

PARKER HANNIFIN CORPORATION - DECEMBER 31, 2017
CONSOLIDATED STATEMENT OF INCOME

| (Unaudited) (Dollars in thousands except per share amounts) | Three Months Ended December 31, | | Six Months Ended December 31, | |
|--|---------------------------------|--------------|-------------------------------|--------------|
| | 2017 | 2016 | 2017 | 2016 |
| Net sales | \$ 3,370,673 | \$ 2,670,804 | \$ 6,735,324 | \$ 5,413,935 |
| Cost of sales | 2,569,070 | 2,044,484 | 5,101,948 | 4,150,490 |
| Selling, general and administrative expenses | 412,462 | 336,578 | 814,134 | 659,547 |
| Interest expense | 53,133 | 33,444 | 106,688 | 67,592 |
| Other (income), net | (24,213) | (64,424) | (21,969) | (76,661) |
| Income before income taxes | 360,221 | 320,722 | 734,523 | 612,967 |
| Income taxes | 303,899 | 79,322 | 392,666 | 161,329 |
| Net income | 56,322 | 241,400 | 341,857 | 451,638 |
| Less: Noncontrolling interests | 163 | 95 | 301 | 204 |
| Net income attributable to common shareholders | \$ 56,159 | \$ 241,305 | \$ 341,556 | \$ 451,434 |
| Earnings per share attributable to common shareholders: | | | | |
| Basic earnings per share | \$.42 | \$ 1.81 | \$ 2.57 | \$ 3.38 |
| Diluted earnings per share | \$.41 | \$ 1.78 | \$ 2.51 | \$ 3.33 |
| Average shares outstanding during period - Basic | 133,112,568 | 133,320,109 | 133,144,766 | 133,499,744 |
| Average shares outstanding during period - Diluted | 136,194,919 | 135,812,760 | 135,874,530 | 135,596,707 |
| Cash dividends per common share | \$.66 | \$.63 | \$ 1.32 | \$ 1.26 |

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

| (Unaudited) (Amounts in dollars) | Three Months Ended December 31, | | Six Months Ended December 31, | |
|--|---------------------------------|---------|-------------------------------|---------|
| | 2017 | 2016 | 2017 | 2016 |
| Earnings per diluted share | \$.41 | \$ 1.78 | \$ 2.51 | \$ 3.33 |
| Adjustments: | | | | |
| Business realignment charges | 0.07 | 0.04 | 0.12 | 0.10 |
| Clarcor costs to achieve | 0.07 | - | 0.10 | - |
| Gain on sale and writedown of assets, net | (0.05) | - | 0.02 | - |
| U.S. Tax Reform one-time impact, net | 1.65 | - | 1.65 | - |
| Acquisition-related expenses | - | 0.09 | - | 0.09 |
| Adjusted earnings per diluted share | \$ 2.15 | \$ 1.91 | \$ 4.40 | \$ 3.52 |

RECONCILIATION OF EBITDA TO ADJUSTED EBITDA

(Dollars in thousands)
(Unaudited)

| | Three Months Ended December 31, | |
|---|---------------------------------|--------------|
| | 2017 | 2016 |
| Net sales | \$ 3,370,673 | \$ 2,670,804 |
| Earnings before income taxes | \$ 360,221 | \$ 320,722 |
| Depreciation and amortization | 118,109 | 73,752 |
| Interest expense | 53,133 | 33,444 |
| EBITDA | 531,463 | 427,918 |
| Adjustments: | | |
| Gain on sale and writedown of assets, net | (8,453) | - |
| Business realignment charges | 13,428 | 7,897 |
| Clarcor costs to achieve | 11,948 | - |
| Acquisition-related expenses | - | 15,963 |
| Gain on sale of a product line | - | (45,053) |
| Adjusted EBITDA | \$ 548,386 | \$ 406,725 |
| EBITDA margin | 15.8% | 16.0% |
| Adjusted EBITDA margin | 16.3% | 15.2% |

PARKER HANNIFIN CORPORATION - DECEMBER 31, 2017

BUSINESS SEGMENT INFORMATION

(Unaudited)

| (Dollars in thousands) | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---------------------------------|---------------------|-------------------------------|---------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Net sales | | | | |
| Diversified Industrial: | | | | |
| North America | \$ 1,565,416 | \$ 1,121,053 | \$ 3,160,107 | \$ 2,288,024 |
| International | 1,255,569 | 1,005,968 | 2,494,343 | 2,020,891 |
| Aerospace Systems | 549,688 | 543,783 | 1,080,874 | 1,105,020 |
| Total net sales | \$ 3,370,673 | \$ 2,670,804 | \$ 6,735,324 | \$ 5,413,935 |
| Segment operating income | | | | |
| Diversified Industrial: | | | | |
| North America | \$ 225,807 | \$ 184,013 | \$ 481,834 | \$ 384,624 |
| International | 164,806 | 127,517 | 356,597 | 264,713 |
| Aerospace Systems | 87,148 | 72,516 | 164,582 | 145,797 |
| Total segment operating income | 477,761 | 384,046 | 1,003,013 | 795,134 |
| Corporate general and administrative expenses | 46,942 | 43,926 | 88,292 | 74,960 |
| Income before interest expense and other expense | 430,819 | 340,120 | 914,721 | 720,174 |
| Interest expense | 53,133 | 33,444 | 106,688 | 67,592 |
| Other expense (income) | 17,465 | (14,046) | 73,510 | 39,615 |
| Income before income taxes | \$ 360,221 | \$ 320,722 | \$ 734,523 | \$ 612,967 |

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

(Unaudited)

| (Dollars in thousands) | Three months ended | | Three months ended | |
|--|---------------------|------------------|--------------------|------------------|
| | December 31, 2017 | | December 31, 2016 | |
| | Operating income | Operating margin | Operating income | Operating margin |
| Total segment operating income | \$ 477,761 | 14.2% | \$ 384,046 | 14.4% |
| Adjustments: | | | | |
| Business realignment charges | 13,428 | | 7,897 | |
| Clarcor costs to achieve | 11,948 | | - | |
| Adjusted total segment operating income | \$ 503,137 | 14.9% | \$ 391,943 | 14.7% |
| | Six months ended | | Six months ended | |
| | December 31, 2017 | | December 31, 2016 | |
| | Operating income | Operating margin | Operating income | Operating margin |
| Total segment operating income | \$ 1,003,013 | 14.9% | \$ 795,134 | 14.7% |
| Adjustments: | | | | |
| Business realignment charges | 21,654 | | 18,642 | |
| Clarcor costs to achieve | 17,748 | | - | |
| Adjusted total segment operating income | \$ 1,042,415 | 15.5% | \$ 813,776 | 15.0% |

PARKER HANNIFIN CORPORATION - DECEMBER 31, 2017

CONSOLIDATED BALANCE SHEET

(Unaudited)

(Dollars in thousands)

| | December 31, 2017 | June 30, 2017 | December 31, 2016 |
|---|----------------------|----------------------|----------------------|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 1,024,770 | \$ 884,886 | \$ 1,520,736 |
| Marketable securities and other investments | 107,976 | 39,318 | 684,299 |
| Trade accounts receivable, net | 1,857,282 | 1,930,751 | 1,411,074 |
| Non-trade and notes receivable | 313,221 | 254,987 | 256,545 |
| Inventories | 1,780,262 | 1,549,494 | 1,241,593 |
| Prepaid expenses | 202,848 | 120,282 | 133,592 |
| Total current assets | 5,286,359 | 4,779,718 | 5,247,839 |
| Plant and equipment, net | 1,937,074 | 1,937,292 | 1,506,201 |
| Deferred income taxes | 36,668 | 36,057 | 482,136 |
| Goodwill | 5,698,707 | 5,586,878 | 2,813,238 |
| Intangible assets, net | 2,174,104 | 2,307,484 | 849,692 |
| Other assets | 832,269 | 842,475 | 832,507 |
| Total assets | \$ 15,965,181 | \$ 15,489,904 | \$ 11,731,613 |

Liabilities and equity

| | | | |
|--|----------------------|----------------------|----------------------|
| Current liabilities: | | | |
| Notes payable | \$ 1,248,212 | \$ 1,008,465 | \$ 581,487 |
| Accounts payable | 1,229,336 | 1,300,496 | 997,189 |
| Accrued liabilities | 896,750 | 933,762 | 720,844 |
| Accrued domestic and foreign taxes | 163,405 | 153,137 | 125,954 |
| Total current liabilities | 3,537,703 | 3,395,860 | 2,425,474 |
| Long-term debt | 4,798,371 | 4,861,895 | 2,653,560 |
| Pensions and other postretirement benefits | 1,363,466 | 1,406,082 | 1,766,209 |
| Deferred income taxes | 137,196 | 221,790 | 50,809 |
| Other liabilities | 609,235 | 336,931 | 304,583 |
| Shareholders' equity | 5,513,401 | 5,261,649 | 4,527,709 |
| Noncontrolling interests | 5,809 | 5,697 | 3,269 |
| Total liabilities and equity | \$ 15,965,181 | \$ 15,489,904 | \$ 11,731,613 |

PARKER HANNIFIN CORPORATION - DECEMBER 31, 2017

CONSOLIDATED STATEMENT OF CASH FLOWS

| (Unaudited) | Six Months Ended December 31, | |
|---|-------------------------------|---------------------|
| (Dollars in thousands) | 2017 | 2016 |
| Cash flows from operating activities: | | |
| Net income | \$ 341,857 | \$ 451,638 |
| Depreciation and amortization | 234,216 | 149,085 |
| Stock incentive plan compensation | 64,267 | 47,161 |
| (Gain) on sale of business | - | (44,930) |
| (Gain) loss on disposal of assets | (26,529) | 310 |
| (Gain) on sale of marketable securities | (1) | (230) |
| Loss on sale and impairment of investments | 33,759 | - |
| Net change in receivables, inventories, and trade payables | (249,615) | 44,802 |
| Net change in other assets and liabilities | 123,864 | (313,783) |
| Other, net | (61,481) | 70,123 |
| Net cash provided by operating activities | 460,337 | 404,176 |
| Cash flows from investing activities: | | |
| Acquisitions (net of cash of \$1,760 in 2016) | - | (29,927) |
| Capital expenditures | (144,781) | (71,356) |
| Proceeds from sale of plant and equipment | 59,848 | 4,991 |
| Proceeds from sale of business | - | 85,610 |
| Purchases of marketable securities and other investments | (78,309) | (393,909) |
| Maturities and sales of marketable securities and other investments | 12,710 | 506,642 |
| Other, net | 5,143 | 241 |
| Net cash (used in) provided by investing activities | (145,389) | 102,292 |
| Cash flows from financing activities: | | |
| Net payments for common stock activity | (134,360) | (194,110) |
| Net proceeds from debt | 127,723 | 222,425 |
| Dividends | (176,187) | (168,990) |
| Net cash (used in) financing activities | (182,824) | (140,675) |
| Effect of exchange rate changes on cash | 7,760 | (66,710) |
| Net increase in cash and cash equivalents | 139,884 | 299,083 |
| Cash and cash equivalents at beginning of period | 884,886 | 1,221,653 |
| Cash and cash equivalents at end of period | \$ 1,024,770 | \$ 1,520,736 |

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

(Unaudited)

| (Amounts in thousands) | Six Months Ended December 31, 2017 | | Six Months Ended December 31, 2016 | |
|--|---------------------------------------|------------------|---------------------------------------|------------------|
| | | Percent of sales | | Percent of sales |
| As reported cash flow from operations | \$ 460,337 | 6.8% | \$ 404,176 | 7.5% |
| Discretionary pension contribution | - | | 220,000 | |
| Adjusted cash flow from operations | \$ 460,337 | 6.8% | \$ 624,176 | 11.5% |

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

(Unaudited)

(Amounts in dollars)

| | Fiscal Year |
|---|--------------------------|
| | 2018 |
| Forecasted earnings per diluted share | \$7.38 to \$7.78 |
| Adjustments: | |
| Business realignment charges | 0.32 |
| Clarcor costs to achieve | 0.28 |
| Gain on sale and writedown of assets, net | 0.02 |
| U.S. Tax Reform one-time impact, net | 1.65 |
| Adjusted forecasted earnings per diluted share | \$9.65 to \$10.05 |