

**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 December 31, 2024
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 December 31, 2024: 128,764,843

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		Six Months Ended	
	December 31,		December 31,	
	2024	2023	2024	2023
Net sales	\$ 4,742,593	\$ 4,820,947	\$ 9,646,577	\$ 9,668,435
Cost of sales	3,022,229	3,101,962	6,119,948	6,199,311
Selling, general and administrative expenses	782,421	806,802	1,631,210	1,680,493
Interest expense	100,802	129,029	213,893	263,497
Other income, net	(328,716)	(85,011)	(359,517)	(163,466)
Income before income taxes	1,165,857	868,165	2,041,043	1,688,600
Income taxes	217,208	186,108	393,866	355,471
Net income	948,649	682,057	1,647,177	1,333,129
Less: Noncontrolling interest in subsidiaries' earnings	107	206	215	451
Net income attributable to common shareholders	\$ 948,542	\$ 681,851	\$ 1,646,962	\$ 1,332,678
Earnings per share attributable to common shareholders:				
Basic	\$ 7.37	\$ 5.31	\$ 12.80	\$ 10.38
Diluted	\$ 7.25	\$ 5.23	\$ 12.60	\$ 10.23

See accompanying notes to consolidated financial statements.

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Net income	\$ 948,649	\$ 682,057	\$ 1,647,177	\$ 1,333,129
Less: Noncontrolling interests in subsidiaries' earnings	107	206	215	451
Net income attributable to common shareholders	948,542	681,851	1,646,962	1,332,678
Other comprehensive (loss) income, net of tax				
Foreign currency translation adjustment	(449,152)	272,235	(104,606)	49,703
Retirement benefits plan activity	3,410	1,911	6,861	2,729
Other comprehensive (loss) income	(445,742)	274,146	(97,745)	52,432
Less: Other comprehensive (loss) income for noncontrolling interests	(1,048)	415	(628)	776
Other comprehensive (loss) income attributable to common shareholders	(444,694)	273,731	(97,117)	51,656
Total comprehensive income attributable to common shareholders	<u>\$ 503,848</u>	<u>\$ 955,582</u>	<u>\$ 1,549,845</u>	<u>\$ 1,384,334</u>

See accompanying notes to consolidated financial statements.

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

	December 31, 2024	June 30, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 395,507	\$ 422,027
Trade accounts receivable, net	2,445,845	2,865,546
Non-trade and notes receivable	304,829	331,429
Inventories	2,806,983	2,786,800
Prepaid expenses	246,467	252,618
Other current assets	148,831	140,204
Total current assets	6,348,462	6,798,624
Property, plant and equipment	7,039,883	7,074,574
Less: Accumulated depreciation	4,238,891	4,198,906
Property, plant and equipment, net	2,800,992	2,875,668
Deferred income taxes	87,400	92,704
Investments and other assets	1,232,636	1,207,232
Intangible assets, net	7,444,670	7,816,181
Goodwill	10,357,303	10,507,433
Total assets	<u>\$ 28,271,463</u>	<u>\$ 29,297,842</u>
LIABILITIES		
Current liabilities:		
Notes payable and long-term debt payable within one year	\$ 2,373,286	\$ 3,403,065
Accounts payable, trade	1,794,884	1,991,639
Accrued payrolls and other compensation	420,477	581,251
Accrued domestic and foreign taxes	364,143	354,659
Other accrued liabilities	1,034,501	982,695
Total current liabilities	5,987,291	7,313,309
Long-term debt	6,667,955	7,157,034
Pensions and other postretirement benefits	409,873	437,490
Deferred income taxes	1,394,882	1,583,923
Other liabilities	684,401	725,193
Total liabilities	15,144,402	17,216,949
EQUITY		
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 December 31 and June 30	90,523	90,523
Additional paid-in capital	244,191	264,508
Retained earnings	20,331,500	19,104,599
Accumulated other comprehensive (loss)	(1,535,129)	(1,438,012)
Treasury shares, at cost; 52,281,285 shares at December 31 and 52,442,162 shares at June 30	(6,012,532)	(5,949,646)
Total shareholders' equity	13,118,553	12,071,972
Noncontrolling interests	8,508	8,921
Total equity	13,127,061	12,080,893
Total liabilities and equity	<u>\$ 28,271,463</u>	<u>\$ 29,297,842</u>

See accompanying notes to consolidated financial statements.

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

	Six Months Ended December 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,647,177	\$ 1,333,129
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	176,622	170,618
Amortization	278,247	297,547
Stock incentive plan compensation	106,472	108,061
Deferred income taxes	50,150	(81,592)
Foreign currency transaction loss (gain)	5,203	(15,932)
(Gain) loss on property, plant and equipment and intangible assets	(6,975)	5,097
Gain on sale of businesses	(250,373)	(25,964)
Other, net	6,231	11,193
Changes in assets and liabilities, net of effect of acquisitions and divestitures:		
Accounts receivable, net	362,306	213,436
Inventories	(138,280)	(170,032)
Prepaid expenses	3,352	15,779
Other current assets	(4,524)	1,865
Other assets	(52,803)	(65,395)
Accounts payable, trade	(153,045)	(86,208)
Accrued payrolls and other compensation	(145,422)	(180,888)
Accrued domestic and foreign taxes	11,417	(76,294)
Other accrued liabilities	(158,832)	3,132
Pensions and other postretirement benefits	(16,601)	(64,493)
Other liabilities	(41,589)	(41,072)
Net cash provided by operating activities	1,678,733	1,351,987
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(216,493)	(204,117)
Proceeds from sale of property, plant and equipment	13,259	1,360
Proceeds from sale of businesses	622,182	74,595
Other, net	(6,941)	(2,954)
Net cash provided by (used in) investing activities	412,007	(131,116)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of stock options	2,636	1,928
Payments for common shares	(192,317)	(138,322)
Acquisition of noncontrolling interests	—	(2,883)
Payments for notes payable, net	(505,447)	(584,207)
Proceeds from long-term borrowings	11,839	11,839
Payments for long-term borrowings	(1,000,876)	(212,479)
Dividends paid	(420,061)	(381,115)
Net cash used in financing activities	(2,104,226)	(1,305,239)
Effect of exchange rate changes on cash	(13,034)	(7,999)
Net decrease in cash and cash equivalents	(26,520)	(92,367)
Cash and cash equivalents at beginning of year	422,027	475,182
Cash and cash equivalents at end of period	<u>\$ 395,507</u>	<u>\$ 382,815</u>

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 December 31, 2024, the results of operations for the three and six months ended December 31, 2024 and 2023 and cash flows for the six months then ended. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's 2024 Annual Report on Form 10-K.

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 2024, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2024-03, "Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses," which requires expanded interim and annual disclosures of expense information, including the amounts of inventory purchases, employee compensation, depreciation, amortization and depletion within commonly presented expense captions during the period. The amendments are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The amendments should be applied either (1) prospectively to financial statements issued for reporting periods after the effective date or (2) retrospectively to any or all prior periods presented in the financial statements. The Company is currently evaluating the ASU to determine its impact on the Company's disclosures.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures," which enhances the disclosure requirements for income taxes primarily related to the rate reconciliation and income taxes paid information. The amendments are effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendment should be applied on a prospective basis. Retrospective application is permitted. The Company is currently evaluating the impact this guidance will have on the Company's disclosures.

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," which updates reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The amendments in this ASU are effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. The amendments should be applied retrospectively to all prior periods presented in the financial statements. We plan to adopt the standard beginning with our fiscal 2025 Form 10-K. We expect this ASU to result in expanded disclosure of segment financial information with no impact on our financial position and results of operations.

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 Company adopted the guidance on July 1, 2023, except for the annual rollforward requirement, which was adopted on July 1, 2024, and will be presented in the Company's Annual Report on Form 10-K for fiscal 2025. The adoption did not have a material impact on the Company's condensed consolidated financial statements. Refer to Note 10 for further discussion.

3. Revenue recognition

Revenue is derived primarily from the sale of products in the aerospace and defense, in-plant and industrial equipment, transportation, off-highway, energy and HVAC and refrigeration 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 December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Motion Systems	\$ 804,462	\$ 917,966	\$ 1,653,011	\$ 1,860,280
Flow and Process Control	1,059,614	1,122,400	2,185,248	2,303,861
Filtration and Engineered Materials	1,388,730	1,474,107	2,870,705	2,968,860
Total	\$ 3,252,806	\$ 3,514,473	\$ 6,708,964	\$ 7,133,001

Aerospace Systems Segment revenues by market segment:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Commercial original equipment manufacturer ("OEM")	\$ 448,138	\$ 424,768	\$ 881,373	\$ 843,384
Commercial aftermarket	530,760	437,762	1,051,589	828,968
Defense OEM	284,834	263,313	547,125	526,378
Defense aftermarket	226,055	180,631	457,526	336,704
Total	\$ 1,489,787	\$ 1,306,474	\$ 2,937,613	\$ 2,535,434

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
North America	\$ 3,197,751	\$ 3,234,158	\$ 6,531,411	\$ 6,527,249
Europe	897,832	947,584	1,832,412	1,889,299
Asia Pacific	596,007	583,920	1,175,918	1,138,325
Latin America	51,003	55,285	106,836	113,562
Total	\$ 4,742,593	\$ 4,820,947	\$ 9,646,577	\$ 9,668,435

The majority of revenues from the Aerospace Systems Segment are generated from sales 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:

	December 31, 2024	June 30, 2024
Contract assets, current (included within Other current assets)	\$ 137,877	\$ 136,814
Contract assets, noncurrent (included within Investments and other assets)	16,552	21,063
Total contract assets	154,429	157,877
Contract liabilities, current (included within Other accrued liabilities)	(187,997)	(183,868)
Contract liabilities, noncurrent (included within Other liabilities)	(81,864)	(77,957)
Total contract liabilities	(269,861)	(261,825)
Net contract liabilities	\$ (115,432)	\$ (103,948)

Net contract liabilities at December 31, 2024 increased from the June 30, 2024 amount primarily due to timing differences between when revenue was recognized and the receipt of advance payments. During the six months ended December 31, 2024, approximately \$125 million of revenue was recognized that was included in the contract liabilities at June 30, 2024.

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 December 31, 2024 was \$10.5 billion, of which approximately 74 percent is expected to be recognized as revenue within the next 12 months and the balance thereafter.

4. Divestitures

We continually assess our existing businesses and may divest those that are not considered to be a good long-term strategic fit for the Company.

During November 2024, we divested our composites and fuel containment ("CFC") business within the North America businesses of the Diversified Industrial Segment, which was acquired in the acquisition of Meggitt plc ("Meggitt"), for net proceeds of \$555 million. The resulting pre-tax gain of \$238 million is included in other income, net in the Consolidated Statement of Income. The operating results and net assets of this business were immaterial to the Company's consolidated results of operations and financial position.

During November 2024, we divested a non-core filtration business within the North America businesses of the Diversified Industrial Segment for proceeds of \$66 million. The resulting pre-tax gain of \$11 million is included in other income, net in the Consolidated Statement of Income. The operating results and net assets of this business were immaterial to the Company's consolidated results of operations and financial position.

During December 2023, we divested our Filter Resources business, which was part of the Diversified Industrial Segment, for proceeds of \$37 million. The resulting pre-tax gain of \$12 million is included in other income, net in the Consolidated Statement of Income. The operating results and net assets of the Filter Resources business were immaterial to the Company's consolidated results of operations and financial position.

During September 2023, we divested the MicroStrain sensing systems business, which was part of the Diversified Industrial Segment, for proceeds of \$37 million. The resulting pre-tax gain of \$13 million is included in other income, net in the Consolidated Statement of Income. The operating results and net assets of the MicroStrain sensing systems business were immaterial to the Company's consolidated results of operations and financial position.

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 and six months ended December 31, 2024 and 2023.

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Numerator:				
Net income attributable to common shareholders	\$ 948,542	\$ 681,851	\$ 1,646,962	\$ 1,332,678
Denominator:				
Basic - weighted average common shares	128,752,836	128,426,247	128,707,962	128,449,398
Increase in weighted average common shares from dilutive effect of equity-based awards	2,005,972	1,941,104	2,008,520	1,864,928
Diluted - weighted average common shares, assuming exercise of equity-based awards	130,758,808	130,367,351	130,716,482	130,314,326
Basic earnings per share	\$ 7.37	\$ 5.31	\$ 12.80	\$ 10.38
Diluted earnings per share	\$ 7.25	\$ 5.23	\$ 12.60	\$ 10.23

For the three months ended December 31, 2024 and 2023, 180,043 and 458,864 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.

For the six months ended December 31, 2024 and 2023, 262,527 and 344,226 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 December 31, 2024, we repurchased 75,764 shares at an average price, including commissions, of \$659.94 per share. During the six months ended December 31, 2024, we repurchased 164,585 shares at an average price, including commissions, of \$607.59 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 \$12 million and \$21 million at December 31, 2024 and June 30, 2024, respectively.

8. Non-trade and notes receivable

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

	December 31, 2024	June 30, 2024
Notes receivable	\$ 90,643	\$ 93,114
Accounts receivable, other	214,186	238,315
Total	\$ 304,829	\$ 331,429

9. Inventories

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

	December 31, 2024	June 30, 2024
Finished products	\$ 784,543	\$ 777,775
Work in process	1,461,227	1,421,104
Raw materials	561,213	587,921
Total	<u>\$ 2,806,983</u>	<u>\$ 2,786,800</u>

10. Supply chain financing

We have supply chain financing ("SCF") programs 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 SCF programs. We do not reimburse suppliers for any costs they incur for participation in the SCF programs and their participation is voluntary.

Amounts due to our suppliers that elected to participate in the SCF programs are included in accounts payable, trade on the Consolidated Balance Sheet and payments made under the SCF programs are included within operating activities on the Consolidated Statement of Cash Flows. Accounts payable, trade included approximately \$119 million and \$116 million payable to suppliers who have elected to participate in the SCF programs as of December 31, 2024 and June 30, 2024, respectively. The amounts settled through the SCF programs and paid to the participating financial intermediaries totaled \$215 million and \$140 million during the first six months of fiscal 2025 and 2024, respectively.

11. Business realignment and acquisition integration charges

We incurred business realignment and acquisition integration charges in the first six months of fiscal 2025 and 2024, which 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 both fiscal 2025 and 2024, a majority of the business realignment charges were incurred in 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		Six Months Ended	
	December 31,		December 31,	
	2024	2023	2024	2023
Diversified Industrial	\$ 19,343	\$ 13,285	\$ 28,243	\$ 25,924
Aerospace Systems	386	(123)	394	330
Corporate general and administrative expenses	575	—	575	—
Other expense, net	551	1,192	1,149	1,192

Reductions to our workforce made in connection with such business realignment charges by business segment are as follows:

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2024	2023	2024	2023
Diversified Industrial	393	190	720	515
Aerospace Systems	16	—	16	2
Corporate general and administrative expenses	14	—	14	—

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

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2024	2023	2024	2023
Cost of sales	\$ 10,590	\$ 8,467	\$ 16,030	\$ 15,451
Selling, general and administrative expenses	9,714	4,695	13,182	10,803
Other income, net	551	1,192	1,149	1,192

During the first six months of fiscal 2025, approximately \$22 million in payments were made relating to business realignment charges. Remaining payments related to business realignment actions of approximately \$21 million, a majority of which are expected to be paid by September 30, 2025, are primarily reflected within the accrued payrolls and other compensation and other accrued liabilities captions 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		Six Months Ended	
	December 31,		December 31,	
	2024	2023	2024	2023
Diversified Industrial	\$ 627	\$ 871	\$ 1,405	\$ 2,010
Aerospace Systems	6,266	9,143	11,899	14,410

Charges incurred in fiscal 2025 and 2024 relate to the acquisition of Meggitt. In both fiscal 2025 and 2024, these charges were primarily included in selling, general and administrative expenses ("SG&A") within the Consolidated Statement of Income.

12. Equity

Changes in equity for the three months ended December 31, 2024 and 2023 are as follows:

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Treasury Shares	Noncontrolling Interests	Total Equity
Balance at September 30, 2024	\$ 90,523	\$ 275,019	\$ 19,593,082	\$ (1,090,435)	\$ (5,976,289)	\$ 9,449	\$ 12,901,349
Net income			948,542			107	948,649
Other comprehensive loss				(444,694)		(1,048)	(445,742)
Dividends paid (\$1.63 per share)			(210,124)				(210,124)
Stock incentive plan activity		(30,828)			13,757		(17,071)
Shares purchased at cost					(50,000)		(50,000)
Balance at December 31, 2024	\$ 90,523	\$ 244,191	\$ 20,331,500	\$ (1,535,129)	\$ (6,012,532)	\$ 8,508	\$ 13,127,061
Balance at September 30, 2023	\$ 90,523	\$ 337,162	\$ 17,501,909	\$ (1,514,947)	\$ (5,849,265)	\$ 9,568	\$ 10,574,950
Net income			681,851			206	682,057
Other comprehensive income				273,731		415	274,146
Dividends paid (\$1.48 per share)			(190,307)			(388)	(190,695)
Stock incentive plan activity		15,655			6,265		21,920
Shares purchased at cost					(49,999)		(49,999)
Balance at December 31, 2023	\$ 90,523	\$ 352,817	\$ 17,993,453	\$ (1,241,216)	\$ (5,892,999)	\$ 9,801	\$ 11,312,379

Changes in equity for the six months ended December 31, 2024 and 2023 are as follows:

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive (Loss)</u>	<u>Treasury Shares</u>	<u>Noncontrolling Interests</u>	<u>Total Equity</u>
Balance at June 30, 2024	\$ 90,523	\$ 264,508	\$ 19,104,599	\$ (1,438,012)	\$ (5,949,646)	\$ 8,921	\$ 12,080,893
Net income			1,646,962			215	1,647,177
Other comprehensive loss				(97,117)		(628)	(97,745)
Dividends paid (\$3.26 per share)			(420,061)				(420,061)
Stock incentive plan activity		(20,317)			37,113		16,796
Shares purchased at cost					(99,999)		(99,999)
Balance at December 31, 2024	<u>\$ 90,523</u>	<u>\$ 244,191</u>	<u>\$ 20,331,500</u>	<u>\$ (1,535,129)</u>	<u>\$ (6,012,532)</u>	<u>\$ 8,508</u>	<u>\$ 13,127,061</u>

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive (Loss)</u>	<u>Treasury Shares</u>	<u>Noncontrolling Interests</u>	<u>Total Equity</u>
Balance at June 30, 2023	\$ 90,523	\$ 305,522	\$ 17,041,502	\$ (1,292,872)	\$ (5,817,787)	\$ 11,391	\$ 10,338,279
Net income			1,332,678			451	1,333,129
Other comprehensive income				51,656		776	52,432
Dividends paid (\$2.96 per share)			(380,727)			(388)	(381,115)
Stock incentive plan activity		46,880			24,787		71,667
Acquisition activity		415				(2,429)	(2,014)
Shares purchased at cost					(99,999)		(99,999)
Balance at December 31, 2023	<u>\$ 90,523</u>	<u>\$ 352,817</u>	<u>\$ 17,993,453</u>	<u>\$ (1,241,216)</u>	<u>\$ (5,892,999)</u>	<u>\$ 9,801</u>	<u>\$ 11,312,379</u>

Changes in accumulated other comprehensive (loss) in shareholders' equity by component for the six months ended December 31, 2024 and 2023 are as follows:

	<u>Foreign Currency Translation Adjustment</u>	<u>Retirement Benefit Plans</u>	<u>Total</u>
Balance at June 30, 2024	\$ (1,129,997)	\$ (308,015)	\$ (1,438,012)
Other comprehensive (loss) before reclassifications	(103,978)	—	(103,978)
Amounts reclassified from accumulated other comprehensive (loss)	—	6,861	6,861
Balance at December 31, 2024	<u>\$ (1,233,975)</u>	<u>\$ (301,154)</u>	<u>\$ (1,535,129)</u>

	<u>Foreign Currency Translation Adjustment</u>	<u>Retirement Benefit Plans</u>	<u>Total</u>
Balance at June 30, 2023	\$ (962,044)	\$ (330,828)	\$ (1,292,872)
Other comprehensive income before reclassifications	48,927	—	48,927
Amounts reclassified from accumulated other comprehensive (loss)	—	2,729	2,729
Balance at December 31, 2023	<u>\$ (913,117)</u>	<u>\$ (328,099)</u>	<u>\$ (1,241,216)</u>

Significant reclassifications out of accumulated other comprehensive (loss) in shareholders' equity for the six months ended December 31, 2024 and 2023 are as follows:

Details about Accumulated Other Comprehensive (Loss) Components	Income (Expense) Reclassified from Accumulated Other Comprehensive (Loss)		Consolidated Statement of Income Classification
	Three Months Ended	Six Months Ended	
	December 31, 2024	December 31, 2024	
Retirement benefit plans			
Amortization of prior service cost and initial net obligation	\$ (826)	\$ (1,653)	Other income, net
Recognized actuarial loss	(3,747)	(7,551)	Other income, net
Total before tax	(4,573)	(9,204)	
Tax benefit	1,163	2,343	
Net of tax	\$ (3,410)	\$ (6,861)	

Details about Accumulated Other Comprehensive (Loss) Components	Income (Expense) Reclassified from Accumulated Other Comprehensive (Loss)		Consolidated Statement of Income Classification
	Three Months Ended	Six Months Ended	
	December 31, 2023	December 31, 2023	
Retirement benefit plans			
Amortization of prior service cost and initial net obligation	\$ (334)	\$ (636)	Other income, net
Recognized actuarial loss	(2,309)	(3,101)	Other income, net
Total before tax	(2,643)	(3,737)	
Tax benefit	732	1,008	
Net of tax	\$ (1,911)	\$ (2,729)	

13. Goodwill and intangible assets

The changes in the carrying amount of goodwill for the six months ended December 31, 2024 are as follows:

	Diversified Industrial Segment	Aerospace Systems Segment	Total
Balance at June 30, 2024	\$ 7,607,429	\$ 2,900,004	\$ 10,507,433
Divestitures	(89,549)	—	(89,549)
Foreign currency translation	(50,556)	(10,025)	(60,581)
Balance at December 31, 2024	\$ 7,467,324	\$ 2,889,979	\$ 10,357,303

Divestitures relate to both CFC and a non-core filtration business. 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:

	December 31, 2024		June 30, 2024	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents and technology	\$ 2,086,865	\$ 497,399	\$ 2,116,999	\$ 451,908
Trade names	1,009,053	459,186	1,041,633	441,382
Customer relationships and other	7,957,816	2,652,479	8,044,208	2,493,369
Total	\$ 11,053,734	\$ 3,609,064	\$ 11,202,840	\$ 3,386,659

Total intangible asset amortization expense for the six months ended December 31, 2024 and 2023 was \$278 million and \$298 million, respectively. The estimated amortization expense for the five years ending June 30, 2025 through 2029 is \$550 million, \$547 million, \$539 million, \$532 million and \$506 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 six months ended December 31, 2024 and 2023.

14. Retirement benefits

Net pension (benefit) expense recognized included the following components:

	U.S. Pension Benefits Three Months Ended December 31,		Non-U.S. Pension Benefits Three Months Ended December 31,	
	2024	2023	2024	2023
	Service cost	\$ 6,973	\$ 6,747	\$ 5,440
Interest cost	46,013	47,726	18,604	19,826
Expected return on plan assets	(61,244)	(64,383)	(21,250)	(23,850)
Amortization of prior service cost	762	243	64	91
Amortization of net actuarial loss	2,578	1,207	1,614	1,586
Net pension (benefit) expense	<u>\$ (4,918)</u>	<u>\$ (8,460)</u>	<u>\$ 4,472</u>	<u>\$ 3,326</u>

We recognized \$0.5 million and \$0.4 million in expense related to other postretirement benefits during the three months ended December 31, 2024 and 2023, respectively.

	U.S. Pension Benefits Six Months Ended December 31,		Non-U.S. Pension Benefits Six Months Ended December 31,	
	2024	2023	2024	2023
	Service cost	\$ 13,946	\$ 14,651	\$ 11,081
Interest cost	92,026	94,752	37,806	39,681
Expected return on plan assets	(122,487)	(128,765)	(43,179)	(47,716)
Amortization of prior service cost	1,525	454	128	182
Amortization of net actuarial loss	5,155	803	3,286	3,172
Net pension (benefit) expense	<u>\$ (9,835)</u>	<u>\$ (18,105)</u>	<u>\$ 9,122</u>	<u>\$ 6,615</u>

During the six months ended December 31, 2024 and 2023, we recognized \$1.0 million and \$1.1 million, respectively, in expense related to other postretirement benefits.

Components of retirement benefits expense, other than service cost, are included in other income, net in the Consolidated Statement of Income.

15. Debt

Our debt portfolio included a term loan facility (the "Term Loan Facility"). During the six months ended December 31, 2024, we repaid the remaining principal balance of \$490 million of the Term Loan Facility. Additionally, we repaid the \$500 million aggregate principal amount of fixed rate medium-term notes bearing interest of 3.3 percent upon maturity in November 2024. Refer to the Company's 2024 Annual Report on Form 10-K for further discussion.

Commercial paper notes outstanding at December 31, 2024 and June 30, 2024 were \$1.6 billion and \$2.1 billion, respectively.

Based on the Company's rating level at December 31, 2024, the most restrictive financial covenant provides that the ratio of debt to debt-shareholders' equity cannot exceed 0.65 to 1.0. At December 31, 2024, our debt to debt-shareholders' equity ratio was 0.41 to 1.0. We are in compliance, and expect to remain in compliance, with all covenants set forth in the credit agreement and indentures governing certain debt securities.

16. Income taxes

In December 2021, the Organization for Economic Cooperation and Development ("OECD") published a framework, known as Pillar Two, defining a global minimum tax of 15 percent on large corporations. The OECD has since issued administrative guidance providing transition and safe harbor rules around the implementation of the Pillar Two global minimum tax. Several countries have proposed or enacted legislation to implement core elements of the Pillar Two proposal effective for years

beginning after December 31, 2023, which for us is fiscal year 2025. Pillar Two does not currently have a significant impact on our consolidated financial statements. Future legislation and guidance may result in a change to our assessment.

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 December 31, 2024, we had gross unrecognized tax benefits of \$89 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 \$25 million and \$2 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 \$40 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.

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.

17. Financial instruments

Our financial instruments consist primarily of cash and cash equivalents, 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.

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:

	December 31, 2024	June 30, 2024
Carrying value of long-term debt	\$ 7,451,244	\$ 8,469,739
Estimated fair value of long-term debt	6,961,636	7,884,556

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, cross-currency swap contracts and certain foreign currency denominated debt designated as net investment hedges, to manage foreign currency transaction and translation risk. 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 effect of translating 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.

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	December 31, 2024	June 30, 2024
Net investment hedges		
Cross-currency swap contracts	Investments and other assets \$ 13,143	\$ 16,325
Cross-currency swap contracts	Other liabilities 199	208
Other derivative contracts		
Forward exchange contracts	Non-trade and notes receivable 19,997	7,625
Forward exchange contracts	Other accrued liabilities 1,858	72

The cross-currency swap and forward exchange 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 ¥2.1 billion of cross-currency swap contracts have been designated as hedging instruments. The forward exchange contracts have not been designated as hedging instruments and are considered to be economic hedges of forecasted transactions.

The forward exchange contracts are adjusted to fair value by recording gains and losses in other income, net 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 ¥2.1 billion of cross-currency swap contracts 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 are as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Forward exchange contracts	\$ 38,876	\$ (2,249)	\$ 25,986	\$ (1,813)

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 December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Cross-currency swap contracts	\$ 7,560	\$ (17,900)	\$ (2,201)	\$ (15,317)
Foreign currency denominated debt	41,287	(24,580)	18,984	(6,701)

During the six months ended December 31, 2024 and 2023, the periodic interest settlements related to the cross-currency swap contracts were not material.

A summary of financial assets and liabilities that were measured at fair value on a recurring basis at December 31, 2024 and June 30, 2024 are as follows:

	Fair Value at December 31, 2024	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Derivatives	\$ 33,140	\$ —	\$ 33,140	\$ —
Liabilities:				
Derivatives	2,057	—	2,057	—
	Fair Value at June 30, 2024	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Derivatives	\$ 23,950	\$ —	\$ 23,950	\$ —
Liabilities:				
Derivatives	280	—	280	—

Derivatives consist of forward exchange 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.

The primary investment objective for all derivatives is to manage foreign currency transaction and translation risk.

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

18. 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 is an aggregation of several business units that design, manufacture, and provide aftermarket support for highly engineered solutions that create value for customers primarily in aerospace and defense, in-plant and industrial equipment, transportation, off-highway, energy, and HVAC and refrigeration markets around the world. Diversified Industrial Segment products are marketed direct to OEMs and independent distributors through field sales employees.

Aerospace Systems - This segment designs, manufactures, and provides aftermarket support for highly engineered airframe and engine solutions for both OEMs and end users. Our components and systems are utilized across commercial transport, defense fixed wing, business jets, regional transport, helicopter and energy applications. Aerospace Systems Segment products are marketed by field sales employees and are sold directly to manufacturers and end users.

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Net sales				
Diversified Industrial	\$ 3,252,806	\$ 3,514,473	\$ 6,708,964	\$ 7,133,001
Aerospace Systems	1,489,787	1,306,474	2,937,613	2,535,434
Total net sales	\$ 4,742,593	\$ 4,820,947	\$ 9,646,577	\$ 9,668,435
Segment operating income				
Diversified Industrial	\$ 710,562	\$ 752,334	\$ 1,494,108	\$ 1,559,088
Aerospace Systems	338,184	263,112	661,170	489,372
Total segment operating income	1,048,746	1,015,446	2,155,278	2,048,460
Corporate general and administrative expenses	56,264	49,902	105,058	105,558
Income before interest expense and other income, net	992,482	965,544	2,050,220	1,942,902
Interest expense	100,802	129,029	213,893	263,497
Other income, net	(274,177)	(31,650)	(204,716)	(9,195)
Income before income taxes	\$ 1,165,857	\$ 868,165	\$ 2,041,043	\$ 1,688,600

19. Other income, net

The table below includes the components of other income, net in the Consolidated Statement of Income:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Expense (income)				
Foreign currency transaction (gain) loss	\$ (31,467)	\$ (13,921)	\$ 5,203	\$ (15,932)
Income related to equity method investments	(38,853)	(36,544)	(76,970)	(74,655)
Non-service components of retirement benefit cost	(12,434)	(16,987)	(24,646)	(35,473)
Gain on disposal of assets and divestitures	(248,613)	(8,941)	(257,348)	(20,867)
Interest income	(2,431)	(1,880)	(5,248)	(5,540)
Other items, net	5,082	(6,738)	(508)	(10,999)
	\$ (328,716)	\$ (85,011)	\$ (359,517)	\$ (163,466)

Equity method investments consist of investments in joint-venture companies in which ownership is 50 percent or less and in which the Company does not have operating control. During the six months ended December 31, 2024 and 2023, we received cash dividends from equity method investments of \$73 million and \$71 million, respectively. Sales to and services performed for equity method investments totaled \$23 million and \$17 million for the three months ended December 31, 2024 and 2023, respectively, and \$43 million and \$33 million for the six months ended December 31, 2024 and 2023, respectively.

For further discussion of the gain on disposal of assets and divestitures and non-service components of retirement benefit cost refer to Notes 4 and 14, respectively.

PARKER-HANNIFIN CORPORATION
FORM 10-Q
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2024
AND COMPARABLE PERIODS ENDED DECEMBER 31, 2023

OVERVIEW

The Company is a global leader in motion and control technologies. Leveraging a unique combination of interconnected technologies, we design, manufacture, and provide aftermarket support for highly engineered solutions that create value for customers primarily in aerospace and defense, in-plant and industrial equipment, transportation, off-highway, energy, and HVAC and refrigeration markets around the world.

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 create responsible, sustainable growth and enable Parker's long-term 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 aerospace and defense, in-plant and industrial equipment, transportation, off-highway, energy and HVAC and refrigeration. 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.

We manage our supply chain through our "local for local" manufacturing strategy, ongoing supplier management process and broadened supply base. We are monitoring inflation and manage its impact through a variety of cost and pricing measures, including continuous improvement and lean initiatives. Additionally, we strategically manage our workforce and discretionary spending. At the same time, we are appropriately addressing the ongoing needs of our business so that we continue to serve our customers.

Over the long term, the extent to which our business and results of operations will be impacted by economic and political uncertainty, geopolitical risks and public health crises depends on future developments that remain uncertain. We will continue to monitor the global environment and manage our business with the goal to minimize unfavorable impacts on operations and financial results.

The discussion below is structured to separately discuss the Consolidated Statement of Income, Business Segments, 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. Dollars are presented in millions (except per share amounts or as otherwise noted) and computed based on the amounts in thousands; therefore, totals may not sum due to rounding.

CONSOLIDATED STATEMENT OF INCOME

(dollars in millions)	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2024	2023	2024	2023
Net sales	\$ 4,743	\$ 4,821	\$ 9,647	\$ 9,668
Gross profit margin	36.3 %	35.7 %	36.6 %	35.9 %
Selling, general and administrative expenses	\$ 782	\$ 807	\$ 1,631	\$ 1,680
Selling, general and administrative expenses, as a percent of sales	16.5 %	16.7 %	16.9 %	17.4 %
Interest expense	\$ 101	\$ 129	\$ 214	\$ 263
Other income, net	\$ (329)	\$ (85)	\$ (360)	\$ (163)
Effective tax rate	18.6 %	21.4 %	19.3 %	21.1 %
Net income	\$ 949	\$ 682	\$ 1,647	\$ 1,333
Net income, as a percent of sales	20.0 %	14.1 %	17.1 %	13.8 %

Net sales decreased in the current-year quarter due to lower sales in the Diversified Industrial Segment, partially offset by higher sales in the Aerospace Systems Segment. The effect of currency exchange rate changes decreased net sales during the current-year quarter by approximately \$46 million, which was primarily attributable to the Diversified Industrial Segment. The impact of divestiture activity decreased net sales by approximately \$67 million during the current-year quarter.

Net sales decreased in the first six months of fiscal 2025 due to lower sales in the Diversified Industrial Segment, partially offset by higher sales in the Aerospace Systems Segment. The effect of currency exchange rate changes decreased net sales during the first six months of fiscal 2025 by approximately \$49 million, of which \$56 million was attributable to the Diversified Industrial Segment, partially offset by an increase of \$7 million in the Aerospace Systems Segment. The impact of divestiture activity decreased net sales by approximately \$75 million during the first six months of fiscal 2025.

Gross profit margin (calculated as net sales minus cost of sales, divided by net sales) increased in the current-year quarter and first six months of fiscal 2025 due to higher margins in both segments primarily resulting from price increases, favorable product mix and cost containment, as well as benefits from prior-year business realignment activities, partially offset by decreased volume within the Diversified Industrial Segment.

Cost of sales also included business realignment and acquisition integration charges of \$11 million and \$9 million for the current and prior-year quarter, respectively, and \$16 million and \$18 million for the first six months of fiscal 2025 and 2024, respectively.

Selling, general and administrative expenses ("SG&A") decreased in the current-year quarter and first six months of fiscal 2025 primarily due to lower research and development expenses and benefits from prior-year restructuring and acquisition-integration activities, as well as cost containment. In the current-year quarter the decrease in expense was partially offset by an increase in stock-based compensation. In the first six months of fiscal 2025 lower intangible asset amortization also contributed to the decrease in SG&A.

SG&A also included business realignment and acquisition integration charges of \$16 million and \$14 million for the current and prior-year quarter, respectively, and \$26 million and \$25 million for the first six months of fiscal 2025 and 2024, respectively.

Interest expense decreased during the current-year quarter and the first six months of fiscal 2025 primarily due to lower average debt outstanding.

Other income, net included the following:

(dollars in millions)	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Expense (income)				
Foreign currency transaction (gain) loss	\$ (31)	\$ (14)	\$ 5	\$ (16)
Income related to equity method investments	(39)	(37)	(77)	(75)
Non-service components of retirement benefit cost	(12)	(17)	(25)	(35)
Gain on disposal of assets and divestitures	(249)	(9)	(257)	(21)
Interest income	(2)	(2)	(5)	(6)
Other items, net	5	(7)	(1)	(11)
	<u>\$ (329)</u>	<u>\$ (85)</u>	<u>\$ (360)</u>	<u>\$ (163)</u>

Foreign currency transaction (gain) loss primarily relates to the impact of exchange rates on intercompany transactions, forward contracts, cash, as well as accounts and notes receivables. Gain on disposal of assets and divestitures during the current-year quarter and first six months of fiscal 2025 primarily relates to the divestiture of the composites and fuel containment ("CFC") business. Refer to Note 4 to the Consolidated Financial Statements for further discussion.

Effective tax rate for the current-year quarter and first six months of fiscal 2025 was lower than the U.S. Federal statutory rate of 21 percent due to tax benefits from share-based compensation, lower taxable gain on divestitures than gain under accounting principles generally accepted in the United States of America ("GAAP"), and foreign-derived intangible income, which were partially offset by U.S. state and local taxes and taxes related to international activities.

The effective tax rate for the comparable prior-year periods was greater than the U.S. Federal statutory rate of 21 percent due to U.S. state and local taxes and taxes related to international activities, which were partially offset by benefits from share-based compensation and foreign-derived intangible income.

The fiscal 2025 effective tax rate is expected to be approximately 21 percent.

BUSINESS SEGMENT INFORMATION

The Business Segment information presents sales and operating income on a basis that is consistent with the manner in which the Company's various businesses are managed for internal review and decision-making.

Diversified Industrial Segment

(dollars in millions)	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Net sales				
North America businesses	\$ 1,928	\$ 2,110	\$ 4,028	\$ 4,340
International businesses	1,325	1,404	2,681	2,793
Diversified Industrial Segment	<u>3,253</u>	<u>3,514</u>	<u>6,709</u>	<u>7,133</u>
Operating income				
North America businesses	427	462	911	968
International businesses	284	290	583	591
Diversified Industrial Segment	<u>\$ 711</u>	<u>\$ 752</u>	<u>\$ 1,494</u>	<u>\$ 1,559</u>
Operating margin				
North America businesses	22.1 %	21.9 %	22.6 %	22.3 %
International businesses	21.4 %	20.7 %	21.7 %	21.2 %
Diversified Industrial Segment	<u>21.8 %</u>	<u>21.4 %</u>	<u>22.3 %</u>	<u>21.9 %</u>
Backlog	\$ 3,508	\$ 4,429	\$ 3,508	\$ 4,429

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

	Period Ending December 31, 2024	
	Three Months	Six Months
North America businesses – as reported	(8.6)%	(7.2)%
Divestitures	(3.2)%	(1.7)%
Currency	(0.4)%	(0.5)%
North America businesses – without divestitures and currency ¹	(5.0)%	(5.0)%
International businesses– as reported	(5.7)%	(4.0)%
Currency	(2.7)%	(1.3)%
International businesses – without currency ¹	(3.0)%	(2.7)%
Diversified Industrial Segment – as reported	(7.4)%	(5.9)%
Divestitures	(1.9)%	(1.0)%
Currency	(1.3)%	(0.8)%
Diversified Industrial Segment – without divestitures and currency ¹	(4.2)%	(4.1)%

¹This table reconciles the percentage changes in net sales of the Diversified Industrial Segment reported in accordance with GAAP to percentage changes in net sales adjusted to remove the effects of divestitures for 12 months after their completion as well as changes in currency exchange rates (a non-GAAP measure). The effects of divestitures and changes in 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 Segment sales decreased \$262 million and \$424 million from the prior-year quarter and first six months of fiscal 2024, respectively. The effect of changes in currency exchange rates decreased sales by approximately \$46 million and \$56 million in the current-year quarter and first six months of fiscal 2025, respectively. The impact of divestiture activity decreased sales by approximately \$67 million and \$75 million in the current-year quarter and first six months of fiscal 2025, respectively. Excluding the effects of the changes in currency exchange rates and divestiture activity, sales decreased \$148 million and \$293 million from the prior-year quarter and first six months of fiscal 2024, respectively.

North America businesses - Sales decreased \$182 million and \$312 million from the prior-year quarter and first six months of fiscal 2024, respectively. The effect of changes in currency exchange rates decreased sales by approximately \$9 million and \$19 million in the current-year quarter and first six months of fiscal 2025, respectively. The effects of divestiture activity decreased sales by approximately \$67 million and \$75 million in the current-year quarter and first six months of fiscal 2025, respectively. Excluding the effects of changes in currency exchange rates and divestiture activity, sales in the North America businesses decreased \$106 million and \$218 million in the current-year quarter and first six months of fiscal 2025, respectively. In the current-year quarter and first six months of fiscal 2025, the decrease in sales is primarily due to lower demand from end users in the in-plant and industrial equipment, off-highway, transportation and energy markets, partially offset by an increase in end-user demand in the aerospace and defense markets.

International businesses - Sales decreased \$79 million and \$112 million from the prior-year quarter and first six months of fiscal 2024, respectively. The effect of changes in currency exchange rates decreased sales by approximately \$37 million in both the current-year quarter and first six months of fiscal 2025. Excluding the effects of changes in currency exchange rates, sales in the International businesses decreased \$42 million and \$76 million in the current-year quarter and first six months of fiscal 2025, respectively. In both the current-year quarter and first six months of fiscal 2025, this decrease in sales was due to lower sales in Europe, partially offset by an increase in sales in the Asia Pacific region and Latin America.

Within Europe, sales in the current-year quarter and first six months of fiscal 2025 decreased primarily due to lower demand from end users across the in-plant and industrial equipment and off-highway markets. In the first six months of fiscal 2025, we also experienced lower end-user demand in the transportation market.

Within the Asia Pacific region, sales in the current-year quarter and first six months of fiscal 2025 increased primarily due to higher end-user demand in the electronics and semiconductor and in-plant and industrial equipment markets, partially offset by lower demand from end users in the transportation, energy and off-highway markets.

Within Latin America, sales in the current-year quarter increased primarily due to higher end-user demand in the in-plant and industrial equipment, transportation and energy markets. In the first six months of fiscal 2025, sales increased primarily due to higher end-user demand in the in-plant and industrial equipment, transportation and off-highway markets, partially offset by lower demand from end users in the energy market.

Operating Margin

Diversified Industrial Segment operating margin increased during the current-year quarter and first six months of fiscal 2025 in both the North America and International businesses due to favorable product mix, price increases and benefits related to prior-year restructuring activities as well as cost containment, partially offset by decreased sales volume. Also, during the current-year quarter and first six months of fiscal 2025, operating margin in the North America businesses benefited from divestiture activity.

Business Realignment

The following business realignment and acquisition integration charges are included in the Diversified Industrial Segment operating income:

(dollars in millions)	Three Months Ended				Six Months Ended			
	December 31,				December 31,			
	2024		2023		2024		2023	
North America businesses	\$	6	\$	4	\$	10	\$	7
International businesses		14		10		20		21
Diversified Industrial Segment	\$	20	\$	14	\$	30	\$	28

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 relate to the acquisition of Meggitt plc ("Meggitt"). Business realignment and acquisition integration charges within the International businesses were primarily incurred in Europe.

We anticipate that cost savings realized from the workforce reduction measures taken in the first six months of fiscal 2025 will not materially impact operating income in fiscal 2025 and will increase operating income by approximately one percent in fiscal 2026 for both the North America and International businesses. We expect to continue to take actions necessary to appropriately structure the operations of the Diversified Industrial Segment. We currently anticipate incurring approximately \$20 million of additional business realignment charges in the remainder of fiscal 2025. However, continually changing business conditions could impact the ultimate costs we incur.

Backlog

Diversified Industrial Segment backlog, as of December 31, 2024, decreased from the prior-year quarter. Approximately 70 percent of the decrease in backlog is related to the North America businesses, which is primarily due to the CFC divestiture, as well as shipments exceeding orders. Approximately 30 percent of the decrease is due to shipments exceeding orders in the International businesses. Within the International businesses, Europe, the Asia Pacific region, and Latin America accounted for approximately 80 percent, 15 percent and five percent of the change, respectively.

Diversified Industrial Segment backlog decreased from the June 30, 2024 amount of \$4.2 billion. Approximately 90 percent of the decrease in backlog is related to the CFC divestiture in the North America businesses. Approximately 10 percent of the decrease is due to shipments exceeding orders in the International businesses. Within the International businesses, the decrease in backlog from the June 30, 2024 amount was primarily attributable to Europe, partially offset by an increase in backlog in the Asia Pacific region.

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 December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Net sales	\$ 1,490	\$ 1,306	\$ 2,938	\$ 2,535
Operating income	\$ 338	\$ 263	\$ 661	\$ 489
Operating margin	22.7 %	20.1 %	22.5 %	19.3 %
Backlog	\$ 7,008	\$ 6,399	\$ 7,008	\$ 6,399

Net Sales

Aerospace Systems Segment sales increased in both the current-year quarter and first six months of fiscal 2025 primarily due to higher volume in the commercial and defense aftermarket, as well as the commercial original equipment manufacturer ("OEM") market segment.

Operating Margin

Aerospace Systems Segment operating margin increased during both the current-year quarter and first six months of fiscal 2025 due to higher sales volume and favorable aftermarket mix, as well as benefits from cost containment initiatives and prior-year acquisition integration activities.

Business Realignment

Within the Aerospace Systems Segment, we incurred acquisition integration and business realignment charges of \$7 million and \$9 million in the current and prior-year quarter, respectively, and \$12 million and \$15 million in the first six months of fiscal 2025 and 2024, respectively. We do not expect to incur material business realignment and acquisition integration charges in the remainder of fiscal 2025. However, continually changing business conditions could impact the ultimate costs we incur.

Backlog

Aerospace Systems Segment backlog, as of December 31, 2024, increased from both the prior-year quarter and the June 30, 2024 amount of \$6.7 billion primarily due to orders exceeding shipments in the commercial and defense OEM market segments. Commercial and defense aftermarket backlog at December 31, 2024 remained relatively flat when compared to the prior-year quarter and June 30, 2024 amounts.

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 December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Expense				
Corporate general and administrative expense	\$ 56	\$ 50	\$ 105	\$ 106
Corporate general and administrative expense, as a percent of sales	1.2 %	1.0 %	1.1 %	1.1 %

Corporate general and administrative expenses increased in the current-year quarter primarily due to higher net expense associated with the Company's deferred compensation plan and related investments, as well as higher professional service fees and salaries and benefits, partially offset by lower incentive compensation expense, information technology expenses and discretionary costs.

Corporate general and administrative expenses remained relatively flat during the first six months of fiscal 2025 primarily due to lower incentive compensation expense, information technology expenses and discretionary spend, partially offset by an increase in professional service fees and salaries and benefits.

Other income, net

(dollars in millions)	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Expense (income)				
Foreign currency transaction (gain) loss	\$ (31)	\$ (14)	\$ 5	\$ (16)
Stock-based compensation	15	12	73	74
Non-service components of retirement benefit cost	(12)	(17)	(25)	(35)
Gain on disposal of assets and divestitures	(249)	(9)	(257)	(21)
Interest income	(2)	(2)	(5)	(6)
Other items, net	5	(2)	4	(5)
	<u>\$ (274)</u>	<u>\$ (32)</u>	<u>\$ (205)</u>	<u>\$ (9)</u>

Foreign currency transaction (gain) loss primarily relates to the impact of exchange rates on intercompany transactions, forward contracts, cash, as well as accounts and notes receivables. Gain on disposal of assets and divestitures during the current-year quarter and first six months of fiscal 2025 primarily relates to the divestiture of the CFC business. Refer to Note 4 to 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 the 10b5-1 share repurchase program

Cash Flows

A summary of cash flows follows:

(dollars in millions)	Six Months Ended December 31,	
	2024	2023
Cash provided by (used in):		
Operating activities	\$ 1,679	\$ 1,352
Investing activities	412	(131)
Financing activities	(2,104)	(1,305)
Effect of exchange rates	(13)	(8)
Net decrease in cash and cash equivalents	<u>\$ (27)</u>	<u>\$ (92)</u>

Cash flows from operating activities for the first six months of fiscal 2025 were \$1,679 million compared to \$1,352 million for the first six months of fiscal 2024. This increase of \$327 million was primarily related to an increase in earnings combined with strong management of working capital items. We continue to focus on managing inventory and other working capital requirements.

- Days sales outstanding relating to trade accounts receivable was 48 days at December 31, 2024, 51 days at June 30, 2024 and 50 days at December 31, 2023.
- Days supply of inventory on hand was 89 days at December 31, 2024, 80 days at June 30, 2024 and 96 days at December 31, 2023.

Cash flows from investing activities for the first six months of fiscal 2025 and 2024 were impacted by the following factors:

- Capital expenditures of \$216 million in fiscal 2025 compared to \$204 million in fiscal 2024.

- Net proceeds totaling \$621 million from the sale of the CFC and non-core filtration businesses in fiscal 2025.
- Proceeds totaling \$74 million from the sale of the MicroStrain sensing systems and Filter Resources businesses in fiscal 2024.

Cash flows from financing activities for the first six months of fiscal 2025 and 2024 were impacted by the following factors:

- Net commercial paper repayments of \$515 million in fiscal 2025 compared to net commercial paper repayments of \$584 million in fiscal 2024.
- Principal payments totaling \$490 million related to borrowings under the term loan facility ("Term Loan Facility") in fiscal 2025 compared to principal payments totaling \$200 million related to the Term Loan Facility in fiscal 2024.
- Aggregate principal payment of \$500 million related to the maturity of medium-term notes during fiscal 2025.

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, strategic investments and sustainability initiatives. 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 cash dividend of \$1.63 per share on October 23, 2024, which was paid on December 6, 2024. Dividends have been paid for 298 consecutive quarters, including a yearly increase in dividends for the last 68 years. Additionally, we declared a quarterly cash dividend of \$1.63 per share on January 23, 2025, payable on March 7, 2025.

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 \$300 million and \$311 million held by the Company's foreign subsidiaries at December 31, 2024 and June 30, 2024, 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 December 31, 2024, \$1.6 billion of commercial paper notes were outstanding, and the largest amount of commercial paper notes outstanding during the current-year quarter was \$1.9 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 \$1.4 billion was available as of December 31, 2024. 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 credit agreement. The credit agreement expires in June 2028; 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. Refer to the Cash flows from financing activities section above and Note 15 to the Consolidated Financial Statements for further discussion.

Our debt portfolio included a Term Loan Facility. During the six months ended December 31, 2024, we repaid the remaining principal balance of \$490 million of the Term Loan Facility. Refer to Note 15 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 December 31, 2024, the most restrictive financial covenant provides that the ratio of debt to debt-shareholders' equity cannot exceed 0.65 to 1.0. At December 31, 2024, the Company's debt to debt-shareholders' equity ratio was 0.41 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 the Company's credit ratings as events occur. At December 31, 2024, 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	A-
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 include the extension of payment terms with our suppliers. We have supply chain financing programs 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 do not believe that changes in the availability of supply chain financing will have a significant impact on our liquidity. Refer to Note 10 to the Consolidated Financial Statements for further discussion.

Strategic Acquisitions and Divestitures

Acquisitions will be considered from time to time to the extent there is a strong strategic fit, while at the same time maintaining the Company's strong financial position. In addition, we will continue to assess our existing businesses and initiate efforts to divest businesses that are not considered to be a good long-term strategic fit for the Company. On July 28, 2024, the Company signed an agreement to divest its CFC business within the North America businesses of the Diversified Industrial Segment, which was acquired as part of the Meggitt acquisition. This divestiture closed on November 1, 2024 for net proceeds of \$555 million. Refer to Note 4 to the Consolidated Financial Statements for further discussion. Additionally, we divested a non-core filtration business within the North America businesses of the Diversified Industrial Segment for proceeds of \$66 million on November 1, 2024.

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 orders by or from major customers, suppliers or distributors, including delays or cancellations in shipments;
- disputes regarding contract terms, changes in contract costs and revenue estimates for new development programs;
- changes in product mix;
- ability to identify acceptable strategic acquisition targets;
- uncertainties surrounding timing, successful completion or integration of acquisitions and similar transactions;
- ability to successfully divest businesses planned for divestiture and realize the anticipated benefits of such divestitures;
- the determination and ability to successfully undertake business realignment activities and the expected costs, including cost savings, thereof;
- ability to implement successfully business and operating initiatives, including the timing, price and execution of share repurchases and other capital initiatives;
- availability, cost increases of or other limitations on our access to raw materials, component products and/or commodities if associated costs 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 other government actions, including related to environmental protection, and associated compliance costs;
- supply chain and labor disruptions, including as a result of tariffs and labor shortages;
- threats associated with international conflicts and cybersecurity risks and risks associated with protecting our intellectual property;
- uncertainties surrounding the ultimate resolution of outstanding legal proceedings, including the outcome of any appeals;
- effects on market conditions, including sales and pricing, resulting from global reactions to U.S. trade policies;
- manufacturing activity, air travel trends, currency exchange rates, difficulties entering new markets and economic conditions such as inflation, deflation, interest rates and credit availability;
- inability to obtain, or meet conditions imposed for, required governmental and regulatory approvals;
- changes in the tax laws in the United States and foreign jurisdictions and judicial or regulatory interpretations thereof; and
- large scale disasters, such as floods, earthquakes, hurricanes, industrial accidents and pandemics.

Readers should consider these forward-looking statements in light of risk factors discussed in Parker’s Annual Report on Form 10-K for the fiscal year ended June 30, 2024 and other periodic filings made with the Securities and Exchange Commission.

The Company makes these statements as of the date of the filing of this Quarterly Report on Form 10-Q for the quarter ended December 31, 2024, 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 the translation of foreign currency-denominated assets and

liabilities into U.S. dollars and from transactions denominated in a currency other than the subsidiary's functional currency. We 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, 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 17 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 swap contracts 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, consisting of commercial paper, inherently exposing the Company to interest rate risk. The Term Loan Facility, which had a variable interest rate, was repaid as of December 31, 2024. 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. A 100 basis point increase in near-term interest rates would increase annual interest expense on variable rate debt, consisting of weighted-average commercial paper borrowings for the six months ended December 31, 2024, by approximately \$18 million.

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 December 31, 2024. Based on this evaluation, the Company's principal executive officer and principal financial officer concluded that, as of December 31, 2024, the Company's disclosure controls and procedures were effective.

There was no change to our internal control over financial reporting during the second quarter of fiscal 2025 that materially affected, or is 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)
October 1, 2024 through October 31, 2024	29,479	\$ 631.05	29,479	7,195,034
November 1, 2024 through November 30, 2024	21,600	\$ 685.87	21,600	7,173,434
December 1, 2024 through December 31, 2024	24,685	\$ 671.70	24,685	7,148,749
Total:	<u>75,764</u>		<u>75,764</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 5. Other Information

None of the Company's directors or officers adopted, modified or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the Company's fiscal quarter ended December 31, 2024.

ITEM 6. Exhibits.

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

Exhibit No.	Description of Exhibit
31(a)	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. *
31(b)	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. *
32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to §906 of the Sarbanes-Oxley Act of 2002. *
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 and six months ended December 31, 2024 and 2023, (ii) Consolidated Statement of Comprehensive Income for the three and six months ended December 31, 2024 and 2023, (iii) Consolidated Balance Sheet at December 31, 2024 and June 30, 2024, (iv) Consolidated Statement of Cash Flows for the six months ended December 31, 2024 and 2023, and (v) Notes to Consolidated Financial Statements for the six months ended December 31, 2024.

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: January 31, 2025

CERTIFICATIONS

I, Jennifer A. Parmentier, 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: January 31, 2025

/s/ Jennifer A. Parmentier
Jennifer A. Parmentier
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: January 31, 2025

/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 December 31, 2024, 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: January 31, 2025

/s/ Jennifer A. Parmentier

Name: Jennifer A. Parmentier

Title: Chief Executive Officer

/s/ Todd M. Leombruno

Name: Todd M. Leombruno

Title: Executive Vice President and Chief Financial Officer