
Service cost	\$ 14,253	\$ 20,662
Interest cost	46,351	27,429
Expected return on plan assets	(66,345)	(67,328)
Amortization of prior service cost	210	934
Amortization of net actuarial loss	6,443	37,531
Amortization of initial net obligation	—	2
Net pension benefit expense	\$ 912	\$ 19,230

We recognized \$0.2 million and \$0.3 million in expense related to other postretirement benefits during the three months ended September 30, 2022 and 2021, respectively. Components of retirement benefits expense, other than service cost, are included in other (income) expense, net in the Consolidated Statement of Income.

#### 14. Debt

In connection with the Acquisition, the Company entered into a bridge credit agreement on August 2, 2021 (the "Bridge Credit Agreement"). Under the Bridge Credit Agreement, the lenders committed to provide senior, unsecured financing in the aggregate principal amount of £6.5 billion at August 2, 2021. In July 2022, after consideration of the escrow balance and funds available under the delayed-draw term loan facility (the "Term Loan Facility"), we reduced the aggregate committed principal amount of the Bridge Credit Agreement to zero, and the Bridge Credit Agreement was terminated.

In September 2022, the Company fully drew against the \$2.0 billion delayed-draw Term Loan Facility, which will mature in its entirety in September 2025. We used the proceeds of the Term Loan Facility to finance a portion of the Acquisition. At September 30, 2022, the Term Loan Facility had an interest rate of LIBOR plus 112.5 bps. Interest payments are made at the interest reset dates, which are either one, three or six months at the discretion of the Company. Additionally, the provisions of the Term Loan Facility allow for prepayments at the Company's discretion.

Additionally, in September 2022, \$300 million aggregate principal amount of medium-term notes matured, and we assumed debt associated with the Acquisition. Refer to Note 4 for further discussion of assumed debt.

Commercial paper notes outstanding at September 30, 2022 and June 30, 2022 were \$1.3 billion and \$1.4 billion, respectively.

Based on the Company's rating level at September 30, 2022, the most restrictive financial covenant provides that the ratio of debt to debt-shareholders' equity cannot exceed 0.65 to 1.0. At September 30, 2022, our debt to debt-shareholders' equity ratio was 0.62 to 1.0. We are in compliance, and expect to remain in compliance, with all covenants set forth in the credit agreement and indentures.

#### 15. Income taxes

On August 16, 2022, the U.S. federal government enacted the Inflation Reduction Act of 2022. The bill includes numerous tax provisions, including a 15 percent corporate minimum tax as well as a one percent excise tax on share repurchases. The income tax provisions are effective for fiscal years beginning after December 31, 2022. The one percent excise tax on share repurchases is effective as of January 1, 2023. Based on our current analysis of the provisions, the legislation will not have a material impact on our consolidated financial statements.

We file income tax returns in the United States and in various foreign jurisdictions. In the normal course of business, we are subject to examination by taxing authorities throughout the world. We are open to assessment on our U.S. federal income tax returns by the Internal Revenue Service for fiscal years after 2013, and our state and local returns for fiscal years after 2016. We are also open to assessment for significant foreign jurisdictions for fiscal years after 2011. Unrecognized tax benefits reflect the difference between positions taken or expected to be taken on income tax returns and the amounts reflected in the financial statements.

As of September 30, 2022, we had gross unrecognized tax benefits of \$108 million, all of which, if recognized, would impact the effective tax rate. The accrued interest and accrued penalties related to the gross unrecognized tax benefits, excluded from the amount above, is \$20 million and \$7 million, respectively. It is reasonably possible that within the next 12 months the amount of gross unrecognized tax benefits could be reduced by up to approximately \$30 million as a result of the revaluation of existing uncertain tax positions arising from developments in the examination process or the closure of tax statutes. Any increase in the amount of gross unrecognized tax benefits within the next 12 months is expected to be insignificant.

#### 16. Financial instruments

Our financial instruments consist primarily of cash and cash equivalents, marketable securities and other investments, accounts receivable and long-term investments, as well as obligations under accounts payable, trade, notes payable and long-term debt. Due to their short-term nature, the carrying values for cash and cash equivalents, accounts receivable, accounts payable, trade and notes payable approximate fair value.

Marketable securities and other investments include deposits and equity investments. Deposits are recorded at cost, and equity investments are recorded at fair value. Changes in fair value related to equity investments are recorded in net income. Unrealized gains and losses related to equity investments were not material as of September 30, 2022 and 2021.

The carrying value of long-term debt, which excludes the impact of net unamortized debt issuance costs, and estimated fair value of long-term debt are as follows:

	September 30, 2022	June 30, 2022
Carrying value of long-term debt	\$ 12,731,197	\$ 10,145,077
Estimated fair value of long-term debt	11,883,066	9,709,407

The fair value of long-term debt is classified within level 2 of the fair value hierarchy.

We utilize derivative and non-derivative financial instruments, including forward exchange contracts, costless collar contracts, cross-currency swap contracts and certain foreign currency denominated debt designated as net investment hedges, to manage foreign currency transaction and translation risk. Additionally, we acquired forward exchange contracts and cross-currency swaps contracts in connection with the Acquisition. The derivative financial instrument contracts are with major investment grade financial institutions, and we do not anticipate any material non-performance by any of the counterparties. We do not hold or issue derivative financial instruments for trading purposes.

The Company's €700 million aggregate principal amount of Senior Notes due 2025 have been designated as a hedge of the Company's net investment in certain foreign subsidiaries. The translation of the Senior Notes due 2025 into U.S. dollars is recorded in accumulated other comprehensive (loss) and remains there until the underlying net investment is sold or substantially liquidated.

In connection with closing the Acquisition, the Company settled its deal-contingent forward contracts, which had an aggregate notional amount of £6.4 billion, during September 2022. In July 2022, the Company received, and subsequently deposited into the escrow account, the \$250 million cash collateral previously posted in accordance with the credit support annex attached to the deal-contingent forward contracts. The cash flows associated with this activity are reflected within cash flows from investing activities on the Consolidated Statement of Cash Flows.

Derivative financial instruments are recognized on the Consolidated Balance Sheet as either assets or liabilities and are measured at fair value.

The location and fair value of derivative financial instruments reported in the Consolidated Balance Sheet are as follows:

	Balance Sheet Caption	September 30, 2022	June 30, 2022
<b>Net investment hedges</b>			
Cross-currency swap contracts	Investments and other assets	\$ 58,602	\$ 21,444
<b>Other derivative contracts</b>			
Forward exchange contracts	Non-trade and notes receivable	30,302	20,976
Forward exchange contracts	Investments and other assets	166	—
Forward exchange contracts	Other accrued liabilities	57,668	5,651
Forward exchange contracts	Other liabilities	10,445	—
Deal-contingent forward contracts	Other accrued liabilities	—	1,015,426
Costless collar contracts	Non-trade and notes receivable	8,648	351
Costless collar contracts	Other accrued liabilities	3,169	1,578
Cross-currency swap contracts	Non-trade and notes receivable	35,127	—

The cross-currency swap, forward exchange, deal-contingent forward and costless collar contracts are reflected on a gross basis in the Consolidated Balance Sheet. We have not entered into any master netting arrangements.

The €69 million, €290 million and ¥2,149 million of cross-currency swap contracts have been designated as hedging instruments. The forward exchange, deal-contingent forward and costless collar contracts, as well as cross-currency swap contracts acquired as part of the Acquisition, have not been designated as hedging instruments and are considered to be economic hedges of forecasted transactions.

The forward exchange, costless collar contracts, and deal-contingent forward contracts, as well as cross-currency swaps acquired as part of the Acquisition, are adjusted to fair value by recording gains and losses through the other (income) expense, net caption in the Consolidated Statement of Income.

Derivatives designated as hedges are adjusted to fair value by recording gains and losses through accumulated other comprehensive (loss) on the Consolidated Balance Sheet until the hedged item is recognized in earnings. We assess the effectiveness of the €69 million, €290 million and ¥2,149 million of cross-currency swaps designated as hedging instruments using the spot method. Under this method, the periodic interest settlements are recognized directly in earnings through interest expense.



Gains (losses) on derivative financial instruments that were recorded in the Consolidated Statement of Income as follows:

	Three Months Ended September 30,	
	2022	2021
Deal-contingent forward contracts	\$ (389,992)	\$ —
Forward exchange contracts	(1,364)	4,343
Costless collar contracts	5,389	(2,321)
Cross-currency swap contracts	4,659	—

Gains (losses) on derivative and non-derivative financial instruments that were recorded in accumulated other comprehensive (loss) on the Consolidated Balance Sheet are as follows:

	Three Months Ended September 30,	
	2022	2021
Cross-currency swap contracts	\$ 26,819	\$ 12,371
Foreign currency denominated debt	36,139	14,864

During the three months ended September 30, 2022 and 2021, the periodic interest settlements related to the cross-currency swaps were not material.

A summary of financial assets and liabilities that were measured at fair value on a recurring basis at September 30, 2022 and June 30, 2022 are as follows:

	Fair Value at September 30, 2022	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Equity securities	\$ 432	\$ 432	\$ —	\$ —
Derivatives	132,845	—	132,845	—
<b>Liabilities:</b>				
Derivatives	71,282	—	71,282	—

	Fair Value at June 30, 2022	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Equity securities	\$ 13,038	\$ 13,038	\$ —	\$ —
Derivatives	42,771	—	42,771	—
<b>Liabilities:</b>				
Derivatives	1,022,655	—	1,022,655	—

The fair values of the equity securities are determined using the closing market price reported in the active market in which the fund is traded.

Derivatives consist of forward exchange, deal-contingent forward, costless collar and cross-currency swap contracts, the fair values of which are calculated using market observable inputs including both spot and forward prices for the same underlying currencies. The calculation of the fair value of the cross-currency swap contracts also utilizes a present value cash flow model that has been adjusted to reflect the credit risk of either the Company or the counterparty.

The primary investment objective for all investments is the preservation of principal and liquidity while earning income.

There are no other financial assets or financial liabilities that are marked to market on a recurring basis.

## 17. Business segment information

The Company operates in two reportable business segments: Diversified Industrial and Aerospace Systems. Both segments utilize eight core technologies, including hydraulics, pneumatics, electromechanical, filtration, fluid and gas handling, process control, engineered materials and climate control, to drive superior customer problem solving and value creation.

Diversified Industrial - This segment produces a broad range of motion-control and fluid systems and components used in all kinds of manufacturing, packaging, processing, transportation, mobile construction, refrigeration and air conditioning, agricultural, and military machinery and equipment and has significant international operations. Sales are made directly to major original equipment manufacturers ("OEMs") and through a broad distribution network to smaller OEMs and the aftermarket.

Aerospace Systems - This segment designs and manufactures products and provides aftermarket support for commercial and regional transport, business jet, military, helicopter and missile markets. The Aerospace Systems Segment provides a full range of systems and components for hydraulic, pneumatic, fuel, oil, actuation, sensing, braking, thermal management, and electric power applications.

	Three Months Ended	
	September 30,	
	2022	2021
Net sales		
Diversified Industrial:		
North America	\$ 2,131,760	\$ 1,793,715
International	1,355,013	1,376,436
Aerospace Systems	746,002	592,658
Total net sales	<u>\$ 4,232,775</u>	<u>\$ 3,762,809</u>
Segment operating income		
Diversified Industrial:		
North America	\$ 452,986	\$ 333,702
International	293,940	291,176
Aerospace Systems	92,151	118,251
Total segment operating income	<u>839,077</u>	<u>743,129</u>
Corporate general and administrative expenses	<u>51,660</u>	<u>49,072</u>
Income before interest expense and other expense	787,417	694,057
Interest expense	117,794	59,350
Other expense	166,278	62,962
Income before income taxes	<u>\$ 503,345</u>	<u>\$ 571,745</u>

**PARKER-HANNIFIN CORPORATION**  
**FORM 10-Q**  
**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF**  
**FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022**  
**AND COMPARABLE PERIOD ENDED SEPTEMBER 30, 2021**

**OVERVIEW**

The Company is a global leader in motion and control technologies. For more than a century, the Company has engineered the success of its customers in a wide range of diversified industrial and aerospace markets.

By aligning around our purpose, Enabling Engineering Breakthroughs that Lead to a Better Tomorrow, Parker is better positioned for the challenges and opportunities of tomorrow.

The Win Strategy 3.0 is Parker's business system that defines the goals and initiatives that drive growth, transformation and success. It works with our purpose, which is a foundational element of The Win Strategy, to engage team members and create responsible and sustainable growth. Our shared values shape our culture and our interactions with stakeholders and the communities in which we operate and live.

We believe many opportunities for profitable growth are available. The Company intends to focus primarily on business opportunities in the areas of energy, water, food, environment, defense, life sciences, infrastructure and transportation. We believe we can meet our strategic objectives by:

- Serving the customer and continuously enhancing its experience with the Company;
- Successfully executing The Win Strategy initiatives relating to engaged people, premier customer experience, profitable growth and financial performance;
- Maintaining a decentralized division and sales company structure;
- Fostering a safety-first and entrepreneurial culture;
- Engineering innovative systems and products to provide superior customer value through improved service, efficiency and productivity;
- Delivering products, systems and services that have demonstrable savings to customers and are priced by the value they deliver;
- Enabling a sustainable future by providing innovative technology solutions that offer a positive, global environmental impact and operating responsibly by reducing our energy use and emissions;
- Acquiring strategic businesses;
- Organizing around targeted regions, technologies and markets;
- Driving efficiency by implementing lean enterprise principles; and
- Creating a culture of empowerment through our values, inclusion and diversity, accountability and teamwork.

Our order rates provide a near-term perspective of the Company's outlook particularly when viewed in the context of prior and future order rates. The Company publishes its order rates on a quarterly basis. The lead time between the time an order is received and revenue is realized generally ranges from one day to 12 weeks for mobile and industrial orders and from one day to 18 months for aerospace orders.

Recent events impacting our business include the Russia-Ukraine war and COVID-19 pandemic and their residual effects, including the inflationary cost environment as well as disruption within the global supply chain, labor markets and aerospace industry. We are actively managing the impact of these events on our business.

Despite disruption within the aerospace industry commercial aerospace demand is recovering. We are managing the challenging supply chain environment through our "local for local" manufacturing strategy, ongoing supplier management process, and broadened supply base. We are also managing the impact of the inflationary cost environment through a variety of cost and pricing measures, including continuous improvement and lean initiatives. Additionally, we are strategically managing our workforce and discretionary spending. At the same time, we are appropriately addressing the ongoing needs of our business so that we may continue to serve our customers.

Over the long term, the extent to which our business and results of operations will be impacted by the economic and political uncertainty resulting from the Russia-Ukraine war and the COVID-19 pandemic depends on future developments that remain uncertain. These developments include the duration of the supply chain and labor market constraints, the severity and duration of the Russia-Ukraine war and related sanctions, distribution and continuing effectiveness of vaccines, the severity and spread of COVID-19 and its variants and mitigating actions by government authorities. Additionally, as these events and other global economic factors have led to an increased inflationary environment, we continue to monitor and manage the effects of inflation with the goal of minimizing its impact on our business, operations, and financial results.

As previously announced, on March 14, 2022, we detected that an unauthorized party gained access to our systems. After securing our network and concluding our investigation, we found that the data exfiltrated during the incident included personal information of our team members. We have notified individuals whose personal information was involved and offered them credit monitoring services. We have also provided notification regarding the incident to the appropriate regulatory authorities. A consolidated class action lawsuit has been filed in the United States District Court for the Northern District of Ohio against the Company over the incident. Based on our ongoing assessments, the incident has not had a significant financial or operational impact and has not had a material impact on our business, operations or financial results.

The discussion below is structured to separately discuss the Consolidated Statement of Income, Business Segment Information, and Liquidity and Capital Resources. As used in this Quarterly Report on Form 10-Q, unless the context otherwise requires, the terms "Company", "Parker", "we" or "us" refer to Parker-Hannifin Corporation and its subsidiaries.

## CONSOLIDATED STATEMENT OF INCOME

(dollars in millions)	Three Months Ended	
	September 30,	
	2022	2021*
Net sales	\$ 4,233	\$ 3,763
Gross profit margin	34.0 %	33.4 %
Selling, general and administrative expenses	\$ 836	\$ 627
Selling, general and administrative expenses, as a percent of sales	19.7 %	16.7 %
Interest expense	\$ 118	\$ 59
Other (income) expense, net	\$ (20)	\$ 1
Effective tax rate	22.9 %	21.0 %
Net income	\$ 388	\$ 451
Net income, as a percent of sales	9.2 %	12.0 %

\*Prior period amounts have been reclassified to reflect the income statement reclassification as described in Note 1 to the Consolidated Financial Statements.

**Net sales** increased for the current-year quarter when compared to the prior-year quarter primarily due to higher volume in both the Diversified Industrial and Aerospace Systems Segments. The effect of currency rate changes decreased net sales by approximately \$203 million, of which approximately \$196 million is attributable to the Diversified Industrial International businesses, while the remainder of the change is split evenly between the Diversified Industrial North American businesses and the Aerospace Systems Segment. Acquisitions and divestitures completed within the last 12 months impacted sales by approximately \$143 million and \$3 million, respectively, during the current-year quarter.

**Gross profit margin** (calculated as net sales minus cost of sales, divided by net sales) increased in the current-year quarter primarily due to higher margins in the Diversified Industrial Segment. The increase in gross profit margin is primarily due to higher sales volume and benefits from cost management, as well as price increases. These increases were partially offset by lower margins in the Aerospace Systems Segment and increased operating costs, including higher freight, material, and labor costs resulting from the ongoing inflationary environment affecting both segments.

Cost of sales also included business realignment and acquisition integration charges of \$3 million and \$0.3 million for the current-year and prior-year quarter, respectively.

**Selling, general and administrative expenses** ("SG&A") increased during the current-year quarter primarily due to acquisition-related transaction costs of \$109 million as well as higher stock compensation, professional fees, and research and development expenses. SG&A also included business realignment and acquisition integration charges of \$13 million and \$4 million for the current-year and prior-year quarter, respectively.

**Interest expense** for the current-year quarter increased primarily due to higher average debt outstanding.

**Other (income) expense, net** included the following:

(dollars in millions)	Three Months Ended	
	September 30,	
Expense (income)	2022	2021*
Foreign currency transaction loss (gain)	\$ 36	\$ (9)
Income related to equity method investments	(28)	(18)
Non-service components of retirement benefit cost	(13)	(1)
Gain on disposal of assets and divestitures	(377)	—
Interest income	(26)	(1)
Acquisition-related financing fees	—	39
Loss on deal-contingent forward contracts	390	—
Other items, net	(2)	(9)
	<u>\$ (20)</u>	<u>\$ 1</u>

\*Prior period amounts have been reclassified to reflect the income statement reclassification as described in Note 1 to the Consolidated Financial Statements.

Foreign currency transaction loss (gain) primarily relates to the impact of exchange rates on cash, marketable securities and other investments, forward contracts and intercompany transactions. During the current-year quarter, it also includes foreign currency transaction loss associated with completing the acquisition (the "Acquisition") of Meggitt plc ("Meggitt").

Gain on disposal of assets and divestitures for the current-year quarter includes a gain on the sale of the aircraft wheel and brake business within the Aerospace Systems Segment of \$373 million. Refer to Note 4 of the Consolidated Financial Statements for further discussion.

Acquisition-related financing fees relate to the bridge credit agreement (the "Bridge Credit Agreement") fees associated with the Acquisition. Refer to Note 14 of the Consolidated Financial Statements for further discussion.

Loss on deal-contingent forward contracts includes a loss on the deal-contingent forward contracts related to the Acquisition. Refer to Note 16 to the Consolidated Financial Statements for further discussion.

**Effective tax rate** for the current-year quarter was higher than the comparable prior-year period primarily due to an overall decrease in discrete tax benefits as well as an increase on taxes related to international activities. The fiscal 2023 effective tax rate is expected to be approximately 23 percent.

## BUSINESS SEGMENT INFORMATION

### Diversified Industrial Segment

(dollars in millions)	Three Months Ended	
	September 30,	
	2022	2021
Net sales		
North America	\$ 2,132	\$ 1,794
International	1,355	1,376
Operating income		
North America	453	334
International	\$ 294	\$ 291
Operating margin		
North America	21.2 %	18.6 %
International	21.7 %	21.2 %
Backlog	\$ 4,901	\$ 3,583

The Diversified Industrial Segment operations experienced the following percentage changes in net sales in the current-year period versus the comparable prior-year period:

	Period Ending September 30, 2022
	Three Months
Diversified Industrial North America – as reported	18.8 %
Acquisitions	1.2 %
Currency	(0.3) %
Diversified Industrial North America – without acquisitions and currency <sup>1</sup>	17.9 %
Diversified Industrial International – as reported	(1.6) %
Acquisitions	0.5 %
Currency	(14.3) %
Diversified Industrial International – without acquisitions and currency <sup>1</sup>	12.2 %
Total Diversified Industrial Segment – as reported	10.0 %
Acquisitions	0.9 %
Currency	(6.3) %
Total Diversified Industrial Segment – without acquisitions and currency <sup>1</sup>	15.4 %

<sup>1</sup>This table reconciles the percentage changes in net sales of the Diversified Industrial Segment reported in accordance with accounting principles generally accepted in the United States of America ("GAAP") to percentage changes in net sales adjusted to remove the effects of acquisitions made within the last 12 months as well as currency exchange rates (a non-GAAP measure). The effects of acquisitions and currency exchange rates are removed to allow investors and the Company to meaningfully evaluate the percentage changes in net sales on a comparable basis from period to period.

#### Net Sales

*Diversified Industrial North America* - Sales increased 18.8 percent during the current-year quarter compared to the same prior-year period. The effect of acquisitions increased sales by approximately \$21 million in the current-year quarter. Currency exchange rates did not materially impact sales in the current-year quarter. Excluding the effects of acquisitions and changes in the currency exchange rates, sales in the Diversified Industrial North American businesses increased 17.9 percent in the current-year quarter when compared to prior-year levels primarily due to higher demand from distributors and end users across most markets, including farm and agriculture, cars and light trucks, construction equipment, refrigeration, lawn and turf, heavy-duty trucks, semiconductors, metal fabrication, and engine markets, partially offset by lower end-user demand in the life sciences market.

*Diversified Industrial International* - Sales decreased 1.6 percent from the prior-year quarter. The effect of acquisitions increased sales by approximately \$6 million in the current-year quarter. The effect of currency exchange rates decreased sales by approximately \$196 million in the current-year quarter. Excluding the effects of acquisitions and changes in the currency exchange rates, *Diversified Industrial International* sales increased 12.2 percent in the current-year quarter from prior-year levels. Europe accounted for approximately 50 percent of the increase in sales during the current-year quarter, while the Asia Pacific region and Latin America comprised approximately 45 percent and five percent of the increase in sales, respectively.

Within Europe, sales in the current-year quarter increased primarily due to higher demand from distributors and end users across most markets, including the construction equipment, heavy-duty truck, life sciences, industrial machinery, cars and light truck, farm and agriculture, engines, refrigeration, and mining markets, partially offset by lower end-user demand in the power generation market.

Within the Asia Pacific region, sales in the current-year quarter increased primarily due to an increase in demand from distributors and end users in the cars and light truck, construction equipment, semiconductor, telecommunications, mining, marine, heavy-duty truck, and metal fabrication markets, partially offset by lower end-user demand in the life sciences market.

Within Latin America, sales in the current-year quarter increased primarily due to higher demand from distributors and end users in the cars and light truck, farm and agriculture, metal fabrication, heavy-duty truck, industrial machinery, oil and gas, mining, and construction equipment markets, partially offset by lower end-user demand in the life sciences market.

### ***Operating Margin***

*Diversified Industrial Segment* operating margin increased in the current-year quarter within both the North American and International businesses primarily due to higher sales volume and benefits from cost management, as well as price increases. These increases were partially offset by increased operating costs, including higher freight, material, and labor costs resulting from the ongoing inflationary environment.

### ***Business Realignment***

The following business realignment and acquisition integration charges are included in *Diversified Industrial North American* and *Diversified Industrial International* operating income:

(dollars in millions)	Three Months Ended	
	September 30,	
	2022	2021
<i>Diversified Industrial North America</i>	\$ —	\$ 1
<i>Diversified Industrial International</i>	2	3

The business realignment charges primarily consist of severance costs related to actions taken under the Company's simplification initiative aimed at reducing organizational and process complexity, as well as plant closures. Acquisition integration charges in the current-year relate to the acquisition of Meggitt, and prior-year charges relate to the fiscal 2020 acquisition of LORD Corporation ("Lord"). Business realignment and acquisition integration charges within the *Diversified Industrial International* businesses were primarily incurred in Europe.

We anticipate that cost savings realized from the workforce reduction measures taken in the first three months of fiscal 2023 will not materially impact operating income in fiscal 2023 or 2024. We expect to continue to take actions necessary to integrate acquisitions and structure appropriately the operations of the *Diversified Industrial Segment*. We currently anticipate incurring approximately \$40 million of additional business realignment and acquisition integration charges in the remainder of fiscal 2023. However, continually changing business conditions could impact the ultimate costs we incur.

### **Backlog**

Diversified Industrial Segment backlog as of September 30, 2022 increased from the prior-year quarter primarily due to orders exceeding shipments in both the North American and International businesses as well as the addition of Meggitt backlog in the current-year quarter. Excluding the impact of Meggitt, backlog in the North American and International businesses accounted for approximately 80 percent and 20 percent of the change, respectively. Within the International businesses, the Asia Pacific region, Europe and Latin America accounted for approximately 70 percent, 16 percent and 14 percent of the change, respectively.

As of September 30, 2022, Diversified Industrial Segment backlog increased compared to the June 30, 2022 amount of \$4.5 billion primarily due to the addition of Meggitt backlog during the current-year quarter, partially offset by shipments exceeding orders in both the North American and International businesses. Excluding the impact of Meggitt, Industrial Segment backlog decreased from the June 30, 2022 amount, with the North American and International businesses comprising approximately five percent and 95 percent of the decrease, respectively. Within the International businesses, the decrease was primarily due to shipments exceeding orders in both Europe and the Asia Pacific region, partially offset by orders exceeding shipments in Latin America.

Backlog consists of written firm orders from a customer to deliver products and, in the case of blanket purchase orders, only includes the portion of the order for which a schedule or release date has been agreed to with the customer. The dollar value of backlog is equal to the amount that is expected to be billed to the customer and reported as a sale.

### **Aerospace Systems Segment**

(dollars in millions)	Three Months Ended	
	September 30,	
	2022	2021
Net sales	\$ 746	\$ 593
Operating income	\$ 92	\$ 118
Operating margin	12.4 %	20.0 %
Backlog	\$ 5,346	\$ 3,200

### **Net Sales**

Aerospace Systems Segment sales for the current-year quarter increased compared to the same prior-year period primarily due to higher volume in the commercial original equipment manufacturer ("OEM") and aftermarket businesses, partially offset by lower military OEM and aftermarket volume. Meggitt also contributed \$115 million in sales during the current-year quarter.

### **Operating Margin**

Aerospace Systems Segment operating margin decreased during the current-year quarter primarily due to higher commercial OEM volume, an increase in contract loss reserves related to certain commercial OEM programs, and acquisition-related expenses, including higher estimated amortization and depreciation expense associated with the preliminary fair value estimates of intangible assets, plant and equipment, and inventory, as well as acquisition integration charges. Challenges created by the disruption within the supply chain and labor markets also contributed to the lower operating margin. These factors were partially offset by higher commercial aftermarket volume, and higher aftermarket profitability.

### **Business Realignment**

We expect to incur approximately \$46 million of additional business realignment and acquisition integration charges in the remainder of fiscal 2023. However, continually changing business conditions could impact the ultimate costs we incur.



## Backlog

Aerospace Systems Segment backlog as of September 30, 2022 increased from both the prior-year quarter and June 30, 2022 amount of \$3.3 billion primarily due to the addition of the Meggitt backlog in the first three months of fiscal 2023.

Backlog also increased from the prior-year quarter due to orders exceeding shipments within the commercial OEM and aftermarket businesses, partially offset by shipments exceeding orders in the military OEM and aftermarket businesses.

The increase in backlog from June 30, 2022 is also due to orders exceeding shipments within the commercial OEM and commercial and military aftermarket businesses, partially offset by shipments exceeding orders in the military OEM business.

Backlog consists of written firm orders from a customer to deliver products and, in the case of blanket purchase orders, only includes the portion of the order for which a schedule or release date has been agreed to with the customer. The dollar value of backlog is equal to the amount that is expected to be billed to the customer and reported as a sale.

## Corporate general & administrative expenses

(dollars in millions)	Three Months Ended	
	September 30,	
Expense	2022	2021
Corporate general and administrative expense	\$ 52	\$ 49
Corporate general and administrative expense, as a percent of sales	1.2 %	1.3 %

Corporate general and administrative expenses increased in the current-year quarter primarily due to higher net expense from the Company's deferred compensation plan and related investments, partially offset by lower incentive compensation.

**Other expense** (in Business Segments) included the following:

(dollars in millions)	Three Months Ended	
	September 30,	
Expense (income)	2022	2021
Foreign currency transaction loss (gain)	\$ 36	\$ (9)
Stock-based compensation	50	37
Pensions	(13)	(5)
Acquisition-related expenses	108	52
Loss on deal-contingent forward contracts	390	—
Gain on disposal of assets and divestitures	(377)	—
Interest income	(26)	(1)
Other items, net	(2)	(11)
	<u>\$ 166</u>	<u>\$ 63</u>

Foreign currency transaction loss (gain) primarily relates to the impact of exchange rates on cash, marketable securities and other investments, forward contracts and intercompany transactions. During the current-year quarter, it also includes foreign currency transaction loss associated with completing the Acquisition.

Acquisition-related expenses include Bridge Credit Agreement financing fees and transaction costs related to the Acquisition. Refer to Notes 4 and 14 to the Consolidated Financial Statements for further discussion of the acquisition-related transaction costs and Bridge Credit Agreement, respectively.

Loss on deal-contingent forward contracts includes a loss on the deal-contingent forward contracts related to the Acquisition. Refer to Note 16 to the Consolidated Financial Statements for further discussion.

Gain on disposal of assets and divestitures includes a gain on the sale of the aircraft wheel and brake business within the Aerospace Systems Segment of approximately \$373 million. Refer to Note 4 of the Consolidated Financial Statements for further discussion.

## LIQUIDITY AND CAPITAL RESOURCES

We believe that we are great generators and deployers of cash. We assess our liquidity in terms of our ability to generate cash to fund our operations and meet our strategic capital deployment objectives, which include the following:

- Continuing our record annual dividend increases
- Investing in organic growth and productivity
- Strategic acquisitions that strengthen our portfolio
- Offset share dilution through 10b5-1 share repurchase program

### Cash Flows

A summary of cash flows follows:

(dollars in millions)	Three Months Ended	
	September 30,	
	2022	2021
Cash provided by (used in):		
Operating activities	\$ 457	\$ 424
Investing activities	(7,927)	(42)
Financing activities	1,340	(421)
Effect of exchange rates	(16)	(1)
Net decrease in cash, cash equivalents and restricted cash	\$ (6,146)	\$ (40)

**Cash flows from operating activities** for the first three months of fiscal 2023 were \$457 million compared to \$424 million for the first three months of fiscal 2022. This increase of \$33 million was primarily related to cash provided by working capital items, which increased by \$216 million, partially offset by net income, which decreased by \$63 million in fiscal 2023 compared to the same prior-year period. Additionally, cash flows from operating activities were negatively impacted by acquisition transaction expenses.

We believe that for a more meaningful evaluation of cash flows from operating activities, the impact of the the deal-contingent forward contracts should be removed from net income and working capital items, as the cash outflow is presented within cash flows from investing activities. The impact of the deal-contingent forward contracts decreased net income by \$295 million and increased cash provided by working capital items by \$390 million. After such consideration of the deal-contingent forward contracts activity, cash flow from operations increased primarily due to an increase in net income of \$232 million, partially offset by a decrease in cash provided by working capital items of \$174 million in fiscal 2023 compared to the same prior-year period.

- Days sales outstanding relating to trade accounts receivable was 58 days at September 30, 2022, 51 days at June 30, 2022 and 51 days at September 30, 2021. The increase in days sales outstanding at September 30, 2022 is due to including receivables acquired in the Acquisition.
- Days supply of inventory on hand was 94 days at September 30, 2022, 77 days at June 30, 2022 and 86 days at September 30, 2021.

**Cash flows from investing activities** for the first three months of fiscal 2023 and 2022 were impacted by the following factors:

- Payment for the Acquisition net of cash acquired of \$7.1 billion in fiscal 2023.
- Payments to settle the deal contingent forward contracts of \$1.4 billion in fiscal 2023.
- Net proceeds from the sale of the aircraft wheel and brake business of approximately \$441 million in fiscal 2023.
- Cash collateral received of \$250 million in fiscal 2023 per the credit support annex attached to the deal-contingent forward contracts.
- Capital expenditures of \$84 million in fiscal 2023 compared to \$48 million in the same prior-year period.
- Net maturities of marketable securities of \$9 million in fiscal 2023 compared to \$2 million in fiscal 2022.

**Cash flows from financing activities** for the first three months of fiscal 2023 and 2022 were impacted by the following factors:

- Proceeds of \$2 billion from borrowings under the term loan facility ("Term Loan Facility") in fiscal 2023.
- Payments related to maturity of \$300 million aggregate principal amount of medium term notes in fiscal 2023.
- Repurchases of 0.2 million common shares for \$50 million during fiscal 2023 compared to repurchases of 0.8 million common shares for \$230 million during fiscal 2022.
- Net commercial paper repayments of \$112 million in fiscal 2023.

#### ***Cash Requirements***

We are actively monitoring our liquidity position and remain focused on managing our inventory and other working capital requirements. We are continuing to target two percent of sales for capital expenditures and are prioritizing those related to safety and strategic investments. We believe that cash generated from operations and our commercial paper program will satisfy our operating needs for the foreseeable future.

#### ***Dividends***

We declared a quarterly dividend of \$1.33 per share on August 18, 2022, which was paid on September 9, 2022. Dividends have been paid for 289 consecutive quarters, including a yearly increase in dividends for the last 66 years. Additionally, we declared a quarterly dividend of \$1.33 on October 26, 2022, payable on December 2, 2022.

#### ***Share Repurchases***

The Company has a program to repurchase its common shares. On October 22, 2014, the Board of Directors of the Company approved an increase in the overall number of shares authorized to repurchase under the program so that, beginning on such date, the aggregate number of shares authorized for repurchase was 35 million. There is no limitation on the number of shares that can be repurchased in a year. Repurchases may be funded primarily from operating cash flows and commercial paper borrowings and the shares are initially held as treasury shares. Refer to Note 6 to the Consolidated Financial Statements for further discussion of share repurchases.

#### ***Liquidity***

Cash, comprised of cash and cash equivalents and marketable securities and other investments, includes \$428 million and \$465 million held by the Company's foreign subsidiaries at September 30, 2022 and June 30, 2022, respectively. The Company does not permanently reinvest certain foreign earnings. The distribution of these earnings could result in non-federal U.S. or foreign taxes. All other undistributed foreign earnings remain permanently reinvested.

We are currently authorized to sell up to \$3.0 billion of short-term commercial paper notes. As of September 30, 2022, \$1.3 billion of commercial paper notes were outstanding, and the largest amount of commercial paper notes outstanding during the current-year quarter was \$2.2 billion.

The Company has a line of credit totaling \$3.0 billion through a multi-currency revolving credit agreement with a group of banks, of which \$1.7 billion was available as of September 30, 2022. Advances from the credit agreement can be used for general corporate purposes, including acquisitions, and for the refinancing of existing indebtedness. The credit agreement supports our commercial paper program, and issuances of commercial paper reduce the amount of credit available under the agreement. The credit agreement expires in September 2024; however, the Company has the right to request a one-year extension of the expiration date on an annual basis, which may result in changes to the current terms and conditions of the credit agreement. The credit agreement requires the payment of an annual facility fee, the amount of which is dependent upon the Company's credit ratings. Although a lowering of the Company's credit ratings would increase the cost of future debt, it would not limit the Company's ability to use the credit agreement, nor would it accelerate the repayment of any outstanding borrowings.

We primarily utilize unsecured medium-term notes and senior notes to meet our financing needs and we expect to continue to borrow funds at reasonable rates over the long term. In October 2022, we paid off \$300 million aggregate principal amount of private placement notes in two tranches, with fixed interest rates of 2.78 percent and 3.00 percent and maturity dates of November 2023 and November 2025, respectively, pursuant to an offer to noteholders according to change in control provisions. Refer to the Cash flows from financing activities section above and Notes 4 and 14 to the Consolidated Financial Statements for further discussion.

The Company's credit agreement and indentures governing certain debt securities contain various covenants, the violation of which would limit or preclude the use of the credit agreements for future borrowings, or might accelerate the maturity of the related outstanding borrowings covered by the indentures. Based on the Company's rating level at September 30, 2022, the most restrictive financial covenant provides that the ratio of debt to debt-shareholders' equity cannot exceed 0.65 to 1.0. At September 30, 2022, the Company's debt to debt-shareholders' equity ratio was 0.62 to 1.0. We are in compliance and expect to remain in compliance with all covenants set forth in the credit agreement and indentures.

Our goal is to maintain an investment-grade credit profile. The rating agencies periodically update our credit ratings as events occur. At September 30, 2022, the long-term credit ratings assigned to the Company's senior debt securities by the credit rating agencies engaged by the Company were as follows:

Fitch Ratings	BBB+
Moody's Investors Services, Inc.	Baa1
Standard & Poor's	BBB+

### ***Supply Chain Financing***

We continue to identify opportunities to improve our liquidity and working capital efficiency, which includes the extension of payment terms with our suppliers. We currently have supply chain financing programs ("SCF") with financial intermediaries, which provide certain suppliers the option to be paid by the financial intermediaries earlier than the due date on the applicable invoice. We are not a party to the agreements between the participating financial intermediaries and the suppliers in connection with the programs. The range of payment terms we negotiate with our suppliers is consistent, irrespective of whether a supplier participates in the programs. We do not reimburse suppliers for any costs they incur for participation in the programs and their participation is completely voluntary. Amounts due to our suppliers that elected to participate in the SCF programs are included in accounts payable on the Consolidated Balance Sheet. Accounts payable included approximately \$85 million and \$46 million payable to suppliers who have elected to participate in the SCF programs as of September 30, 2022 and June 30, 2022, respectively. The increase in the amount outstanding in the programs from the June 30, 2022 balance is due to the addition of Meggitt's SCF programs. The amounts settled through the SCF programs and paid to participating financial intermediaries totaled \$37 million during the first three months of fiscal 2023. We account for payments made under the programs in the same manner as our other accounts payable, which is a reduction to our cash flows from operations. We do not believe that changes in the availability of supply chain financing will have a significant impact on our liquidity.

### ***Strategic Acquisitions***

Upon announcing the Acquisition on August 2, 2021, the Company entered into the Bridge Credit Agreement where lenders committed to provide senior, unsecured financing in the aggregate principal amount of £6.5 billion. In July 2022, after consideration of an escrow balance designated for the Acquisition and funds available under the \$2.0 billion Term Loan Facility, we reduced the aggregate committed principal amount of the Bridge Credit Agreement to zero, and the Bridge Credit Agreement was terminated.

During September 2022, the Company fully drew against the \$2.0 billion Term Loan Facility, which will mature in its entirety in September 2025, to finance a portion of the Acquisition. Refer to Note 14 of the Consolidated Financial Statements for further discussion.

On September 12, 2022, we completed the acquisition of all of the outstanding ordinary shares of Meggitt for 800 pence per share, resulting in an aggregate cash purchase price of \$7.2 billion, including the assumption of debt. We funded the purchase using cash and net proceeds from the issuance of senior notes and commercial paper and the Term Loan Facility, which were accumulated in an escrow account designated for the Acquisition. Refer to Note 4 of the Consolidated Financial Statements for further discussion.

Upon closing the Acquisition, we settled the deal-contingent forward contracts entered into during October 2021 to mitigate the risk of appreciation in the GBP-denominated purchase price. These deal-contingent forward contracts had an aggregate notional amount of £6.4 billion. Refer to the Cash Flows section above and Note 16 to the Consolidated Financial Statements for further discussion.

On April 11, 2022, the European Commission cleared the Acquisition, conditional on full compliance with commitments offered by Parker, including a commitment to divest its aircraft wheel and brake business within the Aerospace Systems Segment. In accordance with these commitments, we sold the aircraft wheel and brake business in September 2022 for proceeds of \$441 million. Refer to Note 4 of the Consolidated Financial Statements for further discussion.

## 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. Often but not always, these statements may be identified from the use of forward-looking terminology such as “anticipates,” “believes,” “may,” “should,” “could,” “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. Neither Parker nor any of its respective associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements will actually occur. 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 past performance or current expectations. A change in the economic conditions in individual markets may have a particularly volatile effect on segment performance.

Among other factors which may affect future performance are:

- changes in business relationships with and purchases by or from major customers, suppliers or distributors, including delays or cancellations in shipments;
- disputes regarding contract terms or significant changes in financial condition, changes in contract cost and revenue estimates for new development programs and changes in product mix;
- the impact of the global outbreak of COVID-19 and governmental and other actions taken in response;
- ability to identify acceptable strategic acquisition targets; uncertainties surrounding timing, successful completion or integration of acquisitions and similar transactions, including the integration of Meggitt, Lord and Exotic; and our ability to effectively manage expanded operations from the acquisitions of Meggitt, Lord and Exotic;
- 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;
- legal and regulatory developments and changes;
- additional liabilities relating to changes in tax rates or exposure to additional income tax liabilities;
- ability to enter into, own, renew, protect and maintain intellectual property and know-how;
- leverage and future debt service obligations;
- potential impairment of goodwill;
- compliance costs associated with environmental laws and regulations;
- potential labor disruptions or shortages;
- uncertainties surrounding the ultimate resolution of outstanding legal proceedings, including the outcome of any appeals;
- global competitive market conditions, including U.S. trade policies and resulting effects on sales and pricing;
- 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, credit availability and changes in consumer habits and preferences;
- local and global political and economic conditions, including the Russia-Ukraine war and its residual effects;
- inability to obtain, or meet conditions imposed for, required governmental and regulatory approvals;
- government actions and natural phenomena such as pandemics, floods, earthquakes, hurricanes or other natural phenomena that may be related to climate change;
- increased cyber security threats and sophisticated computer crime; and
- success of business and operating initiatives.

The Company makes these statements as of the date of the filing of its Quarterly Report on Form 10-Q for the quarter ended September 30, 2022, and undertakes no obligation to update them unless otherwise required by law.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

A substantial portion of our operations are conducted by our subsidiaries outside of the U.S. in currencies other than the U.S. dollar. Most of our non-U.S. subsidiaries conduct their business primarily in their local currencies, which are also their functional currencies. Foreign currency exposures arise from translation of foreign-denominated assets and liabilities into U.S. dollars and from transactions denominated in a currency other than the subsidiary's functional currency. Although the amount of this activity has increased with the Acquisition, we expect to continue to manage the associated foreign currency transaction and translation risk using existing processes.

The Company manages foreign currency transaction and translation risk by utilizing derivative and non-derivative financial instruments, including forward exchange contracts, deal-contingent forward contracts, costless collar contracts, cross-currency swap contracts and certain foreign currency denominated debt designated as net investment hedges. The derivative financial instrument contracts are with major investment grade financial institutions and we do not anticipate any material non-performance by any of the counterparties. We do not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognized on the Consolidated Balance Sheet as either assets or liabilities and are measured at fair value. Further information on the fair value of these contracts is provided in Note 16 to the Consolidated Financial Statements. Derivatives that are not designated as hedges are adjusted to fair value by recording gains and losses through the Consolidated Statement of Income. Derivatives that are designated as hedges are adjusted to fair value by recording gains and losses through accumulated other comprehensive income (loss) in the Consolidated Balance Sheet until the hedged item is recognized in earnings. For cross-currency swaps measured using the spot method, the periodic interest settlements are recognized directly in earnings through interest expense. The translation of the foreign currency denominated debt that has been designated as a net investment hedge is recorded in accumulated other comprehensive income (loss) and remains there until the underlying net investment is sold or substantially liquidated.

The Company's debt portfolio contains variable rate debt, inherently exposing the Company to interest rate risk. Our objective is to maintain a 60/40 mix between fixed rate and variable rate debt thereby limiting our exposure to changes in near-term interest rates. At September 30, 2022, our debt portfolio included \$2 billion of variable rate debt, exclusive of commercial paper borrowings. A 100 basis point increase in near-term interest rates would increase annual interest expense on variable rate debt, including weighted-average commercial paper borrowings for the three months ended September 30, 2022, by approximately \$37 million.

As discussed elsewhere in this report, the future impacts of the Russia-Ukraine war and the COVID-19 pandemic and their residual effects, including economic uncertainty, inflationary environment and disruption within the global supply chain, labor markets and aerospace industry, on our business remain uncertain. As we cannot anticipate the ultimate duration or scope of the Russia-Ukraine war and the COVID-19 pandemic, the ultimate financial impact to our results cannot be reasonably estimated, but could be material.

### ITEM 4. CONTROLS AND PROCEDURES

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, of the effectiveness of the Company's disclosure controls and procedures as of September 30, 2022. Based on this evaluation, the Company's principal executive officer and principal financial officer concluded that, as of September 30, 2022, the Company's disclosure controls and procedures were effective.

In response to the COVID-19 pandemic, some of our team members have been working remotely at times. While there were no material changes in our internal control over financial reporting during the quarter ended September 30, 2022, we are continually monitoring and assessing the changing business environment resulting from the COVID-19 pandemic on our internal controls to minimize the impact on their design and operating effectiveness.

The Company acquired Meggitt on September 12, 2022. As a result of the Acquisition, management is in the process of integrating, evaluating and, where necessary, implementing changes in controls and procedures. Other than with respect to the Acquisition, there have been no changes in the Company's internal control over financial reporting during the quarter ended September 30, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PARKER-HANNIFIN CORPORATION**

**PART II - OTHER INFORMATION**

ITEM 1. Legal Proceedings.

From time to time we are involved in matters that involve governmental authorities as a party under federal, state and local laws that have been enacted or adopted regulating the discharge of materials into the environment or primarily for the purpose of protecting the environment. We will report such matters that exceed, or that we reasonably believe may exceed, \$1.0 million or more in monetary sanctions.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

- (a) *Unregistered Sales of Equity Securities.* Not applicable.
- (b) *Use of Proceeds.* Not applicable.
- (c) *Issuer Purchases of Equity Securities.*

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (1)
July 1, 2022 through July 31, 2022	61,039	\$ 253.27	61,039	8,354,123
August 1, 2022 through August 31, 2022	62,100	\$ 291.83	62,100	8,292,023
September 1, 2022 through September 30, 2022	62,627	\$ 262.09	62,627	8,229,396
Total:	<u>185,766</u>		<u>185,766</u>	

- (1) On October 22, 2014, the Company publicly announced that the Board of Directors increased the overall maximum number of shares authorized for repurchase under the Company's share repurchase program, first announced on August 16, 1990, so that, beginning on October 22, 2014, the maximum aggregate number of shares authorized for repurchase was 35 million shares. There is no limitation on the amount of shares that can be repurchased in a fiscal year. There is no expiration date for this program.

ITEM 6. Exhibits.

The following documents are furnished as exhibits and are numbered pursuant to Item 601 of Regulation S-K:

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
10(a)	<a href="#"><u>Amendment One to the Parker-Hannifin Corporation Amended and Restated Defined Contribution Supplemental Executive Retirement Program, effective August 1, 2022.*</u></a>
10(b)	<a href="#"><u>Amendment Three to the Parker-Hannifin Corporation Amended and Restated Executive Deferral Plan, effective August 1, 2022.*</u></a>
10(c)	<a href="#"><u>Amendment One to the Parker-Hannifin Corporation Amended and Restated Savings Restoration Plan, effective August 1, 2022.*</u></a>
10(d)	<a href="#"><u>Amendment One to the Amended and Restated Deferred Compensation Plan for Directors of Parker-Hannifin Corporation, effective August 1, 2022.*</u></a>
10(e)	<a href="#"><u>Parker-Hannifin Corporation Annual Cash Incentive Plan, effective July 1, 2022.*</u></a>
10(f)	<a href="#"><u>Parker-Hannifin Corporation Deferred Compensation Plan, effective January 1, 2023.*</u></a>
10(g)	<a href="#"><u>Parker-Hannifin Corporation Deferred Compensation Plan Adoption Agreement, effective January 1, 2023.*</u></a>
10(h)	<a href="#"><u>Retirement and Release Agreement, dated July 25, 2022, between Andrew M. Weeks and Parker-Hannifin Corporation.*</u></a>
31(a)	<a href="#"><u>Certification of the Principal Executive Officer Pursuant to 17 CFR 240.13a-14(a), as Adopted Pursuant to §302 of the Sarbanes-Oxley Act of 2002.*</u></a>
31(b)	<a href="#"><u>Certification of the Principal Financial Officer Pursuant to 17 CFR 240.13a-14(a), as Adopted Pursuant to §302 of the Sarbanes-Oxley Act of 2002.*</u></a>
32	<a href="#"><u>Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to §906 of the Sarbanes-Oxley Act of 2002.*</u></a>
101.INS	Inline XBRL Instance Document.*
101.SCH	Inline XBRL Taxonomy Extension Schema Document.*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.*
104	Cover page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

\* Submitted electronically herewith.

Attached as Exhibit 101 to this report are the following formatted in Inline XBRL (Extensible Business Reporting Language): (i) Consolidated Statement of Income for the three months ended September 30, 2022 and 2021, (ii) Consolidated Statement of Comprehensive Income for the three months ended September 30, 2022 and 2021, (iii) Consolidated Balance Sheet at September 30, 2022 and June 30, 2022, (iv) Consolidated Statement of Cash Flows for the three months ended September 30, 2022 and 2021, and (v) Notes to Consolidated Financial Statements for the three months ended September 30, 2022.



**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 thereunto duly authorized.

PARKER-HANNIFIN CORPORATION  
(Registrant)

/s/ Todd M. Leombruno

Todd M. Leombruno

Executive Vice President and Chief Financial Officer

Date: November 4, 2022

**AMENDMENT ONE**  
**TO THE**  
**PARKER-HANNIFIN CORPORATION DEFINED CONTRIBUTION**  
**SUPPLEMENTAL EXECUTIVE RETIREMENT PROGRAM**  
(Effective January 21, 2015)

**WHEREAS**, Parker-Hannifin Corporation (the "Company") sponsors the Parker-Hannifin Corporation Defined Contribution Supplemental Executive Retirement Program (the "Plan"), which was adopted January 21, 2015;

**WHEREAS**, the Board of Directors of the Company reserves the right pursuant to Section 9.11 of the Plan to amend or modify the Plan; and

**WHEREAS**, the Company desires to amend the Plan to (i) allow Participants to elect to receive annual installment payments over a period of two (2) years up to fifteen (15) years and (ii) reflect changes to the definition of installment payments for purposes of Section 409A of the Code.

**NOW, THEREFORE**, pursuant to such actions of the Board of Directors of the Company the Plan is hereby amended as follows **effective as of August 1, 2022**:

**1. Section 1(kk) of the Plan is hereby amended in its entirety to read as follows:**

1(kk) Valuation Date means each business day of the Plan Year that the New York Stock Exchange is open.

**2. Section 4.02(a) of the Plan shall be amended and restated in its entirety to read as follows:**

4.02(a) Initial Election of Payment Form. To the extent permitted by Section 1.409A-2(a)(5) of the Regulations, within 30 days of the time an individual is designated as a Participant under this Program, he or she may elect, on his or her initial Participation Agreement, to receive payment of his or her supplemental retirement benefit under this Program in the form of a single lump sum payment equal to the value of his or her account as of the Valuation Date or annual installments over a period of two (2) or up to fifteen (15) years commencing on the date specified in Section 4.01. If elected by the Participant, installment payments for subsequent years will be payable on the anniversary of the initial payment for the applicable period over a period of two (2) or up to fifteen (15) as elected by the Participant. If a Participant fails to make a valid election, the Participant's supplemental retirement benefit under this Program shall be paid in a lump sum.

**3. Section 4.02(g) of the Plan shall be amended and restated in its entirety to read as follows:**

4.02(g) Miscellaneous. For purposes of Section 409A of the Code, installment payments shall be considered a single payment.

**IN WITNESS WHEREOF**, Parker-Hannifin Corporation has caused this Amendment One to the Parker-Hannifin Corporation Defined Contribution Supplemental Executive Retirement Program to be executed on the Signature Date below.

**PARKER-HANNIFIN CORPORATION**

By: /s/ Todd M. Leombruno  
Its: Executive Vice President and Chief Financial Officer  
Date: September 7, 2022

By: /s/ Mark J. Hart  
Its: Executive Vice President-Human Resources and External  
Affairs  
Date: September 7, 2022

**AMENDMENT THREE  
TO THE  
PARKER-HANNIFIN CORPORATION EXECUTIVE DEFERRAL PLAN**

(Amended and Restated Effective September 2, 2015)

**WHEREAS**, Parker-Hannifin Corporation (the "Company") sponsors the Parker-Hannifin Corporation Executive Deferral Plan (the "Plan"), which was originally effective October 1, 1994, and amended and restated in its entirety as of September 2, 2015;

**WHEREAS**, the Board of Directors of the Company reserves the right pursuant to Article 15 of the Plan to amend or modify the Plan; and

**WHEREAS**, the Company desires to amend the Plan to (i) discontinue the inclusion of payments to Specified Employees that would have been made between the Participant's Retirement and the actual date of commencement of payment if the Participant had not been a Specified Employee and (ii) freeze all future deferrals, credits and contributions to Plan Accounts as of the Plan Year ending December 31, 2022, except as to any deferrals of bonus compensation earned beginning in 2022 and deferred to the Plan in 2023.

**NOW, THEREFORE**, pursuant to such actions of the Board of Directors of the Company the Plan is hereby amended as follows **effective as of August 1, 2022**:

**1. Section 1.44 of the Plan is hereby amended in its entirety to read as follows:**

1.44 Valuation Date means each business day of the Plan Year that the New York Stock Exchange is open.

**2. Section 6.3 of the Plan is hereby amended in its entirety to read as follows:**

6.3 Time of Payment. Payment of a Participant's Account shall be made or shall begin as of the first day of the second month after the Participant's Retirement or on the first day of the month following the first, second, third, fourth or fifth anniversary of the Participant's Retirement, as elected by the Participant in accordance with the terms of Section 6.4. Notwithstanding the foregoing, payment to any Specified Employee will commence on the first day of the seventh month following the Participant's Retirement.

**3. Article 9 of the plan is hereby amended in its entirety to read as follows:**

Article 9 If a Participant suffers a Disability prior to Termination of Employment, the Participant shall be eligible for a benefit under the Plan. A Participant's disability benefit pursuant to this Article 9 shall be paid in the form of a single lump sum payment equal to the value of his or her account as of the Valuation Date.

**4. A new Article 18 is hereby added to the Plan which shall provide the following:**

- 18.1 Amendment to Freeze all new Plan Eligibility. As of January 1, 2023, the Plan shall be frozen to all new Participants and the Company shall not, on and after that date, select additional new Participants to participate in the Plan.
- 18.2 Amendment to Freeze Plan Accounts to new Deferrals, Credits and Contributions. As of January 1, 2023, no Company credits or contributions or employee deferrals of amounts earned in Plan Years on and after such date, as described in Articles 3 and 4, shall be credited to the Plan, with the exception of bonus deferral elections made in Plan Years prior to January 1, 2023 for bonuses earned (or in the process of being earned) but not yet paid by December 31, 2022. These such deferrals will be credited to the Plan per the original deferral elections.
- 18.3 Except as specifically amended herein, the Plan shall remain in full force and effect until all Account balances have been paid in full.

**IN WITNESS WHEREOF**, Parker-Hannifin Corporation has caused this Amendment One to the Parker-Hannifin Corporation Executive Deferral Plan to be executed on the Signature Date below.

**PARKER-HANNIFIN CORPORATION**

By: /s/ Todd M. Leombruno  
Its: Executive Vice President and Chief Financial Officer  
Date: September 7, 2022

By: /s/ Mark J. Hart  
Its: Executive Vice President-Human Resources and External Affairs  
Date: September 7, 2022

**AMENDMENT ONE**  
**TO THE**  
**PARKER-HANNIFIN CORPORATION SAVINGS RESTORATION PLAN**  
(Amended and Restated Effective July 1, 2016)

**WHEREAS**, Parker-Hannifin Corporation (the "Company") sponsors the Parker-Hannifin Corporation Savings Restoration Plan (the "Plan"), which was originally effective October 1, 1994, and amended and restated in its entirety as of July 1, 2016;

**WHEREAS**, the Board of Directors of the Company reserves the right pursuant to Article 15 of the Plan to amend or modify the Plan; and

**WHEREAS**, the Company desires to amend the Plan to (i) discontinue the inclusion of payments to Specified Employees that would have been made between the Participant's Retirement and the actual date of commencement of payment if the Participant had not been a Specified Employee and (ii) freeze all future deferrals, credits and contributions to Plan Accounts as of the Plan Year ending December 31, 2022, except as to any deferrals of bonus compensation earned beginning in 2022 and deferred to the Plan in 2023.

**NOW, THEREFORE**, pursuant to such actions of the Board of Directors of the Company the Plan is hereby amended as follows **effective as of August 1, 2022**:

**1. Section 1.52 of the Plan is hereby amended in its entirety to read as follows:**

1.52 Valuation Date means each business day of the Plan Year that the New York Stock Exchange is open.

**2. Section 6.3 of the Plan is hereby amended in its entirety to read as follows:**

6.3 Time of Payment. Except as otherwise provided pursuant to an election under Section 6.4(c), payment of a Participant's Account shall be made or shall begin as of the first day of the second month after the Participant's Retirement or on the first day of the month following the first, second, third, fourth or fifth anniversary of the Participant's Retirement, as elected by the Participant in accordance with the terms of Section 6.4. Notwithstanding the foregoing, payment to any Specified Employee will be made or will commence on the first day of the seventh month following the Participant's Retirement.

**3. Article 9 of the plan is hereby amended in its entirety to read as follows:**

Article 9 If a Participant suffers a Disability prior to Termination of Employment, the Participant shall be eligible for a benefit under the Plan. A Participant's disability benefit pursuant to this Article 9 shall be paid in the form of a single lump sum payment equal to the value of his or her account as of the Valuation Date.

**4. A new Article 18 is hereby added to the Plan which shall provide the following:**

- 18.1 Amendment to Freeze all new Plan Eligibility. As of January 1, 2023, the Plan shall be frozen to all new Participants and the Company shall not, on and after that date, select additional new Participants to participate in the Plan.
- 18.2 Amendment to Freeze Plan Accounts to new Deferrals, Credits and Contributions. As of January 1, 2023, no Company credits or contributions or employee deferrals of amounts earned in Plan Years on and after such date, as described in Articles 3 and 4, shall be credited to the Plan.
- 18.3 Except as specifically amended herein, the Plan shall remain in full force and effect until all Account balances have been paid in full.

**IN WITNESS WHEREOF**, Parker-Hannifin Corporation has caused this Amendment One to the Parker-Hannifin Corporation Savings Restoration Plan to be executed on the Signature Date below.

**PARKER-HANNIFIN CORPORATION**

By: /s/ Todd M. Leombruno  
Its: Executive Vice President and Chief Financial Officer  
Date: September 7, 2022

By: /s/ Mark J. Hart  
Its: Executive Vice President-Human Resources and External Affairs  
Date: September 7, 2022

**AMENDMENT ONE**  
**TO THE**  
**DEFERRED COMPENSATION PLAN FOR DIRECTORS OF**  
**PARKER-HANNIFIN CORPORATION**  
(Amended and Restated Effective January 22, 2015)

**WHEREAS**, Parker-Hannifin Corporation (the "Company") sponsors the Deferred Compensation Plan for Directors of Parker-Hannifin Corporation (the "Plan"), which was amended and restated January 22, 2015;

**WHEREAS**, the Board of Directors of the Company reserves the right pursuant to Article V Section 2 of the Plan to amend or modify the Plan; and

**WHEREAS**, the Company desires to amend the Plan to (i) update Participant elected distribution options available under the Plan and (ii) update the payment terms of Small Account Balances.

**NOW, THEREFORE**, pursuant to such actions of the Board of Directors of the Company the Plan is hereby amended as follows **effective as of August 1, 2022**:

**1. Section 1.18 of the Plan is hereby amended in its entirety to read as follows:**

1.18 Valuation Date means each business day of the Plan Year that the New York Stock Exchange is open.

**2. Article IV, Section 1 of the Plan shall be amended and restated in its entirety to read as follows:**

1. Payment of Deferral Account. Except as otherwise provided pursuant to this Article IV, a Participant's Account shall be paid monthly over a period of 15 years; provided, however, that the Participant may elect in accordance with Section 2 of this Article to have payment made by one of the following methods:

(a) a single lump sum payment; or

(b) monthly installments over a period of two (2) or up to fifteen (15) years (for the avoidance of doubt, installment payment elections are made in whole year increments).

Payments shall be based on the value of the Account as of the Valuation Date preceding any payment and shall be made or shall begin as of the first day of the second month following the Participant's separation from service as a Director of the Corporation, within the meaning of Section 1.409A-1(h) of the Regulations.

**3. Article IV, Section 2(d) of the Plan shall be amended and restated in its entirety to read as follows:**

(d) Small Account Balances. Notwithstanding the foregoing, effective August 1, 2022 with respect to Participant's deferrals under the Plan that would otherwise be paid in installments after August 1, 2022, if the balance of the Participant's Account under the Plan as of the date



payment would otherwise commence is less than or equal to the applicable dollar amount in effect on such date under Section 402(g)(1)(B) of the Code, the Corporation shall pay the Participant's Account in a single lump sum payment

**IN WITNESS WHEREOF**, Parker-Hannifin Corporation has caused this Amendment One to the Deferred Compensation Plan for Directors of Parker-Hannifin Corporation to be executed on the Signature Date below.

**PARKER-HANNIFIN CORPORATION**

By: /s/ Todd M. Leombruno  
Its: Executive Vice President and Chief Financial Officer  
Date: September 7, 2022

By: /s/ Mark J. Hart  
Its: Executive Vice President-Human Resources and External Affairs  
Date: September 7, 2022

**PARKER-HANNIFIN CORPORATION**

**OFFICER ANNUAL CASH INCENTIVE PLAN**

**I. Effective Date and Purposes**

The Human Resources and Compensation Committee (the “HRCC”) of the Board of Directors (the “Board”) of Parker-Hannifin Corporation, an Ohio corporation (“Parker”), adopted this Parker-Hannifin Corporation Officer Annual Cash Incentive Plan (the “Plan”), effective July 1, 2022, to motivate and reward Officers and other designated participants by making a portion of their cash compensation dependent on the achievement of certain performance goals. The Plan is intended incentivize creativity, dedication and the use of good judgment in working for the overall profitability and growth of Parker.

**II. Definitions**

“*Administrator*” means the HRCC or the committee, person or persons to which the HRCC delegates its authority and responsibilities pursuant to Section III of the Plan.

“*Affiliate*” means any corporation or other entity (including, but not limited to, partnerships, limited liability companies, branches and joint ventures) controlled by Parker.

“*Annual Eligible Earnings*” means a Participant’s base salary actually paid during the Performance Period while the individual is a Participant. Annual Eligible Earnings excludes pay that is variable in nature including, but not limited to spot bonuses, recognition awards and sales incentives. The determination of Annual Eligible Earnings will be made in each jurisdiction in a manner that complies with local law.

“*Award*” means an award to which a Participant may become entitled under the Plan if the performance goals for a Performance Period are satisfied.

“*Award Payout*” means the amount of the Award earned for a Performance Period as determined pursuant to Section V.A.

“*Cash Flow*” shall mean, with respect to any Performance Period, Parker’s net cash flow provided by operating activities less capital expenditures, expressed as a percentage of Parker’s net sales; provided, however, that (i) any discretionary pension contributions and effects of acquisitions will not be included, and (ii) the HRCC may include or exclude other specified items (*e.g.*, discontinued operations, expenses for restructuring or productivity initiatives, or other extraordinary, unusual, non-recurring or special items).

“*Claw-back Policy*” shall mean the Parker-Hannifin Corporation Claw-back Policy as amended from time to time or any successor policy thereto.

“*Code*” means the Internal Revenue Code of 1986, as amended.

“*Detrimental Activity*” means any conduct or activity, whether or not related to the business of Parker or an Affiliate, that is determined in individual cases, by the OCE (or with respect to an individual who is an Officer, by the HRCC) to be detrimental to the interests of Parker or an Affiliate, including without limitation (i) the rendering of services to an organization, or engaging in a business, that is, in the judgment of the OCE (or with respect to an individual who is an Officer, of the HRCC) in competition with Parker; (ii) the disclosure to anyone outside of Parker, or the use for any purpose other than Parker’s business, of confidential information or material related to Parker, whether acquired by the Participant during or after employment with Parker or an Affiliate; (iii) fraud, embezzlement, theft-in-office or other illegal activity; or (iv) a violation of Parker’s Global Code of Business Conduct or other policies.

“*Disability*” means the Participant has qualified to receive long-term disability benefits under the applicable disability plan of Parker or its Affiliates covering the Participant.

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“**ESG**” means Environment, Social and Governance.

“**Maximum**” means the maximum performance level required to earn a maximum payout under the Plan and determined for each of the Metrics within 90 days of the commencement of a Performance Period by the Administrator.

“**Metrics**” means, collectively, Cash Flow, Segment Operating Income and Sales Revenue.

“**Office of Chief Executive**” or “**OCE**” means the Chief Executive Officer, Vice Chairman and President, Chief Operating Officer, and Chief Financial Officer of Parker.

“**Officer**” means an individual who serves as an officer of Parker within the meaning of Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended.

“**Participant**” means, as to any Performance Period, an Officer or any other Team Member who is designated as a Participant pursuant to Section IV.A.

“**Performance Period**” means a fiscal year of Parker.

“**Retirement**” means the Participant’s voluntary termination of employment on or after the Participant has reached age 55 and has at least 5 years of service with Parker and its Affiliates.

“**Sales Revenue**” shall mean, with respect to any Performance Period, Parker’s consolidated net sales revenue as reported (disregarding any effects of currency rate changes, acquisitions and divestitures).

“**Segment Operating Income**” shall mean, with respect to any Performance Period, Parker’s consolidated segment operating income as reported (disregarding any effects of currency rate changes, acquisitions and divestitures).

“**Target**” is the target performance level required to earn a target payout under the Plan and determined for each of the Metrics within 90 days of the commencement of a Performance Period by the Administrator.

“**Target Opportunity**” means the percent of Annual Eligible Earnings to be paid if Target is achieved. Target Opportunity is determined for each Officer by the Administrator and for each other Participant by the OCE.

“**Team Member**” means any person employed by Parker or an Affiliate.

“**Threshold**” means the threshold performance level required to begin to earn a payout under the Plan and determined for each of the Metrics within 90 days of the commencement of a Performance Period by the Administrator.

### III. Plan Administration and Governance

#### A. Plan Administration

The Administrator is responsible for the administration of the Plan. The Administrator is authorized, and has the discretion, to interpret or supply any omission to the terms of the Plan, to prescribe, amend and rescind regulations relating to the Plan, and to make all other determinations necessary or advisable for the administration of the Plan. The Administrator may delegate to one or more persons the authority to take any action or make any determination or exercise any authority of the Administrator under this Plan. Determinations, interpretations or other actions made or taken by the Administrator pursuant to the provisions of the Plan shall be final, binding and conclusive for all purposes

and upon all Participants and their beneficiaries and all other persons who have or claim an interest herein.

B. Governance

The terms set forth in this Plan will govern the terms of the Awards granted under the Plan globally; provided, however, that to the extent any terms of the Plan conflict with the laws of any applicable jurisdiction, the laws of such jurisdiction shall prevail.

C. Award Payouts Subject to the U.S. Internal Revenue Code

The following additional terms will apply to any Participant who receives a payment that is subject to the Code.

- Code Section 409A. The timing of payments made pursuant to this Plan are intended to either: (i) satisfy the conditions of an exception from Section 409A of the Code (e.g., the short-term deferrals exception described in Treasury Regulation Section 1.409A-1(b)(4)); or (ii) comply with Section 409A of the Code; provided, further, that in the absence of such terms regarding the timing of payments, such payments shall occur no later than the 15th day of the third month of the calendar year following the calendar year in which the Participant's right to payment ceased being subject to a substantial risk of forfeiture.
- Deferral of Award. The Administrator, in its sole discretion, may permit a Participant to defer the payment of an Award that would otherwise be paid under the Plan. Any deferral election shall be subject to such rules and procedures as shall be determined by the Administrator in its sole discretion. Any such deferral election must be made pursuant to the terms and conditions of the Parker Executive Deferral Plan or any successor plan.

**IV. Eligibility and Participation**

A. Eligibility

For each Performance Period, eligibility to be a Participant in the Plan is limited to Officers and to any other active Team Members who are designated by the OCE.

B. New Hires and Newly Eligible Participants

An Officer or other Team Member who is newly hired or first becomes a Participant after commencement of a Performance Period will be eligible to receive an Award based on Annual Eligible Earnings earned while a Participant during the applicable Performance Period.

**V. Determination and Timing of Payments**

A. Basis for Payout

The amount of payment for an Award for a Performance Period is based on the achievement of performance goals tied to each of the Metrics for the Performance Period. During the first 90 days of the Performance Period, the Threshold, Target, and Maximum performance levels required for the specified payouts of an Award shall be established by the Administrator and communicated to all Participants. The payout amount for an Award is not guaranteed for a Performance Period and could be zero.

The actual Award earned by Participants shall be determined based on Parker's actual performance at the end of the Performance Period relative to the achievement of the Threshold, Target and Maximum performance levels. The resulting performance will be multiplied by the performance weights identified below:

<b>Metrics:</b>	<b>Weight:</b>
Segment Operating Income	40%
Sales Revenue	20%
Cash Flow	40%

The Award Payout earned for achievement of Threshold, Target and Maximum performance levels, each as a percentage of Target Opportunity, is provided in the table below:

<b>Performance Level Achieved:</b>	<b>Payout:</b>
Threshold	50%
Target	100%
Maximum	200%

The percentage payout shall be interpolated for performance levels achieved between Threshold and Target or between Target and Maximum. Performance for each of the Metrics shall be calculated separately.

The Award Payout may be modified by applying a multiplier of up to +/- 20% (the "Performance Multiplier"). The Performance Multiplier shall be based upon performance against Participant goals relating to ESG and other strategic imperatives. The Performance Multipliers to be applied to Award Payouts will be determined by the HRCC for the Chief Executive Officer, will be recommended by the Chief Executive Officer and approved by the HRCC for all other Officers, and will be determined by the Chief Executive Officer for all other Participants. The application of the Performance Multiplier cannot increase an Award Payout above the Plan's maximum payout level of 200% of Target Opportunity.

**B. Payment**

At the end of the Performance Period each Participant's Annual Eligible Earnings for the full Performance Period will be used to determine the full Performance Period's Award Payout. Within 75 days after the end of the applicable Performance Period and in accordance with applicable law, the Participant will be paid the Award Payout for the Performance Period. As a condition to receiving a payment under this Plan, the Participant must be employed as a Participant on the last day of the Performance Period, except as provided in Section V.D.

C. Participants Who Transfer Between Eligible Positions

A Participant who transfers from one eligible position under the Plan to another eligible position under the Plan will continue to be eligible for an Award Payout, but the amount of the Award Payout will be based on the Annual Eligible Earnings earned while assigned to each eligible position and the Target Opportunity applicable to each eligible position, in each case based upon procedures established by the Administrator. Participants are only to be transferred as of the first of a calendar month for Plan purposes.

D. Participants Who Terminate

When a Participant ceases to be a Team Member or transfers to a position that is not eligible for participation in the Plan, the individual will cease to be a Participant. Except as provided in this Section V.D., no individual will be entitled to any Award Payout or any other payments under this Plan after the individual ceases to be a Participant. When a Participant terminates from the Plan as a result of (i) Parker or an Affiliate terminating the Participant's employment due to a termination without cause (as reasonably determined by Parker or an Affiliate) or Disability, (ii) Retirement, (iii) being transferred to another position with Parker or an Affiliate that is not eligible for the participation in the Plan, or (iv) death, the former Participant (or his or her estate in the event of death) will be entitled to (1) the Award Payout for any full Performance Period completed on or prior to the date of such termination that has not yet been paid, and (2) if the termination occurs during a Performance Period, an Award Payout based upon performance for that full Performance Period and applied to Annual Eligible Earnings applicable to the time the Participant was employed as a Participant (excluding severance pay, unused vacation payout, and any other amount determined by the Administrator to be excluded) during that Performance Period. Any Award Payout under this Section V.D. will be paid within 75 days after the end of the applicable Performance Period and in accordance with applicable law.

Notwithstanding any provision of this Plan to the contrary, in the event that a Participant has entered into a Change in Control Severance Agreement with Parker (a "CIC Agreement") and the Participant experiences a termination of employment or Disability that results in payments to the Participant under the CIC Agreement, then any amounts owed to the Participant with respect to an Award Payout for the Performance Period during which such termination of employment or Disability occurs will be determined and paid in accordance with the terms of the CIC Agreement and not pursuant to this Section V.D.

**VI. General**

A. Amendments and Termination

The HRCC may amend the Plan as it shall deem advisable from time to time. The HRCC may, in its sole discretion, terminate the Plan at any time without the consent of the Participant or any other person.

B. Tax Withholding

Parker and the Affiliates shall have the right to withhold from the payment of any Award hereunder or require prior to the payment of any amount pursuant to an Award, payment by the Participant of any Federal, country, state, local or other taxes which may be required to be withheld or paid in connection with such Award. Neither Parker nor any Affiliate is obligated to guarantee any particular tax result for a Participant with respect to any payment provided to the Participants under the Plan, and each Participant will be responsible for any taxes imposed on the Participant with respect to any such payment.

C. No Right of Participation or Employment

No person shall have any right to participate in the Plan. Neither the Plan nor any Award made hereunder shall confer upon any person any right to continued employment by Parker or any Affiliate or affect in any manner the right of Parker or any Affiliate of Parker to terminate the employment of any person at any time without liability hereunder.

D. Awards are Subject to the Claw-back Policy

To the extent permitted by applicable law, all Awards granted under the Plan will be subject to reduction, forfeiture, recoupment or similar treatment in the event a Participant engages in Detrimental Activity, as determined by the OCE (or with respect to a Participant who is an Officer, by the HRCC) or in accordance with the Claw-back Policy or any other clawback or similar policy or provisions that may be implemented by Parker from time to time, including such policies or provisions that may be implemented after the date an Award is granted, including pursuant to the listing standards of any national securities exchange or association on which Parker's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law, or other agreement or arrangement with a Participant.

E. Governing Law

The Plan and each Award granted pursuant to the Plan, and all determinations made and actions taken pursuant thereto, to the extent not otherwise governed by the laws of the United States, shall be governed by the laws of the State of Ohio and construed in accordance therewith without giving effect to principles of conflicts of laws.

F. Other Plans

Payments pursuant to the Plan shall not be treated as compensation for purposes of any other compensation or benefit plan, program or arrangement of Parker or any of its Affiliates, unless either (a) such other plan provides that payments made pursuant to the Plan are to be considered as compensation thereunder or (b) the OCE (or with respect to an individual who is an Officer, the HRCC) so determines in writing. The adoption of the Plan shall not be construed as limiting the power of Parker or the OCE to adopt such other incentive arrangements as it may otherwise deem appropriate.

G. Binding Effect

The Plan shall be binding upon Parker and its successors and assigns and the Participants and their beneficiaries, personal representatives and heirs. If Parker becomes a party to any merger, consolidation or reorganization, then the Plan shall remain in full force and effect as an obligation of Parker or its successors in interest, unless the Plan is amended or terminated pursuant to Section VI.A.

H. Unfunded Arrangement

The Plan shall at all times be entirely unfunded and no provision shall at any time be made with respect to segregating assets of Parker for payment of any benefit hereunder. No Participant shall have any interest in any particular assets of Parker or any of its affiliates by reason of the right to receive a benefit under the Plan and any such Participant shall have only the rights of an unsecured creditor of Parker with respect to any rights under the Plan.

I. Severability

If any provision of the Plan is held invalid, void or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provisions of the Plan.

J. Waiver

The waiver by Parker of any breach of any provision of the Plan by a Participant shall not operate or be construed as a waiver of any subsequent breach.

K. Captions

The captions of the sections of the Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

EXECUTED at Cleveland, Ohio this 17th day of August, 2022.

PARKER-HANNIFIN CORPORATION

By: /s/ Todd M. Leombruno

Title: Executive Vice President and Chief Financial Officer

By: /s/ Mark J. Hart

Title: Executive Vice President-Human Resources and External Affairs



exhibit 10(f)

## **Parker Deferred Compensation Plan (DCP)**

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Effective January 1, 2023

### **IMPORTANT NOTE**

This document has not been approved by the Department of Labor, Internal Revenue Service, or any other governmental entity. An adopting Employer must determine whether the Plan is subject to the Federal securities laws and the securities laws of the various states. An adopting Employer may not rely on this document to ensure any particular tax consequences or to ensure that the Plan is “unfunded and maintained primarily for the purpose of providing deferred compensation to a select group of management or highly compensated employees” under Title I of the Employee Retirement Income Security Act of 1974, as amended, with respect to the Employer’s particular situation. FMR LLC, its affiliates and employees cannot provide you with legal advice in connection with the execution of this document. This document should be reviewed by the Employer’s attorney prior to execution.

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## Preamble

The Plan is intended to be a “plan which is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees” within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended, or an “excess benefit plan” within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended, or a combination of both. The Plan is further intended to conform with the requirements of Internal Revenue Code Section 409A and the final regulations issued thereunder and shall be interpreted, implemented, and administered in a manner consistent therewith.

## Article 1 - General

### 1.1. Plan

The Plan will be referred to by the name specified in the Adoption Agreement.

### 1.2. Effective Dates

- (a) Original Effective Date. The Original Effective Date is the date as of which the Plan was initially adopted.
- (b) Amendment Effective Date. The Amendment Effective Date is the date specified in the Adoption Agreement as of which the Plan is amended and restated. Except as otherwise provided in the Adoption Agreement, all amounts deferred under the Plan prior to the Amendment Effective Date shall be governed by the terms of the Plan as in effect on the day before the Amendment Effective Date.
- (c) Special Effective Date. A Special Effective Date may apply to any given provision if so specified in Appendix A of the Adoption Agreement. A Special Effective Date will control over the Original Effective Date or Amendment Effective Date, whichever is applicable, with respect to such provision of the Plan.

### 1.3. Amounts Not Subject to Code Section 409A

Except as otherwise indicated by the Plan Sponsor in Section 1.01 of the Adoption Agreement, amounts deferred before January 1, 2005 that are earned and vested on December 31, 2004 will be separately accounted for and administered in accordance with the terms of the Plan as in effect on December 31, 2004.

## Article 2 - Definitions

Wherever used herein, the following terms have the meanings set forth below, unless a different meaning is clearly required by the context:

### 1.4. **Account**

"Account" means an account and any subaccounts established for the purpose of recording amounts credited on behalf of a Participant and any earnings, expenses, gains, losses, or distributions included thereon. The Account shall be a bookkeeping entry only and shall be utilized solely as a device for the measurement and determination of the amounts to be paid to a Participant or to the Participant's Beneficiary pursuant to the Plan.

### 1.5. **Administrator**

"Administrator" means the person or persons designated by the Plan Sponsor in Section 1.05 of the Adoption Agreement to be responsible for the administration of the Plan. If no Administrator is designated in the Adoption Agreement, the Administrator is the Plan Sponsor.

### 1.6. **Adoption Agreement**

"Adoption Agreement" means the agreement adopted by the Plan Sponsor that establishes the Plan.

### 1.7. **Beneficiary**

"Beneficiary" means the persons, trusts, estates, or other entities entitled under Section 8.2 to receive benefits under the Plan upon the death of a Participant.

### 1.8. **Board or Board of Directors**

"Board" or "Board of Directors" means the Board of Directors of the Plan Sponsor.

### 1.9. **Bonus**

"Bonus" means an amount of incentive remuneration payable by the Employer to a Participant.

### 1.10. **Change in Control**

"Change in Control" means the occurrence of an event involving the Plan Sponsor that is described in Section 9.7.

### 1.11. **Code**

"Code" means the Internal Revenue Code of 1986, as amended.

### 1.12. **Compensation**

"Compensation" has the meaning specified in Section 3.01 of the Adoption Agreement.

### 1.13. **Director**

"Director" means a non-employee member of the Board who has been designated by the Employer as eligible to participate in the Plan.

### 1.14. **Disability**

"Disability" means that a Participant is disabled as defined in Section 6.01(i) of the Adoption Agreement.

**1.15. Eligible Employee**

“Eligible Employee” means an employee of the Employer who satisfies the requirements in Section 2.01 of the Adoption Agreement.

**1.16. Employer**

“Employer” means the Plan Sponsor and any other Related Employer that is listed in Section 1.04 of the Adoption Agreement and which is authorized by the Plan Sponsor to participate in and, in fact, does adopt the Plan.

**1.17. ERISA**

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

**1.18. Identification Date**

“Identification Date” means the date as of which Key Employees are determined which is specified in Section 1.06 of the Adoption Agreement.

**1.19. Key Employee**

“Key Employee” means an employee who satisfies the conditions set forth in Section 9.6.

**1.20. Participant**

“Participant” means an Eligible Employee or Director who commences participation in the Plan in accordance with Article 3.

**1.21. Plan**

“Plan” means the unfunded plan of deferred compensation set forth herein, including the Adoption Agreement and any trust agreement, as adopted by the Plan Sponsor, and as amended from time to time.

**1.22. Plan Sponsor**

“Plan Sponsor” means the entity identified in Section 1.03 of the Adoption Agreement or any successor by merger, consolidation or otherwise.

**1.23. Plan Year**

“Plan Year” means the period identified in Section 1.02 of the Adoption Agreement.

**1.24. Related Employer**

“Related Employer” means the Plan Sponsor and (a) any corporation that is a member of a controlled group of corporations as defined in Code Section 414(b) that includes the Plan Sponsor and (b) any trade or business that is under common control as defined in Code Section 414(c) that includes the Plan Sponsor.

**1.25. Retirement**

“Retirement” has the meaning specified in 6.01(f) of the Adoption Agreement.

**1.26. Separation from Service**

“Separation from Service” means the date that the Participant dies, retires, or otherwise has a termination of employment with respect to all entities comprising the Related Employer. A Separation from Service does not occur if the Participant is on military leave, sick leave or other bona fide leave of absence if the period of leave does not exceed six months or such longer period during which the Participant’s right to re-employment is provided by statute



or contract. If the period of leave exceeds six months and the Participant's right to re-employment is not provided either by statute or contract, a Separation from Service will be deemed to have occurred on the first day following the six-month period. If the period of leave is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months, where the impairment causes the Participant to be unable to perform the duties of his or her position of employment or any substantially similar position of employment, a 29 month period of absence may be substituted for the six month period.

Whether a termination of employment has occurred is based on whether the facts and circumstances indicate that the Related Employer and the Participant reasonably anticipated that no further services would be performed after a certain date or that the level of bona fide services the Participant would perform after such date (whether as an employee or as an independent contractor) would permanently decrease to no more than 20 percent of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36 month period (or the full period of services to the Related Employer if the employee has been providing services to the Related Employer for less than 36 months).

An independent contractor is considered to have experienced a Separation from Service with the Related Employer upon the expiration of the contract (or, in the case of more than one contract, all contracts) under which services are performed for the Related Employer if the expiration constitutes a good-faith and complete termination of the contractual relationship.

If a Participant provides services as both an employee and an independent contractor of the Related Employer, the Participant must separate from service both as an employee and as an independent contractor to be treated as having incurred a Separation from Service. If a Participant ceases providing services as an independent contractor and begins providing services as an employee, or ceases providing services as an employee and begins providing services as an independent contractor, the Participant will not be considered to have experienced a Separation from Service until the Participant has ceased providing services in both capacities.

If a Participant provides services both as an employee and as a member of the Board of Directors of a corporate Related Employer (or an analogous position with respect to a noncorporate Related Employer), the services provided as a Director are not taken into account in determining whether the Participant has incurred a Separation from Service as an employee for purposes of a nonqualified deferred compensation plan in which the Participant participates as an employee that is not aggregated under Code Section 409A with any plan in which the Participant participates as a Director.

If a Participant provides services both as an employee and as a member of the Board of Directors of a corporate related Employer (or an analogous position with respect to a noncorporate Related Employer), the services provided as an employee are not taken into account in determining whether the Participant has experienced a Separation from Service as a Director for purposes of a nonqualified deferred compensation plan in which the Participant participates as a Director that is not aggregated under Code Section 409A with any plan in which the Participant participates as an employee.

All determinations of whether a Separation from Service has occurred will be made in a manner consistent with Code Section 409A and the final regulations thereunder.

## **1.27. Unforeseeable Emergency**

"Unforeseeable Emergency" means a severe financial hardship of the Participant resulting from an illness or accident of the Participant, the Participant's spouse, the Participant's Beneficiary, or the Participant's dependent (as defined in Code Section 152, without regard to Code section 152(b)(1), (b)(2) and (d)(1)(B)); loss of the Participant's property due to casualty; or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

**1.28. Valuation Date**

“Valuation Date” means each business day of the Plan Year that the New York Stock Exchange is open.

**1.29. Years of Service**

“Years of Service” means each one-year period for which the Participant receives service credit in accordance with the provisions of Section 7.01(d) of the Adoption Agreement.

## **Article 3 - Participation**

### **1.30. Participation**

The Participants in the Plan shall be those Eligible Employees and Directors of the Employer who satisfy the requirements of Section 2.01 of the Adoption Agreement.

### **1.31. Termination of Participation**

The Administrator may terminate a Participant's participation in the Plan in a manner consistent with Code Section 409A. If the Employer terminates a Participant's participation before the Participant experiences a Separation from Service, the Participant's vested Accounts shall be paid in accordance with the provisions of Article 9.

## **Article 4 - Participant Elections**

### **1.32. Deferral Agreement**

If permitted by the Plan Sponsor in accordance with Section 4.01 of the Adoption Agreement, each Eligible Employee and Director may elect to defer his or her Compensation within the meaning of Section 3.01 of the Adoption Agreement by executing in writing or electronically, a deferral agreement in accordance with rules and procedures established by the Administrator and the provisions of this Article 4.

A new deferral agreement must be timely executed for each Plan Year during which the Eligible Employee or Director desires to defer Compensation. An Eligible Employee or Director who does not timely execute a deferral agreement shall be deemed to have elected zero deferrals of Compensation for such Plan Year.

A deferral agreement may be changed or revoked during the period specified by the Administrator. Except as provided in Section 9.3, a deferral agreement becomes irrevocable at the close of the specified period.

### **1.33. Amount of Deferral**

An Eligible Employee or Director may elect to defer Compensation in any amount permitted by Section 4.01(a) of the Adoption Agreement.

### **1.34. Timing of Election to Defer**

Each Eligible Employee or Director who desires to defer Compensation otherwise payable during a Plan Year must execute a deferral agreement within the period preceding the Plan Year specified by the Administrator. Each Eligible Employee who desires to defer Compensation that is a Bonus must execute a deferral agreement within the period preceding the Plan Year during which the Bonus is earned that is specified by the Administrator, except that if the Bonus can be treated as performance based compensation as described in Code Section 409A(a)(4)(B)(iii), the deferral agreement may be executed within the period specified by the Administrator, which period, in no event, shall end after the date which is six months prior to the end of the period during which the Bonus is earned, provided the Participant has performed services continuously from the later of the beginning of the performance period or the date the performance criteria are established through the date the Participant executed the deferral agreement and provided further that the compensation has not yet become 'readily ascertainable' within the meaning of Treas. Reg. § 1.409A-2(a)(8). In addition, if the Compensation qualifies as 'fiscal year compensation' within the meaning of Treas. Reg. § 1.409A-2(a)(6), the deferral agreement may be made not later than the end of the Employer's taxable year immediately preceding the first taxable year of the Employer in which any services are performed for which such Compensation is payable.

Except as otherwise provided below, an employee who is classified or designated as an Eligible Employee during a Plan Year or a Director who is designated as eligible to participate during a Plan Year may elect to defer Compensation otherwise payable during the remainder of such Plan Year in accordance with the rules of this Section 4.3 by executing a deferral agreement within the thirty (30) day period beginning on the date the employee is classified or designated as an Eligible Employee or the date the Director is designated as eligible, whichever is applicable, if permitted by Section 4.01(b)(ii) of the Adoption Agreement. If Compensation is based on a specified performance period that begins before the Eligible Employee or Director executes his or her deferral agreement, the election will be deemed to apply to the portion of such Compensation equal to the total amount of Compensation for the performance period multiplied by the ratio of the number of days remaining in the performance period after the election becomes irrevocable and effective over the total number of days in the performance period. The rules of this paragraph shall not apply unless the Eligible Employee or Director can be treated as initially eligible in accordance with Treas. Reg. § 1.409A-2(a)(7).

### **1.35. Election of Payment Schedule and Form of Payment**

All elections of a payment schedule and a form of payment will be made in accordance with rules and procedures established by the Administrator and the provisions of this Section 4.4.

- (a) If the Plan Sponsor has elected to permit annual distribution elections in accordance with Section 6.01(h) of the Adoption Agreement the following rules apply. At the time an Eligible Employee or Director completes a deferral agreement, the Eligible Employee or Director must elect a distribution event (which includes a specified time) and a form of payment for the Compensation subject to the deferral agreement from among the options the Plan Sponsor has made available for this purpose and which are specified in 6.01(b) of the Adoption Agreement. Prior to the time required by Treas. Reg. § 1.409A-2, the Eligible Employee or Director shall elect a distribution event (which includes a specified time) and a form of payment for any Employer contributions that may be credited to the Participant's Account during the Plan Year. If an Eligible Employee or Director fails to elect a distribution event, he or she shall be deemed to have elected Separation from Service as the distribution event. If he or she fails to elect a form of payment, he or she shall be deemed to have elected a lump sum form of payment.
- (b) If the Plan Sponsor has elected not to permit annual distribution elections in accordance with Section 6.01(h) of the Adoption Agreement the following rules apply. At the time an Eligible Employee or Director first completes a deferral agreement but in no event later than the time required by Treas. Reg. § 1.409A-2, the Eligible Employee or Director must elect a distribution event (which includes a specified time) and a form of payment for amounts credited to his or her Account from among the options the Plan Sponsor has made available for this purpose and which are specified in Section 6.01(b) of the Adoption Agreement. If an Eligible Employee or Director fails to elect a distribution event, he or she shall be deemed to have elected Separation from Service in the distribution event. If the Participant fails to elect a form of payment, he or she shall be deemed to have elected a lump sum form of payment.

## **Article 5 - Employer Contributions**

### **1.1. Matching Contributions**

If elected by the Plan Sponsor in Section 5.01(a) of the Adoption Agreement, the Employer will credit the Participant's Account with a matching contribution determined in accordance with the formula specified in Section 5.01(a) of the Adoption Agreement. The matching contribution will be treated as allocated to the Participant's Account at the time specified in Section 5.01(a)(iii) of the Adoption Agreement.

### **1.2. Other Contributions**

If elected by the Plan Sponsor in Section 5.01(b) of the Adoption Agreement, the Employer will credit the Participant's Account with a contribution or contributions determined in accordance with the formula or method specified in Section 5.01(b) of the Adoption Agreement. These contributions will be treated as allocated to the Participant's Account at the time specified in Section 5.01(b)(iii) of the Adoption Agreement.

## **Article 6 - Accounts and Credits**

### **1.1. Establishment of Account**

For accounting and computational purposes only, the Administrator will establish and maintain an Account on behalf of each Participant which will reflect the credits made pursuant to Section 6.2, distributions or withdrawals, along with the earnings, expenses, gains and losses allocated thereto, attributable to the hypothetical investments made with the amounts in the Account as provided in Article 7. The Administrator may establish and maintain such other records and accounts, as it decides in its discretion to be reasonably required or appropriate to discharge its duties under the Plan.

### **1.2. Credits to Account**

A Participant's Account will be credited for each Plan Year with the amount of his or her elective deferrals under Section 4.1 at the time the amount subject to the deferral election would otherwise have been payable to the Participant and the amount of Employer contributions, if any, treated as allocated on his or her behalf under Article 5.

## **Article 7 - Investment of Contributions**

### **1.1. Investment Options**

The amount credited to each Account shall be treated as invested in the investment options designated for this purpose by the Administrator.

### **1.2. Adjustment of Accounts**

The amount credited to each Account shall be adjusted for hypothetical investment earnings, expenses, gains or losses in an amount equal to the earnings, expenses, gains or losses attributable to the investment options selected by the party designated in Section 9.01 of the Adoption Agreement from among the investment options provided in Section 7.1. If permitted by Section 9.01 of the Adoption Agreement, a Participant (or the Participant's Beneficiary after the death of the Participant) may, in accordance with rules and procedures established by the Administrator, select the investments from among the options provided in Section 7.1 to be used for the purpose of calculating future hypothetical investment adjustments to the Account or to future credits to the Account under Section 6.2 effective as of the Valuation Date coincident with or next following notice to the Administrator. Each Account shall be adjusted as of each Valuation Date to reflect: (a) the hypothetical earnings, expenses, gains, and losses described above; (b) amounts credited pursuant to Section 6.2; and (c) distributions or withdrawals. In addition, each Account may be adjusted for its allocable share of the hypothetical costs and expenses associated with the maintenance of the hypothetical investments provided in Section 7.1.



## **Article 8 - Right to Benefits**

### **1.3. Vesting**

A Participant, at all times, has a 100% nonforfeitable interest in the amounts credited to his or her Account attributable to his or her elective deferrals made in accordance with Section 4.1.

A Participant's right to the amounts credited to his or her Account attributable to Employer contributions made in accordance with Article 5 shall be determined in accordance with the relevant schedule and provisions in Section 7.01 of the Adoption Agreement. Upon a Separation from Service and after application of the provisions of Section 7.01 of the Adoption Agreement, the Participant shall forfeit the nonvested portion of his or her Account.

### **1.4. Death**

The Plan Sponsor may elect to accelerate vesting upon the death of the Participant in accordance with Section 7.01(c) of the Adoption Agreement and/or to accelerate distributions upon death in accordance with Section 6.01(b) or Section 6.01(d) of the Adoption Agreement. If the Plan Sponsor does not elect to accelerate distributions upon death in accordance with Section 6.01(b) or Section 6.01(d) of the Adoption Agreement, the vested amount credited to the Participant's Account will be paid in accordance with the provisions of Article 9.

A Participant may designate a Beneficiary or Beneficiaries, or change any prior designation of Beneficiary or Beneficiaries in accordance with rules and procedures established by the Administrator. Whenever a Participant designates a new Beneficiary, all former Beneficiary designations by such Participant shall be revoked automatically. If a Participant and the Participant's spouse divorce, any designations of the spouse as Beneficiary shall become null and void. The former spouse shall be treated as the Beneficiary under the Plan only if after the divorce is final, the Participant expressly re-designates the former spouse as the Participant's Beneficiary.

A copy of the death notice or other sufficient documentation must be filed with and approved by the Administrator. If upon the death of the Participant there is, in the opinion of the Administrator, no designated Beneficiary for part or all of the Participant's vested Account, such amount will be paid to his or her estate (such estate shall be deemed to be the Beneficiary for purposes of the Plan) in accordance with the provisions of Article 9.

### **1.5. Disability**

If the Plan Sponsor has elected to accelerate vesting upon the occurrence of a Disability in accordance with Section 7.01(c) of the Adoption Agreement and/or to permit distributions upon Disability in accordance with Section 6.01(b) or Section 6.01(d) of the Adoption Agreement, the determination of whether a Participant has incurred a Disability shall be based on the definition of Disability in Section 6.01(i) of the Adoption Agreement and in a manner consistent with the requirements of Code Section 409A.

## **Article 9 - Distribution of Benefits**

### **1.3. Amount of Benefits**

The vested amount credited to a Participant's Account as determined under Articles 6, 7 and 8 shall determine and constitute the basis for the value of benefits payable to the Participant under the Plan.

### **1.4. Method and Timing of Distributions**

Except as otherwise provided in this Article 9, distributions under the Plan shall be made in accordance with the elections made or deemed made by the Participant under Article 4. Subject to the provisions of Section 9.6 requiring a six-month delay for certain distributions to Key Employees, distributions following a payment event shall commence at the time specified in Section 6.01(a) of the Adoption Agreement. If permitted by Section 6.01(g) of the Adoption Agreement, a Participant may elect, at least twelve months before a scheduled distribution event, to delay the payment date for a minimum period of sixty months from the originally scheduled date of payment, provided the election does not take effect for at least twelve months from the date on which the election is made. The distribution election change must be made in accordance with procedures and rules established by the Administrator. The Participant may, at the same time the date of payment is deferred, change the form of payment but such change in the form of payment may not effect an acceleration of payment in violation of Code Section 409A or the provisions of Treas. Reg. § 1.409A-2(b). For purposes of this Section 9.2, a series of installment payments is always treated as a single payment and not as a series of separate payments.

### **1.5. Unforeseeable Emergency**

A Participant may request a distribution due to an Unforeseeable Emergency if the Plan Sponsor has elected to permit Unforeseeable Emergency withdrawals under Section 8.01(a) of the Adoption Agreement. The request must be in writing and must be submitted to the Administrator along with evidence that the circumstances constitute an Unforeseeable Emergency. The Administrator has the discretion to require whatever evidence it deems necessary to determine whether a distribution is warranted, and may require the Participant to certify that the need cannot be met from other sources reasonably available to the Participant. Whether a Participant has incurred an Unforeseeable Emergency will be determined by the Administrator on the basis of the relevant facts and circumstances in its sole discretion, but, in no event, will an Unforeseeable Emergency be deemed to exist if the hardship can be relieved: (a) through reimbursement or compensation by insurance or otherwise, (b) by liquidation of the Participant's assets to the extent such liquidation would not itself cause severe financial hardship, or (c) by cessation of deferrals under the Plan. A distribution due to an Unforeseeable Emergency must be limited to the amount reasonably necessary to satisfy the emergency need and may include any amounts necessary to pay any federal, state, foreign or local income taxes and penalties reasonably anticipated to result from the distribution. The distribution will be made in the form of a single lump sum cash payment. If permitted by Section 8.01(b) of the Adoption Agreement, a Participant's deferral elections for the remainder of the Plan Year will be cancelled upon a withdrawal due to an Unforeseeable Emergency. If the payment of all or any portion of the Participant's vested Account is being delayed in accordance with Section 9.6 at the time he or she experiences an Unforeseeable Emergency, the amount being delayed shall not be subject to the provisions of this Section 9.3 until the expiration of the six month period of delay required by section 9.6.

### **1.6. Payment Election Overrides**

If the Plan Sponsor has elected one or more payment election overrides in accordance with Section 6.01(d) of the Adoption Agreement, the following provisions apply. Upon the occurrence of the first event selected by the Plan Sponsor, the remaining vested amount credited to the Participant's Account shall be paid in the form designated to the Participant or his or her Beneficiary regardless of whether the Participant had made different elections of time and/or form of payment or whether the Participant was receiving installment payments at the time of the event.

### **1.7. Cashouts of Amounts Not Exceeding Stated Limit**

If the vested amount credited to the Participant's Account does not exceed the limit established for this purpose by the Plan Sponsor in Section 6.01(e) of the Adoption Agreement at the time he or she incurs a Separation from Service for any reason, the Employer shall distribute such amount to the Participant at the time specified in Section 6.01(a) of the Adoption Agreement in a single lump sum cash payment following such Separation from Service regardless of whether the Participant had made different elections of time or form of payment as to the vested amount credited to his or her Account or whether the Participant was receiving installments at the time of such termination. A Participant's Account, for purposes of this Section 9.5, shall include any amounts described in Section 1.3.

### **1.8. Required Delay in Payment to Key Employees**

Except as otherwise provided in this Section 9.6, a distribution made on account of Separation from Service (or Retirement, if applicable) to a Participant who is a Key Employee as of the date of his or her Separation from Service (or Retirement, if applicable) shall not be made before the date which is six months after the Separation from Service (or Retirement, if applicable).

- (a) A Participant is treated as a Key Employee if: (i) he or she is employed by a Related Employer any of whose stock is publicly traded on an established securities market, and (ii) he or she satisfies the requirements of Code Section 416(i)(1)(A)(i), (ii) or (iii), determined without regard to Code Section 416(i)(5), at any time during the twelve month period ending on the Identification Date.
- (b) A Participant who is a Key Employee on an Identification Date shall be treated as a Key Employee for purposes of the six month delay in distributions for the twelve month period beginning on the first day of a month no later than the fourth month following the Identification Date. The Identification Date and the effective date of the delay in distributions shall be determined in accordance with Section 1.06 of the Adoption Agreement.
- (c) The Plan Sponsor may elect to apply an alternative method to identify Participants who will be treated as Key Employees for purposes of the six month delay in distributions if the method satisfies each of the following requirements: (i) is reasonably designed to include all Key Employees, (ii) is an objectively determinable standard providing no direct or indirect election to any Participant regarding its application, and (iii) results in either all Key Employees or no more than 200 Key Employees being identified in the class as of any date. Use of an alternative method that satisfies the requirements of this Section 9.6(c) will not be treated as a change in the time and form of payment for purposes of Treas. Reg. § 1.409A-2(b).
- (d) The six-month delay does not apply to payments described in Section 9.9(a), (b) or (d) or to payments that occur after the death of the Participant. If the payment of all or any portion of the Participant's vested Account is being delayed in accordance with this Section 9.6 at the time he or she incurs a Disability which would otherwise require a distribution under the terms of the Plan, no amount shall be paid until the expiration of the six month period of delay required by this Section 9.6.

### **1.1. Change in Control**

If the Plan Sponsor has elected to permit distributions upon a Change in Control, the following provisions shall apply. A distribution made upon a Change in Control will be made at the time specified in Section 6.01(a) of the Adoption Agreement in the form elected by the Participant in accordance with the procedures described in Article 4. Alternatively, if the Plan Sponsor has elected in accordance with Section 11.02 of the Adoption Agreement to require distributions upon a Change in Control, the Participant's remaining vested Account shall be paid to the Participant or the Participant's Beneficiary at the time specified

in Section 6.01(a) of the Adoption Agreement as a single lump sum payment. A Change in Control, for purposes of the Plan, will occur upon a change in the ownership of the Plan Sponsor, a change in the effective control of the Plan Sponsor or a change in the ownership of a substantial portion of the assets of the Plan Sponsor, but only if elected by the Plan Sponsor in Section 11.03 of the Adoption Agreement. The Plan Sponsor, for this purpose, includes any corporation identified in this Section 9.7. All distributions made in accordance with this Section 9.7 are subject to the provisions of Section 9.6.

If a Participant continues to make deferrals in accordance with Article 4 after he or she has received a distribution due to a Change in Control, the residual amount payable to the Participant shall be paid at the time and in the form specified in the elections he or she makes in accordance with Article 4 or upon his or her death or Disability as provided in Article 8.

Whether a Change in Control has occurred will be determined by the Administrator in accordance with the rules and definitions set forth in this Section 9.7. A distribution to the Participant will be treated as occurring upon a Change in Control if the Plan Sponsor terminates the Plan in accordance with Section 10.2 and distributes the Participant's benefits within twelve months of a Change in Control as provided in Section 10.3.

- (a) Relevant Corporations. To constitute a Change in Control for purposes of the Plan, the event must relate to: (i) the corporation for whom the Participant is performing services at the time of the Change in Control, (ii) the corporation that is liable for the payment of the Participant's benefits under the Plan (or all corporations liable if more than one corporation is liable) but only if either the deferred compensation is attributable to the performance of services by the Participant for such corporation (or corporations) or there is a bona fide business purpose for such corporation (or corporations) to be liable for such payment and, in either case, no significant purpose of making such corporation (or corporations) liable for such payment is the avoidance of federal income tax, or (iii) a corporation that is a majority shareholder of a corporation identified in (i) or (ii), or any corporation in a chain of corporations in which each corporation is a majority shareholder of another corporation in the chain, ending in a corporation identified in (i) or (ii). A majority shareholder is defined as a shareholder owning more than fifty percent (50%) of the total fair market value and voting power of such corporation.
- (b) Stock Ownership. Code Section 318(a) applies for purposes of determining stock ownership. Stock underlying a vested option is considered owned by the individual who owns the vested option (and the stock underlying an unvested option is not considered owned by the individual who holds the unvested option). If, however, a vested option is exercisable for stock that is not substantially vested (as defined by Treas. Reg. § 1.83-3(b) and (j)) the stock underlying the option is not treated as owned by the individual who holds the option.
- (c) Change in the Ownership of a Corporation. A change in the ownership of a corporation occurs on the date that any one person or more than one person acting as a group, acquires ownership of stock of the corporation that, together with stock held by such person or group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of such corporation. If any one person or more than one person acting as a group is considered to own more than fifty percent (50%) of the total fair market value or total voting power of the stock of a corporation, the acquisition of additional stock by the same person or persons is not considered to cause a change in the ownership of the corporation (or to cause a change in the effective control of the corporation as discussed below in Section 9.7(d)). An increase in the percentage of stock owned by any one person, or persons acting as a group, as a result of a transaction in which the corporation acquires its stock in exchange for property will be treated as an acquisition of stock. Section 9.7(c) applies only when there is a transfer of stock of a corporation (or issuance of stock of a corporation) and stock in such corporation remains outstanding after the transaction. For purposes of this Section 9.7(c), persons will not be considered to be acting as a group solely because they purchase or own stock of the same corporation

at the same time or as a result of a public offering. Persons will, however, be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase, or acquisition of stock, or similar business transaction with the corporation. If a person, including an entity, owns stock in both corporations that enter into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be acting as a group with other shareholders in a corporation only with respect to ownership in that corporation prior to the transaction giving rise to the change and not with respect to the ownership interest in the other corporation.

- (d) Change in the Effective Control of a Corporation. A change in the effective control of a corporation occurs on the date that either (i) any one person, or more than one person acting as a group, acquires (or has acquired during the twelve month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the corporation possessing thirty percent (30%) or more of the total voting power of the stock of such corporation, or (ii) a majority of members of the corporation's Board of Directors is replaced during any twelve month period by Directors whose appointment or election is not endorsed by a majority of the members of the corporation's Board of Directors prior to the date of the appointment or election, provided that for purposes of this paragraph (ii), the term corporation refers solely to the relevant corporation identified in Section 9.7(a) for which no other corporation is a majority shareholder for purposes of Section 9.7(a). In the absence of an event described in Section 9.7(d)(i) or (ii), a change in the effective control of a corporation will not have occurred. A change in effective control may also occur in any transaction in which either of the two corporations involved in the transaction has a change in the ownership of such corporation as described in Section 9.7(c) or a change in the ownership of a substantial portion of the assets of such corporation as described in Section 9.7(e). If any one person, or more than one person acting as a group, is considered to effectively control a corporation within the meaning of this Section 9.7(d), the acquisition of additional control of the corporation by the same person or persons is not considered to cause a change in the effective control of the corporation or to cause a change in the ownership of the corporation within the meaning of Section 9.7(c). For purposes of this Section 9.7(d), persons will or will not be considered to be acting as a group in accordance with rules similar to those set forth in Section 9.7(c) with the following exception. If a person, including an entity, owns stock in both corporations that enter into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be acting as a group with other shareholders in a corporation only with respect to the ownership in that corporation prior to the transaction giving rise to the change and not with respect to the ownership interest in the other corporation.

- (e) Change in the Ownership of a Substantial Portion of a Corporation's Assets. A change in the ownership of a substantial portion of a corporation's assets occurs on the date that any one person, or more than one person acting as a group (as determined in accordance with rules similar to those set forth in Section 9.7(d)), acquires (or has acquired during the twelve month period ending on the date of the most recent acquisition by such person or persons) assets from the corporation that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the assets of the corporation immediately prior to such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of the corporation or the value of the assets being disposed of determined without regard to any liabilities associated with such assets. There is no Change in Control event under this Section 9.7(e) when there is a transfer to an entity that is controlled by the shareholders of the transferring corporation immediately after the transfer. A transfer of assets by a corporation is not treated as a change in ownership of such assets if the assets are transferred to (i) a shareholder of the corporation (immediately before the asset transfer) in exchange for or with respect to its stock, (ii) an entity, fifty percent (50%) or more of the total value or voting power of which is owned, directly or indirectly, by the corporation, (iii) a person, or more than one person acting as a group, that owns, directly or indirectly, fifty percent (50%) or more of the total value or voting power of all the outstanding stock of the corporation, or (iv) an entity, at least fifty (50%) of the total value or voting power of which is owned, directly or indirectly, by a person described in Section 9.7(e)(iii). For purposes of the foregoing, and except as otherwise provided, a person's status is determined immediately after the transfer of assets.

## **1.2. Permissible Delays in Payment**

Distributions may be delayed beyond the date payment would otherwise occur in accordance with the provisions of Articles 8 and 9 in any of the following circumstances (as long as the Employer treats all payments to similarly situated Participants on a reasonably consistent basis):

- (a) The Employer may delay payment if it reasonably anticipates that its deduction with respect to such payment would be limited or eliminated by the application of Code Section 162(m). Payment must be made during the Participant's first taxable year in which the Employer reasonably anticipates, or should reasonably anticipate, that if the payment is made during such year the deduction of such payment will not be barred by the application of Code Section 162(m) or during the period beginning with the Participant's Separation from Service and ending on the later of the last day of the Employer's taxable year in which the Participant separates from service or the 15<sup>th</sup> day of the third month following the Participant's Separation from Service. If a scheduled payment to a Participant is delayed in accordance with this Section 9.8(a), all scheduled payments to the Participant that could be delayed in accordance with this Section 9.8(a) will also be delayed.
- (b) The Employer may also delay payment if it reasonably anticipates that the making of the payment will violate federal securities laws or other applicable laws provided payment is made at the earliest date on which the Employer reasonably anticipates that the making of the payment will not cause such violation.
- (c) The Employer reserves the right to amend the Plan to provide for a delay in payment upon such other events and conditions as the Secretary of the Treasury may prescribe in generally applicable guidance published in the Internal Revenue Bulletin.

## **1.3. Permitted Acceleration of Payment**

The Employer may permit acceleration of the time or schedule of any payment or amount scheduled to be paid pursuant to a payment under the Plan provided such acceleration

would be permitted by the provisions of Treas. Reg. § 1.409A-3(j)(4), including the following events:

- (a) Domestic Relations Order. A payment may be accelerated if such payment is made to an alternate payee pursuant to and following the receipt and qualification of a domestic relations order as defined in Code Section 414(p).
- (b) Compliance with Ethics Agreement and Legal Requirements. A payment may be accelerated as may be necessary to comply with ethics agreements with the Federal government or as may be reasonably necessary to avoid the violation of Federal, state, local or foreign ethics law or conflicts of laws, in accordance with the requirements of Code Section 409A.
- (c) De Minimis Amounts. A payment may be accelerated if (i) the amount of the payment is not greater than the applicable dollar amount under Code Section 402(g)(1)(B), and (ii) at the time the payment is made the amount constitutes the Participant's entire interest under the Plan and all other plans that are aggregated with the Plan under Treas. Reg. § 1.409A-1(c)(2).
- (d) FICA Tax. A payment may be accelerated to the extent required to pay the Federal Insurance Contributions Act tax imposed under Code Sections 3101, 3121(a) and 3121(v)(2) of the Code with respect to compensation deferred under the Plan (the "FICA Amount"). Additionally, a payment may be accelerated to pay the income tax on wages imposed under Code Section 3401 of the Code on the FICA Amount and to pay the additional income tax at source on wages attributable to the pyramiding Code Section 3401 wages and taxes. The total payment under this subsection (d) may not exceed the aggregate of the FICA Amount and the income tax withholding related to the FICA Amount.
- (e) Section 409A Additional Tax. A payment may be accelerated if the Plan fails to meet the requirements of Code Section 409A; provided that such payment may not exceed the amount required to be included in income as a result of the failure to comply with the requirements of Code Section 409A.
- (f) Offset. A payment may be accelerated in the Employer's discretion as satisfaction of a debt of the Participant to the Employer, where such debt is incurred in the ordinary course of the service relationship between the Participant and the Employer, the entire amount of the reduction in any of the Employer's taxable years does not exceed \$5,000, and the reduction is made at the same time and in the same amount as the debt otherwise would have been due and collected from the Participant.
- (g) Other Events. A payment may be accelerated in the Administrator's discretion in connection with such other events and conditions as permitted by Code Section 409A.

## **Article 10 - Amendment and Termination**

### **1.1. Amendment by Plan Sponsor**

The Plan Sponsor reserves the right to amend the Plan (for itself and each Employer) through action of its Board of Directors or other authorized person. No amendment can directly or indirectly deprive any current or former Participant or Beneficiary of all or any portion of his or her Account which had accrued and vested prior to the amendment.

### **1.2. Plan Termination Following Change in Control or Corporate Dissolution**

If so elected by the Plan Sponsor in 11.01 of the Adoption Agreement, the Plan Sponsor reserves the right to terminate the Plan and distribute all amounts credited to all Participant Accounts within the 30 days preceding or the twelve months following a Change in Control as determined in accordance with the rules set forth in Section 9.7. For this purpose, the Plan will be treated as terminated only if all agreements, methods, programs and other arrangements sponsored by the Related Employer immediately after the Change in Control which are treated as a single plan under Treas. Reg. § 1.409A-1(c)(2) are also terminated so that all Participants under the Plan and all similar arrangements are required to receive all amounts deferred under the terminated arrangements within twelve months of the date the Plan Sponsor irrevocably takes all necessary action to terminate the arrangements. In addition, the Plan Sponsor reserves the right to terminate the Plan within twelve months of a corporate dissolution taxed under Code Section 331 or with the approval of a bankruptcy court pursuant to 11 U. S. C. Section 503(b)(1)(A) provided that amounts deferred under the Plan are included in the gross incomes of Participants in the latest of (a) the calendar year in which the termination and liquidation occurs, (b) the first calendar year in which the amount is no longer subject to a substantial risk of forfeiture, or (c) the first calendar year in which payment is administratively practicable.

### **1.3. Other Plan Terminations**

The Plan Sponsor retains the discretion to terminate the Plan if (a) all arrangements sponsored by the Plan Sponsor that would be aggregated with any terminated arrangement under Code Section 409A and Treas. Reg. § 1.409A-1(c)(2) are terminated, (b) no payments other than payments that would be payable under the terms of the arrangements if the termination had not occurred are made within twelve months of the termination of the arrangements, (c) all payments are made within twenty-four months of the date the Plan Sponsor takes all necessary action to irrevocably terminate and liquidate the arrangements, (d) the Plan Sponsor does not adopt a new arrangement that would be aggregated with any terminated arrangement under Code Section 409A and the regulations thereunder at any time within the three year period following the date of termination of the arrangement, and (e) the termination does not occur proximate to a downturn in the financial health of the Plan Sponsor. The Plan Sponsor also reserves the right to amend the Plan to provide that termination of the Plan will occur under such conditions and events as may be prescribed by the Secretary of the Treasury in generally applicable guidance published in the Internal Revenue Bulletin.



## **Article 11 - The Trust**

### **1.9. Establishment of Trust**

The Plan Sponsor may but is not required to establish a trust to hold amounts which the Plan Sponsor may contribute from time to time to correspond to some or all amounts credited to Participants under Section 6.2. In the event that the Plan Sponsor wishes to establish a trust to provide a source of funds for the payment of Plan benefits, any such trust shall be constructed to constitute an unfunded arrangement that does not affect the status of the Plan as an unfunded plan for purposes of Title I of ERISA and the Code. If the Plan Sponsor elects to establish a trust in accordance with Section 10.01 of the Adoption Agreement, the provisions of Sections 11.2 and 11.3 shall become operative.

### **1.10. Trust**

Any trust established by the Plan Sponsor shall be between the Plan Sponsor and a trustee pursuant to a separate written agreement under which assets are held, administered and managed, subject to the claims of the Plan Sponsor's creditors in the event of the Plan Sponsor's insolvency. The Plan Sponsor must notify the trustee in the event of a bankruptcy or insolvency.

### **1.11. Investment of Trust Funds**

Any amounts contributed to the trust by the Plan Sponsor shall be invested by the trustee in accordance with the provisions of the trust and the instructions of the Administrator. Trust investments need not reflect the hypothetical investments selected by Participants under Section 7.1 for the purpose of adjusting Accounts and the earnings or investment results of the trust need not affect the hypothetical investment adjustments to Participant Accounts under the Plan.

## Article 12 - Plan Administration

### 1.4. *Powers and Responsibilities of the Administrator*

The Administrator has the full power and the full responsibility to administer the Plan in all of its details; subject, however, to the applicable requirements of ERISA. The Administrator's powers and responsibilities include, but are not limited to, the following:

- (a) To make and enforce such rules and procedures as it deems necessary or proper for the efficient administration of the Plan;
- (b) To interpret the Plan, its interpretation thereof to be final, except as provided in Section 12.2, on all persons claiming benefits under the Plan;
- (c) To decide all questions concerning the Plan and the eligibility of any person to participate in the Plan;
- (d) To administer the claims and review procedures specified in Section 12.2;
- (e) To compute the amount of benefits which will be payable to any Participant, former Participant or Beneficiary in accordance with the provisions of the Plan;
- (f) To determine the person or persons to whom such benefits will be paid;
- (g) To authorize the payment of benefits;
- (h) To make corrections and recover the overpayment of any benefits;
- (i) To comply with the reporting and disclosure requirements of Part 1 of Subtitle B of Title I of ERISA;
- (j) To appoint such agents, counsel, accountants, and consultants as may be required to assist in administering the Plan;
- (k) By written instrument, to allocate and delegate its responsibilities, including the formation of an Administrative Committee to administer the Plan.

## 1.1. **Claims and Review Procedures**

- (a) Claims Procedure. If any person believes he or she is being denied any rights or benefits under the Plan, such person may file a claim in writing with the Administrator. If any such claim is wholly or partially denied, the Administrator will notify such person of its decision in writing. Such notification will contain (i) specific reasons for the denial, (ii) specific reference to pertinent Plan provisions, (iii) a description of any additional material or information necessary for such person to perfect such claim and an explanation of why such material or information is necessary, and (iv) a description of the Plan's review procedures and the time limits applicable to such procedures, including a statement of the person's right to bring a civil action following an adverse decision on review. If the claim involves a Disability, the denial must also include the standards that governed the decision, including the basis for disagreeing with any health care professionals, vocational professionals or the Social Security Administration as well as an explanation of the scientific or clinical judgement underlying the denial. Such notification will be given within 90 days (45 days in the case of a claim regarding Disability) after the claim is received by the Administrator. The Administrator may extend the period for providing the notification by 90 days (30 days in the case of a claim regarding Disability, which may be extended an additional 30 days) if special circumstances require an extension of time for processing the claim and if written notice of such extension and circumstance is given to such person within the initial 90 day period (45 day period in the case of a claim regarding Disability). If such notification is not given within such period, the claim will be considered denied as of the last day of such period and such person may request a review of his or her claim.
- (b) Review Procedure. Within 60 days (180 days in the case of a claim regarding Disability) after the date on which a person receives a written notification of denial of claim (or, if written notification is not provided, within 60 days (180 days in the case of a claim regarding Disability) of the date denial is considered to have occurred), such person (or his or her duly authorized representative) may (i) file a written request with the Administrator for a review of his or her denied claim and of pertinent documents and (ii) submit written issues and comments to the Administrator. The Administrator will notify such person of its decision in writing. Such notification will be written in a manner calculated to be understood by such person and will contain specific reasons for the decision as well as specific references to pertinent Plan provisions. The notification will explain that the person is entitled to receive, upon request and free of charge, reasonable access to and copies of all pertinent documents and has the right to bring a civil action following an adverse decision on review. The decision on review will be made within 60 days (45 days in the case of a claim regarding Disability). The Administrator may extend the period for making the decision on review by 60 days (45 days in the case of a claim regarding Disability) if special circumstances require an extension of time for processing the request such as an election by the Administrator to hold a hearing, and if written notice of such extension and circumstances is given to such person within the initial 60-day period (45 days in the case of a claim regarding Disability). If the decision on review is not made within such period, the claim will be considered denied.

If the claim is regarding Disability, and the determination of Disability has not been made by the Social Security Administration, the Railroad Retirement Board, or under the Plan Sponsor's long-term disability plan, the person may, upon written request and free of charge, also receive the identification of medical or vocational experts whose advice was obtained in connection with the denial of a claim regarding Disability, even if the advice was not relied upon.

Before issuing any decision with respect to a claim involving Disability, the Administrator will provide to the person, free of charge, the following information as soon as possible and sufficiently in advance of the date on which the response is required to be provided to the person to allow the person a reasonable opportunity to respond prior to the due date of the response:

- (i) Any new or additional evidence considered, relied upon, or generated by the Administrator or other person making the decision; and
- (ii) A new or addition rationale if the decision will be based on that rationale.
- (c) Exhaustion of Claims Procedures and Right to Bring Legal Claim. No action at law or equity shall be brought more than one year after the Administrator's affirmation of a denial of a claim, or, if earlier, more than four years after the facts or events giving rising to the claimant's allegation(s) or claim(s) first occurred.

## **1.2. Plan Administrative Costs**

All reasonable costs and expenses (including legal, accounting, and employee communication fees) incurred by the Administrator in administering the Plan shall be paid by the Plan to the extent not paid by the Employer.

## **Article 13 - Miscellaneous**

### **1.3. Unsecured General Creditor of the Employer**

Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, interests or claims in any property or assets of the Employer. For purposes of the payment of benefits under the Plan, any and all of the Employer's assets shall be, and shall remain, the general, unpledged, unrestricted assets of the Employer. Each Employer's obligation under the Plan shall be merely that of an unfunded and unsecured promise to pay money in the future.

### **1.4. Employer's Liability**

Each Employer's liability for the payment of benefits under the Plan shall be defined only by the Plan and by the deferral agreements entered into between a Participant and the Employer. An Employer shall have no obligation or liability to a Participant under the Plan except as provided by the Plan and a deferral agreement or agreements. An Employer shall have no liability to Participants employed by other Employers.

### **1.5. Limitation of Rights**

Neither the establishment of the Plan, nor any amendment thereof, nor the creation of any fund or account, nor the payment of any benefits, will be construed as giving to the Participant or any other person any legal or equitable right against the Employer, the Plan or the Administrator, except as provided herein; and in no event will the terms of employment or service of the Participant be modified or in any way affected hereby.

### **1.6. Anti-Assignment**

Except as may be necessary to fulfill a domestic relations order within the meaning of Code Section 414(p), none of the benefits or rights of a Participant or any Beneficiary of a Participant shall be subject to the claim of any creditor. In particular, to the fullest extent permitted by law, all such benefits and rights shall be free from attachment, garnishment, or any other legal or equitable process available to any creditor of the Participant and his or her Beneficiary. Neither the Participant nor his or her Beneficiary shall have the right to alienate, anticipate, commute, pledge, encumber, or assign any of the payments which he or she may expect to receive, contingently or otherwise, under the Plan, except the right to designate a Beneficiary to receive death benefits provided hereunder. Notwithstanding the preceding, the benefit payable from a Participant's Account may be reduced, at the discretion of the Administrator, to satisfy any debt or liability to the Employer.

### **1.7. Facility of Payment**

If the Administrator determines, on the basis of medical reports or other evidence satisfactory to the Administrator, that the recipient of any benefit payments under the Plan is incapable of handling his or her affairs by reason of minority, illness, infirmity or other incapacity, the Administrator may direct the Employer to disburse such payments to a person or institution designated by a court which has jurisdiction over such recipient or a person or institution otherwise having the legal authority under State law for the care and control of such recipient. The receipt by such person or institution of any such payments therefore, and any such payment to the extent thereof, shall discharge the liability of the Employer, the Plan and the Administrator for the payment of benefits hereunder to such recipient.

### **1.8. Notices**

Any notice or other communication to the Employer or Administrator in connection with the Plan shall be deemed delivered in writing if addressed to the Plan Sponsor at the address specified in Section 1.03 of the Adoption Agreement and if either actually delivered at said address or, in the case of a letter, five business days shall have elapsed after the

same shall have been deposited in the United States mails, first-class postage prepaid and registered or certified.

## **1.9. Tax Withholding**

If the Employer concludes that tax is owing with respect to any deferral or payment hereunder, the Employer shall withhold such amounts from any payments due the Participant or from amounts deferred, as permitted by law, or otherwise make appropriate arrangements with the Participant or his or her Beneficiary for satisfaction of such obligation. Tax, for purposes of this Section 13.7 means any federal, state, local or any other governmental income tax, employment or payroll tax, excise tax, or any other tax or assessment owing with respect to amounts deferred, any earnings thereon, and any payments made to Participants under the Plan.

## **1.10. Indemnification**

- (a) Each Indemnitee (as defined in Section 13.8(e)) shall be indemnified and held harmless by the Employer for all actions taken by him or her and for all failures to take action (regardless of the date of any such action or failure to take action), to the fullest extent permitted by the law of the jurisdiction in which the Employer is incorporated, against all expense, liability, and loss (including, without limitation, attorneys' fees, judgments, fines, taxes, penalties, and amounts paid or to be paid in settlement) reasonably incurred or suffered by the Indemnitee in connection with any Proceeding (as defined in subsection (e)). No indemnification pursuant to this Section shall be made, however, in any case where (1) the act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted willful misconduct or recklessness or (2) there is a settlement to which the Employer does not consent.
- (b) The right to indemnification provided in this Section shall include the right to have the expenses incurred by the Indemnitee in defending any Proceeding paid by the Employer in advance of the final disposition of the Proceeding, to the fullest extent permitted by the law of the jurisdiction in which the Employer is incorporated; provided that, if such law requires, the payment of such expenses incurred by the Indemnitee in advance of the final disposition of a Proceeding shall be made only on delivery to the Employer of an undertaking, by or on behalf of the Indemnitee, to repay all amounts so advanced without interest if it shall ultimately be determined that the Indemnitee is not entitled to be indemnified under this Section or otherwise.
- (c) Indemnification pursuant to this Section shall continue as to an Indemnitee who has ceased to be such and shall inure to the benefit of his or her heirs, executors, and administrators. The Employer agrees that the undertakings made in this Section shall be binding on its successors or assigns and shall survive the termination, amendment, or restatement of the Plan.
- (d) The foregoing right to indemnification shall be in addition to such other rights as the Indemnitee may enjoy as a matter of law or by reason of insurance coverage of any kind and is in addition to and not in lieu of any rights to indemnification to which the Indemnitee may be entitled pursuant to the by-laws of the Employer.
- (e) For the purposes of this Section, the following definitions shall apply:
  - (i) "Indemnitee" shall mean each person serving as an Administrator (or any other person who is an employee, Director, or officer of the Employer) who was or is a party to, or is threatened to be made a party to, or is otherwise involved in, any Proceeding, by reason of the fact that he or she is or was performing administrative functions under the Plan.
  - (ii) "Proceeding" shall mean any threatened, pending, or completed action, suit, or proceeding (including, without limitation, an action, suit, or proceeding

by or in the right of the Employer), whether civil, criminal, administrative, investigative, or through arbitration.

**1.11. Successors**

The provisions of the Plan shall bind and inure to the benefit of the Plan Sponsor, the Employer and their successors and assigns and the Participant and the Participant's designated Beneficiaries.

**1.12. Disclaimer**

It is the Plan Sponsor's intention that the Plan comply with the requirements of Code Section 409A. Neither the Plan Sponsor nor the Employer shall have any liability to any Participant should any provision of the Plan fail to satisfy the requirements of Code Section 409A.

**1.13. Governing Law**

The Plan will be construed, administered, and enforced according to the laws of the State specified by the Plan Sponsor in Section 12.01 of the Adoption Agreement.

**Parker Deferred Compensation Plan (DCP)  
Adoption Agreement**

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# Adoption Agreement

## 1.01 Preamble

By the execution of this Adoption Agreement the Plan Sponsor hereby [complete (a) or (b)]

- (a)  adopts a new plan as of January 1, 2023
- (b)  amends and restates its existing plan as of [month, day, year] which is the Amendment Effective Date. Except as otherwise provided in Appendix A, all amounts deferred under the Plan prior to the Amendment Effective Date shall be governed by the terms of the Plan as in effect on the day before the Amendment Effective Date.

Original Effective Date: [month, day, year]

Pre-409A Grandfathering:  Yes  No

By executing this Adoption Agreement, the Plan Sponsor (as defined below) has adopted the Plan (as defined below) consisting of the Basic Plan Document along with this Adoption Agreement (and any exhibits or scheduled attached hereto). The Plan Sponsor, by completing this Adoption Agreement has made the specific choices regarding plan design as set forth in the Adoption Agreement together with the detailed additional provisions set out in the Basic Plan Document. All capitalized terms used in this Adoption Agreement have the same meaning given in the Basic Plan Document.

## 1.02 Plan

Plan Name: Parker Deferred Compensation Plan

Plan Year: Calendar Year

## 1.03 Plan Sponsor

Name: Parker Hannifin Corporation

Address: 6035 Parkland Boulevard, Cleveland, OH 44124

Phone #: \_\_\_\_\_

EIN #: 34-0451060

Fiscal Year: 7/1 – 6/30

Is stock of the Plan Sponsor, any Employer or any Related Employer publicly traded on an established securities market?   
Yes  No

**1.04 Employer**

The following entities have been authorized by the Plan Sponsor to participate in and have adopted the Plan [insert "Not Applicable" if none have been authorized]:

Entity	Publicly Traded on Est. Securities Market	
	Yes	No
Not Applicable	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

**1.05 Administrator**

The Plan Sponsor has designated the following party or parties to be responsible for the administration of the Plan:

Name: The Committee defined as the Human Resources and Compensation Committee of the Board, or if applicable its delegate

Address: \_\_\_\_\_

Note: The Administrator is the person or persons designated by the Plan Sponsor to be responsible for the administration of the Plan. Neither Fidelity Employer Services Company nor any other Fidelity affiliate can be the Administrator.

**1.06 Key Employee Determination Dates**

The Employer has designated December 31 as the Identification Date for purposes of determining Key Employees.

In the absence of a designation, the Identification Date is December 31.

The Employer has designated April 1 as the effective date for purposes of applying the six month delay in distributions to Key Employees.

In the absence of a designation, the effective date is the first day of the fourth month following the Identification Date.

## 2.01 Participation

- (a)  Employees [complete (i), (ii) or (iii)]
- (i)  Eligible Employees are selected by the Employer.
- (ii)  Eligible Employees are those employees of the Employer who satisfy the following criteria:
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- (iii)  Employees are not eligible to participate.
- (b)  Directors [complete (i), (ii) or (iii)]
- (iv)  All Directors are eligible to participate.
- (v)  Only Directors selected by the Employer are eligible to participate.
- (vi)  Directors are not eligible to participate.

### 3.01 Compensation

For purposes of determining Participant contributions under Article 4 and Employer contributions under Article 5, Compensation shall be defined in the following manner [complete (a) or (b) and select (c) and/or (d), if applicable]:

- (a)  Compensation is defined as:

Base Salary

Any cash-based incentive or bonus other than long term incentive payments or other irregular or extraordinary incentive or bonus payments, but including Transition Retention Element

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

- (b)  Compensation as defined in [insert name of qualified plan] without regard to the limitation in Section 401(a)(17) of the Code for such Plan Year.

- (c)  Director Compensation is defined as:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

- (d)  Compensation shall, for all Plan purposes, be limited to \$\_\_\_\_\_.

- (e)  Not Applicable.

### 3.02 Bonuses

Compensation, as defined in Section 3.01 of the Adoption Agreement, includes the following type of bonuses that will be the subject of a separate deferral election:

<u>Type</u>	<u>[Will be treated as]</u>	
	<u>Performance Based Compensation</u>	
	<u>Yes</u>	<u>No</u>
Incentive and Bonus _____	<input type="checkbox"/>	<input checked="" type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

Not Applicable.

## 4.01 Participant Contributions

If Participant contributions are permitted, complete (a), (b), and (c). Otherwise complete (d).

### (a) Amount of Deferrals

A Participant may elect within the period specified in Section 4.01(b) of the Adoption Agreement to defer the following amounts of remuneration. For each type of remuneration listed, complete "dollar amount" and/or "percentage amount".

#### (i) Compensation other than Bonuses [do not complete if you complete (iii)]

Type of Remuneration	Dollar Amount		% Amount		Increment
	Min	Max	Min	Max	
Base Salary and TRE (combined election)			1%	50%	1%
			%	%	%
			%	%	%

Note: The increment is required to determine the permissible deferral amounts. For example, a minimum of 0% and maximum of 20% with a 5% increment would allow an individual to defer 0%, 5%, 10%, 15% or 20%.

#### (ii) Bonuses [do not complete if you complete (iii)]

Type of Bonus	Dollar Amount		% Amount		Increment
	Min	Max	Min	Max	
Incentive and Bonus			1%	80%	1%
			%	%	%
			%	%	%

#### (iii) Compensation [do not complete if you completed (i) and (ii)]

Dollar Amount		% Amount		Increment
Min	Max	Min	Max	
		%	%	%

#### (iv) Director Compensation

Type of Compensation	Dollar Amount		% Amount		Increment
	Min	Max	Min	Max	
Annual Retainer			%	%	%
Meeting Fees Other:			%	%	%
Other:			%	%	%
Other:			%	%	%

### (b) Election Period

(v) Performance Based Compensation

A special election period

Does

Does Not

apply to each eligible type of performance based compensation referenced in Section 3.02 of the Adoption Agreement.

The special election period, if applicable, will be determined by the Employer.

The Employer may have a separate election period for non-performance based compensation.

(vi) Newly Eligible Participants

An employee who is classified or designated as an Eligible Employee during a Plan Year

May

May Not

elect to defer Compensation earned during the remainder of the Plan Year by completing a deferral agreement within the 30 day period beginning on the date he or she is eligible to participate in the Plan.

The special election period, if applicable, will be determined by the Employer.

(c) **No Participant Contributions**

Participant contributions are not permitted under the Plan.



## 5.01 Employer Contributions

If Employer contributions are permitted, complete (a) and/or (b). Otherwise complete (c).

### (a) Matching Contributions

#### (i) Amount

For each Plan Year, the Employer shall make a matching contribution on behalf of each Participant who defers Compensation for the Plan Year and satisfies the requirements of Section 5.01(a)(ii) of the Adoption Agreement equal to [complete the ones that are applicable]:

- (A)  [insert percentage]% of the Compensation the Participant has elected to defer for the Plan Year
- (B)  An amount determined by the Employer in its sole discretion
- (C)  Matching contributions for each Participant shall be limited to \$\_\_\_\_\_ and/or [insert percentage]% of Compensation
- (D)  Other:

Matching Credit. The Matching Credit shall equal the Participant's Compensation without regard to the Statutory Limit under Section 401(a) (17) multiplied by 100% of the first 5% of a Participant's total deferral percentage (year to date aggregate deferrals over year to date eligible Compensation) less the Matching Credit that would be contributed if the full matching opportunity of 5% was reached under the Parker Retirement Savings Plan, as it currently exists and as it may be subsequently amended.

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- (E)  Not Applicable [Proceed to Section 5.01(b)]

#### (ii) Eligibility for matching contribution

A Participant who defers Compensation for the Plan Year shall receive an allocation of matching contributions determined in accordance with Section 5.01(a)(i) provided he or she satisfies the following requirements [complete the ones that are applicable]:

- (A)  Describe requirements:

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- (B)  Is selected by the Employer in its sole discretion to receive an allocation of matching contributions
- (C)  No requirements

(iii) Time of Allocation

Matching contributions, if made, shall be treated as allocated [select one]:

- (A)  As of the last day of the Plan Year
- (B)  At such times as the Employer shall determine in its sole discretion
- (C)  At the time the Compensation on account of which the matching contribution is being made would otherwise have been paid to the Participant
- (D)  Other:

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(b) **Other Contributions**

(i) Amount

The Employer shall make a contribution on behalf of each Participant who satisfies the requirements of Section 5.01(b)(ii) equal to [complete the ones that are applicable]:

- (A)  Excess RIA Contributions. Excess RIA Contribution shall mean the difference between the amount actually contributed to the Participants Retirement Income Account under the Parker Retirement Savings Plan, as it currently exists and as it may subsequently be amended, with respect to a Plan Year and the amount that would have been contributed for such Plan Year but for the application of the any limit on compensation taken into account in calculating benefits under the Parker Retirement Savings Plan, as it currently exists and as it may subsequently be amended, under Section 401(a)(17) of the Code or that directly or indirectly affects the amount of benefits payable from the Parker Retirement Savings Plan, as it currently exists and as it may subsequently be amended, pursuant to Section 415(c) of the Code or any other applicable Section of the Code as adjusted for cost of living increases. In the Plan Year following any Plan Year in which an Eligible RIA Executive has an Excess RIA Contribution with respect to the Savings Plan, the Eligible RIA Participant shall receive an allocation of an amount equal to such Excess RIA Contribution. For purposes of this section 5.01(b)(i)(B) of the Adoption Agreement, Eligible RIA Executive shall mean an employee of the Employer or any of its subsidiaries who is entitled to receive an allocation to the Retirement Income Account portion of the Parker Retirement Savings Plan, as it currently exists

and as it may subsequently be amended,, and who (a) receives compensation, as such term is used to determine contributions under the Parker Retirement Savings Plan, as it currently exists and as it may subsequently be amended, in excess of the amount specified in Section 401(a)(17) of the Code, or (b) whose benefits payable under the Parker Retirement Savings Plan, as it currently exists and as it may subsequently be amended, are directly or indirectly limited pursuant to Section 415(c) of the Code.

(B)  Executive Retirement Contribution. For eligible Participants, the Executive Retirement Contribution shall mean a contribution equal to 4% of Compensation for the Plan Year. The Executive Retirement Contribution will be made as of February 1<sup>st</sup> of the Plan Year following the Calendar Year in which it was earned. Participants who separate from service at any time during the Plan Year may still be eligible and may still receive an Executive Retirement Contribution.

(C)  Other:

An amount determined by the Employer in its sole discretion

(D)  Not Applicable [Proceed to Section 6.01]

(ii) Eligibility for Other Contribution

A Participant shall receive an allocation of other Employer contributions determined in accordance with Section 5.01(b)(i) for the Plan Year if he or she satisfies the following requirements [complete the one that is applicable]:

(A)  Describe requirements:

\_\_\_\_\_  
\_\_\_\_\_

(B)  Is selected by the Employer in its sole discretion to receive an allocation of other Employer contributions

(C)  No requirements

(iii) Time of Allocation

Employer contributions, if made, shall be treated as allocated [select one]:

(A)  As of the last day of the Plan Year

(B)  At such times or times as the Employer shall determine in its sole discretion

(C)  Other:

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(c) **No Employer Contributions**

- Employer contributions are not permitted under the Plan.

**6.01 Distributions**

The timing and form of payment of distributions made from the Participant’s vested Account shall be made in accordance with the elections made in this Section 6.01 of the Adoption Agreement except when Section 9.6 of the Plan requires a six month delay for certain distributions to Key Employees of publicly traded companies.

(a) **Timing of Distributions**

(i) All distributions shall commence in accordance with the following [choose one]:

- (A)  As soon as administratively feasible following the distribution event but in no event later than the time prescribed by Treas. Reg. Sec. 1.409A-3(d).
- (B)  Monthly on specified day [insert day]
- (C)  Annually on specified month and day [insert month and day]
- (D)  Calendar quarter on specified month and day [insert month and day] Q[insert numerical quarter 1, 2, 3, or 4]

(ii) The timing of distributions as determined in Section 6.01(a)(i) shall be modified by the adoption of:

- (A)  Event Delay – Distribution events other than those based on Specified Date or Specified Age will be treated as not having occurred for [insert number of months] months
- (B)  Hold Until Next Year – Distribution events other than those based on Specified Date or Specified Age will be treated as not having occurred for twelve months from the date of the event if payment pursuant to Section 6.01(a)(i) will thereby occur in the next calendar year or on the first payment date in the next calendar year in all other cases
- (C)  Immediate Processing – The timing method selected by the Plan Sponsor under Section 6.01(a)(i) shall be overridden for the following distribution events [insert events]:  
  
\_\_\_\_\_

(D)  Not applicable

(b) **Distribution Events**

- (i) Participant Contributions under Section 4.01(a) and Employer Contributions under Section 5.01(a) and (b).

Participants may elect the following payment events and the associated form or forms of payment. If multiple events for each year are selected, the earliest to occur will trigger payment. For installments, insert the range of available periods (e.g., 5-15) or insert the periods available (e.g., 5, 7, 9). For each Plan Year, the distribution elected by the Participant will apply to all Participant Contributions under Section 4.01(a) and Employer Contributions under Section 5.01(a) and (b) attributable to that Plan Year. For avoidance of doubt, Participants will only make one distribution election for each Plan Year they participate in the Plan.

	<u>Lump Sum</u>	<u>Installments</u>
(A) <input type="checkbox"/> Specified Date	<input type="checkbox"/>	years
(A) <input type="checkbox"/> Specified Age	<input type="checkbox"/>	years
(A) <input type="checkbox"/> Separation from Service	<input type="checkbox"/>	years
(A) <input type="checkbox"/> Separation from Service plus 6 months	<input type="checkbox"/>	years
(A) <input type="checkbox"/> Separation from Service plus    months [not to exceed months]	<input type="checkbox"/>	years
(A) <input checked="" type="checkbox"/> Retirement	<input checked="" type="checkbox"/>	<u>2-15</u> years
(A) <input type="checkbox"/> Retirement plus 6 months	<input type="checkbox"/>	years
(A) <input checked="" type="checkbox"/> Retirement plus <u>12</u> months	<input checked="" type="checkbox"/>	<u>2-15</u> years
(A) <input type="checkbox"/> Disability	<input type="checkbox"/>	years
(A) <input type="checkbox"/> Death	<input type="checkbox"/>	years
(A) <input type="checkbox"/> Change in Control	<input type="checkbox"/>	years

The minimum deferral period for Specified Date or Specified Age event shall be N/A years.

Installments may be paid [select each that applies]

- Monthly
- Quarterly
- Semi-Annually
- Annually

- (c) Specified Date and Specified Age elections may not extend beyond age Not Applicable.

(d) **Payment Election Override**

Payment of the remaining vested balance of the Participant's Account will automatically occur at the time specified in Section 6.01(a) of the Adoption Agreement

in the form indicated upon the earliest to occur of the following events [check each event that applies and for each event include only a single form of payment]:

<u>Events</u>	<u>Form of Payment</u>	
	<u>Lump Sum</u>	<u>Installments</u>
<input type="checkbox"/> Separation from Service	<input type="checkbox"/>	
<input checked="" type="checkbox"/> Separation from Service before Retirement	<input checked="" type="checkbox"/>	
<input checked="" type="checkbox"/> Death	<input checked="" type="checkbox"/>	
<input checked="" type="checkbox"/> Disability	<input checked="" type="checkbox"/>	
<input type="checkbox"/> Not Applicable	<input type="checkbox"/>	

(e) **Involuntary Cashouts**

If the Participant's vested Account at the time of his or her Separation from Service does not exceed \$25,000, distribution of the vested Account shall automatically be made in the form of a single lump sum in accordance with Section 9.5 of the Plan.

There are no involuntary cashouts.

(f) **Retirement**

Retirement shall be defined as a Separation from Service that occurs on or after the Participant [insert description of requirements]:

Age 55 with 5 years of service

No special definition of Retirement applies.

(g) **Distribution Election Change**

A Participant

Shall

Shall Not

be permitted to modify a scheduled distribution date and/or payment option in accordance with Section 9.2 of the Plan.

A Participant shall generally be permitted to elect such modification one number of times.

Administratively, allowable distribution events will be modified to reflect all options necessary to fulfill the distribution change election provision.

(h) **Frequency of Elections**

The Plan Sponsor

Has

Has Not

elected to permit annual elections of a time and form of payment for amounts deferred under the Plan. If a single election of a time and/or form of payment is required, the Participant will make such election at the time he or she first completes a deferral agreement which, in all cases, will be no later than the time required by Reg. Sec. 1.409A-2.

(i) **Disability**

For Purposes of Section 2.11 of the Plan, Disability shall be defined as

Total disability as determined by the Social Security Administration or the Railroad Retirement Board.

As determined by the Employer's long term disability insurance policy.

As follows:

Disability shall mean the same meaning as provided under the applicable Long-term Disability Plan unless such definition failed to comply with Section 409A. In that case the term "Disability" shall have the meaning set out in Treasury Regulation § 1.409A-3(i)(4).

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Not applicable.



## 7.01 Vesting

### (a) Matching Contributions

The Participant's vested interest in the amount credited to his or her Account attributable to matching contributions shall be based on the following schedule:

<input checked="" type="checkbox"/>	<u>Years of Service</u>	<u>Vesting %</u>	
	0	<u>100%</u>	[insert "100" if there is immediate vesting]
	1	<u>%</u>	
	2	<u>%</u>	
	3	<u>%</u>	
	4	<u>%</u>	
	5	<u>%</u>	
	6	<u>%</u>	
	7	<u>%</u>	
	8	<u>%</u>	
	9	<u>%</u>	

Other:

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Class year vesting applies:

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Not applicable.

(b) **Other Employer Contributions**

The Participant's vested interest in the amount credited to his or her Account attributable to Employer contributions other than matching contributions shall be based on the following schedule:

<input type="checkbox"/>	<u>Years of Service</u>	<u>Vesting %</u>	
	0	<u>%</u>	[insert "100" if there is immediate vesting]
	1	<u>%</u>	
	2	<u>%</u>	
	3	<u>%</u>	
	4	<u>%</u>	
	5	<u>%</u>	
	6	<u>%</u>	
	7	<u>%</u>	
	8	<u>%</u>	
	9	<u>%</u>	

Other:

Excess RIA Contributions vest 100% after three years of service

Executive Retirement Contribution vests upon attainment of age 55 with five years of service

Discretionary contributions subject to vesting as determined by the Employer

Class year vesting applies:

\_\_\_\_\_

Not applicable.

(c) **Acceleration of Vesting**

The Participant's vested interest in his or her Account will automatically be 100% upon the occurrence of the following events [select the ones that are applicable]:

- (i)  Death.
- (ii)  Disability.
- (iii)  Change in Control.
- (iv)  Eligibility for Retirement.
- (v)  Other:

Separation from Service within 24 months following the occurrence of a Change in Control as provided in Section 9.7

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In the event a divestiture of the Company becomes effective, each Participant who is employed by an Employer at the time such divestiture becomes effective, shall be fully vested in any unvested balance as of the date of such divestiture.

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- (vi)  Not applicable.

(d) **Years of Service**

- (i) A Participant's Years of Service shall include all service performed for the Employer and

Shall

Shall Not

include service performed for the Related Employer.

- (ii) Years of Service shall also include service performed for the following entities:

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(iii) Years of Service shall be determined in accordance with [select one]:

- (A)  The elapsed time method in Treas. Reg. Sec. 1.410(a)-7
- (B)  The general method in DOL Reg. Sec. 2530.200b-1 through b-4
- (C)  Participant's Years of Service credited under:

[insert name of plan]

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- (D)  Other:

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(iv)  Not applicable.

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## **8.01 Unforeseeable Emergency**

(a) A withdrawal due to an Unforeseeable Emergency as defined in Section 2.24:

Will

Will Not [if Unforeseeable Emergency withdrawals are not permitted, proceed to Section 9.01]

be allowed.

(b) Upon a withdrawal due to an Unforeseeable Emergency, a Participant's deferral election for the remainder of the Plan Year:

Will

Will Not

be cancelled. If cancellation occurs, the Participant may resume participation in accordance with Article 4 of the Plan.

## 9.01 *Investment Decisions*

Investment decisions regarding the hypothetical amounts credited to a Participant's Account shall be made by [select one]:

- (a)  The Participant or his or her Beneficiary
- (b)  The Employer

## **10.01 Trust**

The Employer [select one]:

Does

Does Not

intend to establish a trust as provided in Article 11 of the Plan.

### **11.01 Termination Upon Change In Control**

The Plan Sponsor

Reserves

Does Not Reserves

the right to terminate the Plan and distribute all vested amounts credited to Participant Accounts upon a Change in Control as described in Section 9.7.

### **11.02 Automatic Distribution Upon Change In Control**

Distribution of the remaining vested balance of each Participant's Account

Shall

Shall Not

automatically be paid as a lump sum payment upon a Separation from Service within the 24 month period immediately following the occurrence of a Change in Control as provided in Section 9.7.

### **11.03 Change In Control**

A Change in Control for Plan purposes includes the following [select each definition that applies]:

(a)  A change in the ownership of the Employer as described in Section 9.7(c) of the Plan.

(b)  A change in the effective control of the Employer as described in Section 9.7(d) of the Plan.

(c)  A change in the ownership of a substantial portion of the assets of the Employer as described in Section 9.7(e) of the Plan.

(d)  Not Applicable.



## **12.01 Governing State Law**

The laws of Ohio shall apply in the administration of the Plan to the extent not preempted by ERISA.

# Execution Page

The Plan Sponsor has caused this Adoption Agreement to be executed this 7th day of September , 2022.

Plan Sponsor: Todd M. Leombruno

By: /s/ Todd M. Leombruno

Title: Executive Vice President and Chief Financial Officer

Plan Sponsor: Mark J. Hart

By: /s/ Mark J. Hart

Title: Executive Vice President-Human Resources and External Affairs

**Appendix A**  
**Special Effective Dates**  
Not Applicable



**PERSONAL AND CONFIDENTIAL**

July 25, 2022

Andrew M. Weeks  
c/o Parker-Hannifin Corporation  
6035 Parkland Boulevard  
Cleveland, Ohio 44124

Re: Retirement and Release Agreement

Dear Andrew:

The following sets forth the agreement between Parker-Hannifin Corporation (“Parker” or “Company”) and you regarding your retirement from Parker:

1. **Retirement Date.** Your retirement from Parker is effective August 31, 2022 (“retirement date”).
  2. **General Entitlements.** As a result of your retirement, and regardless of whether you accept this agreement, you will receive any earned wages/salary through your retirement date, as well as pay for all accrued, unused PTO. Also, your decision on whether to execute or reject this agreement does not impact any other benefits, entitlements, or compensation to which you are otherwise entitled in accord with, and solely based on, the terms and conditions of such plan documents.
  3. **Consideration.** Effective upon your above retirement date, in consideration for your execution of this agreement, the Company will 1) issue you a lump sum severance payment of One Million, Sixty-Four Thousand, Eight Hundred and Forty-Six Dollars (\$1,064,846.00); 2) provide for vesting of your benefits under Parker’s Defined Contribution Supplemental Executive Retirement Program (DC SERP); 3) provide for ownership of your current Company-leased vehicle; and 4) in accordance with your elections following your retirement date, cover the cost of your medical, dental and vision under COBRA continuation of benefits coverage for 18 months.
  4. **Timing of Payout.** Your lump sum payment will be provided to you following your retirement date and within 30 days after an executed version of this agreement is returned to the Company, which payment is subject to withholding and deductions.
-

5. **Claims Released.** In return for the various promises and payments made by Company herein, you release the Company, its directors, officers, employees, parents, subsidiaries, affiliates, successors, assigns, and representatives (“Released Parties”), from any form of liability for any claims to which you may have otherwise had against the Released Parties related directly or indirectly to your employment or its termination. Such claims include, but are not limited to, wrongful discharge, unlawful discrimination, retaliation or harassment, breach of contract, tort claims (e.g., defamation, emotional, etc.); or claims for any form of harm suffered or denial of rights, whether known or unknown, under any federal, state, or local law, regulation, common law or public policy. To the extent an express release of claims is required by law, this release applies without limitation to any rights or claims you may have under the Civil Rights Act of 1991; Title VII of the Civil Rights Act of 1964, as amended; Americans with Disabilities Act; Employee Retirement Income Security Act of 1974; the Worker Adjustment and Retraining Notification Act; the Family Medical Leave Act; Minnesota Human Rights Act (if, upon signing, you are a Minnesota resident); and the Age Discrimination in Employment Act, as amended by the Older Workers Benefit Protection Act.

a. **Claims Not Released.** This agreement does not include, and you do not waive, any rights or claims that: (1) may arise after you sign this agreement; (2) are for alleged workplace injuries or occupational disease that arise under any state’s workers’ compensation laws; (3) are for benefits in which you have a vested right under any pension plans; (4) cannot be released by law; or (5) are to enforce this Agreement. And nothing contained in this agreement limits your ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission, or any other federal, state or local governmental agency or commission (“Government Agencies”); nor does it limit your ability to communicate with or provide information to any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agencies, without notice to Company. On the other hand, you waive and release any right to any claims for money damages and equitable relief pursuant to the filing or prosecution of any administrative charge against the Released Parties or any resulting civil proceeding or lawsuit that may be commenced on your behalf for the recovery of such relief, and that arises out of the matters released in this agreement.

6. **Impact of Asserting a Claim.** If you commence or join any action or in any manner asserted against the Company or any of its directors, employees and representatives any of the claims released in this agreement, then you will pay to the Company all damages caused to the Company thereby, including all costs and attorneys’ fees incurred, and will immediately refund any costs incurred by the Company for benefits or other consideration provided to you herein. The provisions of this Paragraph do not apply to claims made under the Age Discrimination in Employment Act.

7. **Mutual Non-Disparagement.** Neither the Company nor you will engage in any action nor make any statements that are intended, or would reasonably be expected, to harm either party or their reputation; or that would reasonably be expected to lead to unfavorable publicity regarding the other.

8. **Obligations Regarding Confidential Information.** This Paragraph shall serve as a reminder that during your employment you were provided access to proprietary and

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confidential information that is the property of the Company, including but not limited to inventions, trade secrets, marketing plans and programs, marketing data, drawings, plans, designs, products, specifications, manufacturing, tooling, procedures, research and development data, methods, know-how, processes, source code, sales and customer information, suppliers, costs, distribution, financial data and other business and technical matters. Such proprietary and confidential information is the sole property of the Company and may not be disclosed by you to any third party despite that your employment has ended. You may also have been provided access to proprietary and confidential information of an entity doing business with the Company (such as a customer or supplier), which you also may not disclose. You or any third party (such as a new employer of yours) may not use Company or any other such proprietary and confidential information for any purpose whatsoever, except as may be expressly authorized in writing by the Company. If you have not already done so, you must immediately return to the Company any papers, documents, notes, drawings, electronic storage media or other materials relating to such proprietary and confidential information.

9. **Confidential Nature of Agreement.** You are to keep this agreement confidential. This means that unless, required by law, its existence and terms are not to be disclosed to anyone, except your immediate family, your attorney, professional tax or financial advisor.

10. **Notice for Ohio Residents.** You do hereby waive any right to interest under Ohio Revised Code Section 1343.03(a), under any other law or pursuant to common law on the amounts to be paid to you.

11. **Agreement Review Period.** As you are an individual above age 40, you have up to 21 days from the date of this Agreement to consider this agreement before signing it. You may use as much or as little of this review period as you wish. Further, after signing you have the right to revoke this agreement within seven days of signing it. Revocation must be made by delivering a written notice of revocation to the Company, addressed to: *Parker Hannifin Corporation – Human Resources, 6035 Parkland Blvd., Cleveland, Ohio 44124*. For this revocation to be effective, the Company must receive written notice no later than midnight on the seventh (7th) day after you sign this agreement. If you do not sign this agreement or if you revoke this agreement it will not be effective or enforceable and you will not receive the Consideration described herein.

12. **Entire Agreement.** This agreement states the entire understanding between you and the Company. It may be changed only if both you and the Company sign another written agreement. This agreement shall be governed and construed in accordance with the laws of the State of Ohio.

13. **Impact of Validity Ruling.** If part of this agreement is ruled invalid, only that part will be of no effect. The rest of this agreement will remain in effect.

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Andrew Weeks  
July 25, 2022  
Page 4

If you agree with the terms of this agreement, please sign and return the copy of this letter to me no later than 21 days from the date this Agreement was provided to you for review.

Respectfully yours,

PARKER-HANNIFIN CORPORATION

By: /s/ Jennifer Parmentier  
Jennifer Parmentier  
Chief Operating Officer

Agreed to Accept:

By: /s/ Andrew M. Weeks  
Andrew M. Weeks

Dated: July 26, 2022

## CERTIFICATIONS

I, Thomas L. Williams, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Parker-Hannifin Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 4, 2022

/s/ Thomas L. Williams

Thomas L. Williams  
Chief Executive Officer



## CERTIFICATIONS

I, Todd M. Leombruno, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Parker-Hannifin Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 4, 2022

/s/ Todd M. Leombruno

Todd M. Leombruno

Executive Vice President and Chief Financial Officer

Certification Pursuant to  
18 U.S.C. Section 1350,  
As Adopted Pursuant to  
§ 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Quarterly Report on Form 10-Q of Parker-Hannifin Corporation (the "Company") for the quarterly period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, that, to such officer's knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Dated: November 4, 2022

/s/ Thomas L. Williams

Name: Thomas L. Williams

Title: Chief Executive Officer

/s/ Todd M. Leombruno

Name: Todd M. Leombruno

Title: Executive Vice President and Chief Financial Officer