

PARKER HANNIFIN CORPORATION - DECEMBER 31, 2020

CONSOLIDATED STATEMENT OF INCOME

(Unaudited) (Dollars in thousands, except per share amounts)	Three Months Ended December 31,		Six Months Ended December 31,	
	2020	2019	2020	2019
Net sales	\$ 3,411,905	\$ 3,497,974	\$ 6,642,445	\$ 6,832,485
Cost of sales	2,519,545	2,682,765	4,903,873	5,162,506
Selling, general and administrative expenses	356,572	491,121	726,423	890,300
Interest expense	62,990	82,891	128,948	152,847
Other (income), net	(103,714)	(13,549)	(108,606)	(61,070)
Income before income taxes	576,512	254,746	991,807	687,902
Income taxes	129,015	50,148	222,593	144,263
Net income	447,497	204,598	769,214	543,639
Less: Noncontrolling interests	191	124	499	267
Net income attributable to common shareholders	\$ 447,306	\$ 204,474	\$ 768,715	\$ 543,372

Earnings per share attributable to common shareholders:

Basic earnings per share	\$ 3.47	\$ 1.59	\$ 5.97	\$ 4.23
Diluted earnings per share	\$ 3.41	\$ 1.57	\$ 5.89	\$ 4.17
Average shares outstanding during period - Basic	129,013,781	128,396,933	128,860,763	128,430,463
Average shares outstanding during period - Diluted	131,075,655	130,495,381	130,482,564	130,154,079

CASH DIVIDENDS PER COMMON SHARE

(Unaudited) (Amounts in dollars)	Three Months Ended December 31,		Six Months Ended December 31,	
	2020	2019	2020	2019
Cash dividends per common share	\$ 0.88	\$ 0.88	\$ 1.76	\$ 1.76

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,	
	2020	2019	2020	2019
Earnings per diluted share	\$ 3.41	\$ 1.57	\$ 5.89	\$ 4.17
Adjustments:				
Acquired intangible asset amortization expense	0.62	0.57	1.25	0.95
Business realignment charges	0.14	0.08	0.26	0.12
Lord costs to achieve	0.02	0.05	0.05	0.08
Exotic costs to achieve	—	—	—	0.01
Acquisition-related expenses	—	1.14	—	1.28
Gain on sale of land	(0.77)	—	(0.77)	—
Tax effect of adjustments ¹	0.02	(0.43)	(0.16)	(0.58)
Adjusted earnings per diluted share	\$ 3.44	\$ 2.98	\$ 6.52	\$ 6.03

¹This line item reflects the aggregate tax effect of all non-tax adjustments reflected in the preceding line items of the table. We estimate the tax effect of each adjustment item by applying our overall effective tax rate for continuing operations to the pre-tax amount, unless the nature of the item and/or the tax jurisdiction in which the item has been recorded requires application of a specific tax rate or tax treatment, in which case the tax effect of such item is estimated by applying such specific tax rate or tax treatment.

PARKER HANNIFIN CORPORATION - DECEMBER 31, 2020**RECONCILIATION OF EBITDA TO ADJUSTED EBITDA**

(Unaudited)	Three Months Ended December 31,		Six Months Ended December 31,	
(Dollars in thousands)	2020	2019	2020	2019
Net sales	\$ 3,411,905	\$ 3,497,974	\$ 6,642,445	\$ 6,832,485
Net income	\$ 447,497	\$ 204,598	\$ 769,214	\$ 543,639
Income taxes	129,015	50,148	222,593	144,263
Depreciation and amortization	149,818	144,229	298,260	253,300
Interest expense	62,990	82,891	128,948	152,847
EBITDA	789,320	481,866	1,419,015	1,094,049
Adjustments:				
Business realignment charges	18,767	9,836	34,468	14,559
Lord costs to achieve	3,249	6,725	6,864	10,139
Exotic costs to achieve	343	489	675	1,084
Acquisition-related expenses	—	148,467	—	165,916
Gain on sale of land	(100,893)	—	(100,893)	—
Adjusted EBITDA	\$ 710,786	\$ 647,383	\$ 1,360,129	\$ 1,285,747
EBITDA margin	23.1 %	13.8 %	21.4 %	16.0 %
Adjusted EBITDA margin	20.8 %	18.5 %	20.5 %	18.8 %

PARKER HANNIFIN CORPORATION - DECEMBER 31, 2020**BUSINESS SEGMENT INFORMATION**

(Unaudited)	Three Months Ended December 31,		Six Months Ended December 31,	
(Dollars in thousands)	2020	2019	2020	2019
Net sales				
Diversified Industrial:				
North America	\$ 1,566,877	\$ 1,615,852	\$ 3,094,988	\$ 3,240,457
International	1,259,625	1,147,084	2,388,876	2,225,934
Aerospace Systems	585,403	735,038	1,158,581	1,366,094
Total net sales	\$ 3,411,905	\$ 3,497,974	\$ 6,642,445	\$ 6,832,485
Segment operating income				
Diversified Industrial:				
North America	\$ 281,619	\$ 211,339	\$ 550,452	\$ 486,531
International	220,213	153,816	407,114	322,389
Aerospace Systems	90,729	121,039	177,495	244,019
Total segment operating income	592,561	486,194	1,135,061	1,052,939
Corporate general and administrative expenses	38,720	35,660	75,455	84,562
Income before interest expense and other expense	553,841	450,534	1,059,606	968,377
Interest expense	62,990	82,891	128,948	152,847
Other (income) expense	(85,661)	112,897	(61,149)	127,628
Income before income taxes	\$ 576,512	\$ 254,746	\$ 991,807	\$ 687,902

PARKER HANNIFIN CORPORATION - DECEMBER 31, 2020

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

(Unaudited)

(Dollars in thousands)

	Three Months Ended December 31, 2020		Three Months Ended December 31, 2019	
	Operating income	Operating margin	Operating income	Operating margin
Total segment operating income	\$ 592,561	17.4 %	\$ 486,194	13.9 %
Adjustments:				
Acquired intangible asset amortization expense	81,237		73,956	
Business realignment charges	17,922		9,719	
Lord costs to achieve	3,249		6,725	
Exotic costs to achieve	343		489	
Acquisition-related expenses	—		48,725	
Adjusted total segment operating income	\$ 695,312	20.4 %	\$ 625,808	17.9 %

	Six Months Ended December 31, 2020		Six Months Ended December 31, 2019	
	Operating income	Operating margin	Operating income	Operating margin
Total segment operating income	\$ 1,135,061	17.1 %	\$ 1,052,939	15.4 %
Adjustments:				
Acquired intangible asset amortization expense	162,940		123,389	
Business realignment charges	32,445		14,437	
Lord costs to achieve	6,864		10,139	
Exotic costs to achieve	675		1,084	
Acquisition-related expenses	—		51,244	
Adjusted total segment operating income	\$ 1,337,985	20.1 %	\$ 1,253,232	18.3 %

PARKER HANNIFIN CORPORATION - DECEMBER 31, 2020

CONSOLIDATED BALANCE SHEET

(Unaudited)
(Dollars in thousands)

	December 31, 2020	June 30, 2020	December 31, 2019
Assets			
Current assets:			
Cash and cash equivalents	\$ 564,734	\$ 685,514	\$ 948,355
Marketable securities and other investments	43,314	70,805	145,120
Trade accounts receivable, net	1,816,731	1,854,398	1,973,187
Non-trade and notes receivable	312,590	244,870	319,126
Inventories	1,870,948	1,814,631	2,014,260
Prepaid expenses and other	191,362	214,986	261,103
Total current assets	4,799,679	4,885,204	5,661,151
Property, plant and equipment, net	2,302,142	2,292,735	2,335,940
Deferred income taxes	134,325	126,839	114,032
Investments and other assets	795,073	764,563	941,588
Intangible assets, net	3,695,194	3,798,913	4,036,108
Goodwill	8,101,016	7,869,935	7,955,170
Total assets	\$ 19,827,429	\$ 19,738,189	\$ 21,043,989

Liabilities and equity

Current liabilities:

Notes payable and long-term debt payable within one year	\$ 610,909	\$ 809,529	\$ 1,604,318
Accounts payable, trade	1,343,011	1,111,759	1,311,733
Accrued payrolls and other compensation	345,973	424,231	372,549
Accrued domestic and foreign taxes	218,624	195,314	165,265
Other accrued liabilities	688,566	607,540	637,257
Total current liabilities	3,207,083	3,148,373	4,091,122
Long-term debt	6,602,309	7,652,256	8,141,220
Pensions and other postretirement benefits	1,843,209	1,887,414	1,366,814
Deferred income taxes	420,699	382,528	569,582
Other liabilities	631,825	539,089	532,750
Shareholders' equity	7,105,982	6,113,983	6,330,175
Noncontrolling interests	16,322	14,546	12,326
Total liabilities and equity	\$ 19,827,429	\$ 19,738,189	\$ 21,043,989

PARKER HANNIFIN CORPORATION - DECEMBER 31, 2020**CONSOLIDATED STATEMENT OF CASH FLOWS**

(Unaudited)

Six Months Ended December 31,

(Dollars in thousands)

	2020	2019
Cash flows from operating activities:		
Net income	\$ 769,214	\$ 543,639
Depreciation and amortization	298,260	253,300
Share incentive plan compensation	79,833	73,069
Gain on property, plant and equipment	(102,565)	(4,478)
Gain on marketable securities	(6,959)	(1,969)
Gain on investments	(4,783)	(1,849)
Net change in receivables, inventories and trade payables	269,322	227,247
Net change in other assets and liabilities	47,707	(278,168)
Other, net	3,959	15,177
Net cash provided by operating activities	1,353,988	825,968
Cash flows from investing activities:		
Acquisitions (net of cash of \$82,192 in 2019)	—	(5,075,605)
Capital expenditures	(92,907)	(118,593)
Proceeds from sale of property, plant and equipment	124,428	20,993
Purchases of marketable securities and other investments	(16,029)	(190,129)
Maturities and sales of marketable securities and other investments	52,019	198,872
Other	11,183	9,374
Net cash provided by (used in) investing activities	78,694	(5,155,088)
Cash flows from financing activities:		
Net payments for common stock activity	(57,688)	(134,892)
Net (payments for) proceeds from debt	(1,324,348)	2,416,222
Dividends paid	(227,228)	(227,025)
Net cash (used in) provided by financing activities	(1,609,264)	2,054,305
Effect of exchange rate changes on cash	55,802	3,403
Net decrease in cash and cash equivalents	(120,780)	(2,271,412)
Cash and cash equivalents at beginning of year	685,514	3,219,767
Cash and cash equivalents at end of period	\$ 564,734	\$ 948,355

PARKER HANNIFIN CORPORATION - DECEMBER 31, 2020

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

(Unaudited)

(Amounts in dollars)

	Fiscal Year 2021
Forecasted earnings per diluted share	\$11.90 to \$12.40
Adjustments:	
Business realignment charges	0.46
Costs to achieve	0.11
Acquisition-related intangible asset amortization expense	2.47
Gain on sale of land	(0.77)
Tax effect of adjustments ¹	(0.52)
Adjusted forecasted earnings per diluted share	\$13.65 to \$14.15

¹This line item reflects the aggregate tax effect of all non-tax adjustments reflected in the preceding line items of the table. We estimate the tax effect of each adjustment item by applying our overall effective tax rate for continuing operations to the pre-tax amount, unless the nature of the item and/or the tax jurisdiction in which the item has been recorded requires application of a specific tax rate or tax treatment, in which case the tax effect of such item is estimated by applying such specific tax rate or tax treatment.