

Parker Hannifin Corporation

**1st Quarter Fiscal Year 2021
Earnings Release**



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ENGINEERING YOUR SUCCESS.

November 5, 2020

Forward-Looking Statements and Non-GAAP Financial Measures

Forward-looking statements contained in this and other written and oral reports are made based on known events and circumstances at the time of release, and as such, are subject in the future to unforeseen uncertainties and risks. These statements may be identified from the use of forward-looking terminology such as “anticipates,” “believes,” “may,” “should,” “could,” “potential,” “continues,” “plans,” “forecasts,” “estimates,” “projects,” “predicts,” “would,” “intends,” “expects,” “targets,” “is likely,” “will,” or the negative of these terms and similar expressions, and include all statements regarding future performance, earnings projections, events or developments. Parker cautions readers not to place undue reliance on these statements. It is possible that the future performance and earnings projections of the company, including its individual segments, may differ materially from current expectations, depending on economic conditions within its mobile, industrial and aerospace markets, and the company’s ability to maintain and achieve anticipated benefits associated with announced realignment activities, strategic initiatives to improve operating margins, actions taken to combat the effects of the current economic environment, and growth, innovation and global diversification initiatives. Additionally, the actual impact of changes in tax laws in the United States and foreign jurisdictions and any judicial or regulatory interpretation thereof on future performance and earnings projections may impact the company’s tax calculations. A change in the economic conditions in individual markets may have a particularly volatile effect on segment performance.

Among other factors which may affect future performance are: the impact of the global outbreak of COVID-19 and governmental and other actions taken in response; changes in business relationships with and purchases by or from major customers, suppliers or distributors, including delays or cancellations in shipments; disputes regarding contract terms or significant changes in financial condition, changes in contract cost and revenue estimates for new development programs and changes in product mix; ability to identify acceptable strategic acquisition targets; uncertainties surrounding timing, successful completion or integration of acquisitions and similar transactions, including the integration of CLARCOR, LORD Corporation or Exotic Metals; the ability to successfully divest businesses planned for divestiture and realize the anticipated benefits of such divestitures; the determination to undertake business realignment activities and the expected costs thereof and, if undertaken, the ability to complete such activities and realize the anticipated cost savings from such activities; ability to implement successfully capital allocation initiatives, including timing, price and execution of share repurchases; availability, limitations or cost increases of raw materials, component products and/or commodities that cannot be recovered in product pricing; ability to manage costs related to insurance and employee retirement and health care benefits; compliance costs associated with environmental laws and regulations; potential labor disruptions; threats associated with and efforts to combat terrorism and cybersecurity risks; uncertainties surrounding the ultimate resolution of outstanding legal proceedings, including the outcome of any appeals; global competitive market conditions, including global reactions to U.S. trade policies, and resulting effects on sales and pricing; and global economic factors, including manufacturing activity, air travel trends, currency exchange rates, difficulties entering new markets and general economic conditions such as inflation, deflation, interest rates and credit availability, as well as uncertainties associated with the timing and conditions surrounding the return to service of the Boeing 737 MAX. The company makes these statements as of the date of this disclosure and undertakes no obligation to update them unless otherwise required by law.

This presentation contains references to non-GAAP financial information for Parker, including organic sales for Parker and by segment, adjusted earnings per share, adjusted operating margin for Parker and by segment, EBITDA, adjusted EBITDA, EBITDA margin, and free cash flow. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. For Parker, adjusted EBITDA is defined as EBITDA before business realignment, Integration costs to achieve, and acquisition related expenses. Free cash flow is defined as cash flow from operations less capital expenditures. Although organic sales, adjusted earnings per share, adjusted operating margin for Parker and by segment, EBITDA, adjusted EBITDA, EBITDA margin and free cash flow are not measures of performance calculated in accordance with GAAP, we believe that they are useful to an investor in evaluating the company performance for the period presented. Detailed reconciliations of these non-GAAP financial measures to the comparable GAAP financial measures have been included in the appendix to this presentation.

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Agenda

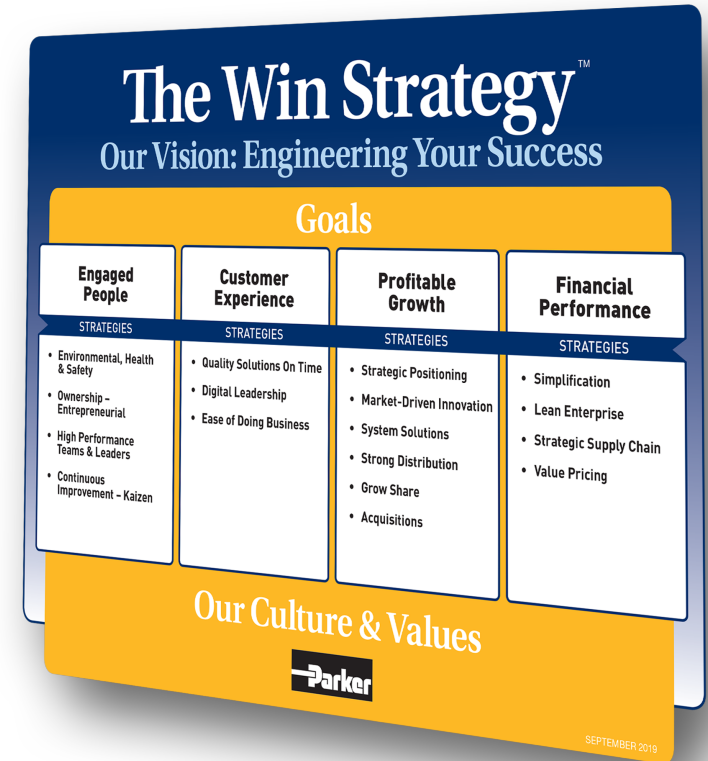
CEO Comments and Highlights of Quarter Results

Results & Outlook

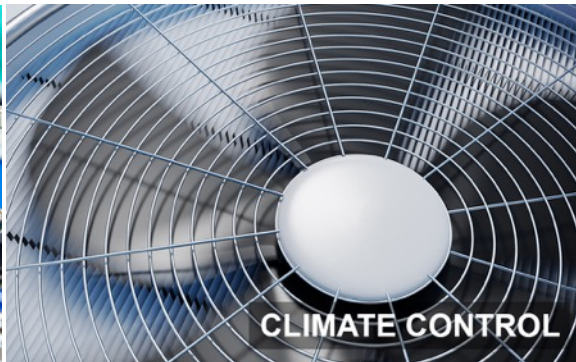
Questions & Answers

Parker's Competitive Differentiators

- The Win Strategy™
- Decentralized business model
- Technology breadth & interconnectivity
- Engineered products with intellectual property
- Long product life cycles
- Global distribution, service & support
- Low capital investment requirements
- Great generators and deployers of cash over the cycle



Unmatched Breadth of Technologies



Outstanding Performance in FY21 First Quarter

- Top quartile safety performance; 31% reduction in recordable incidents
- Sales decline of 3.1% YoY; Organic decline of 13.0% YoY
- EBITDA margin was 19.5% as reported or 20.1% adjusted, +100 bps vs. prior
- Paid down \$557 million of debt
- Record cash flow from operations reached 22.8% of sales

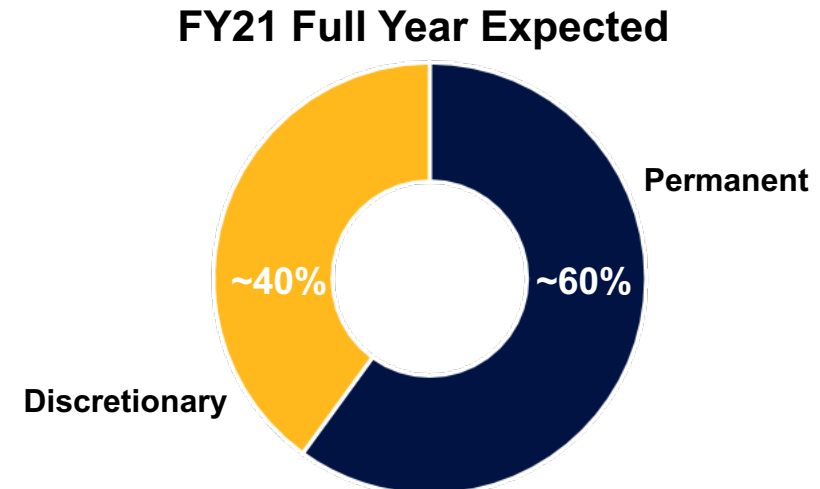
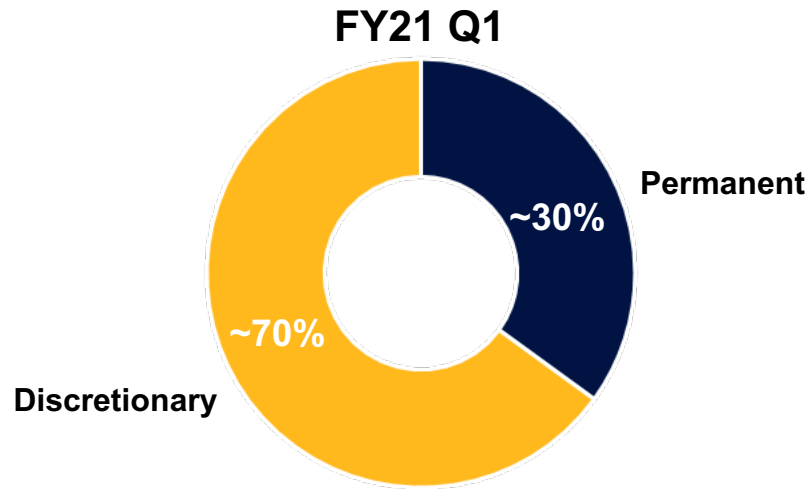
<u>Total Parker</u>	<u>FY21 Q1</u>	<u>FY20 Q1</u>	<u>Change</u>
Total Segment Operating Margin, As Reported	16.8%	17.0%	
Total Segment Operating Margin, Adjusted ¹	19.9%	18.8%	+110 bps

Progress on Deleveraging

Rapid Debt Reduction

- ~\$2 billion debt reduction in last eleven months
- Paid back 37% of the LORD & Exotic transaction debt
- Gross debt to EBITDA reduced to 3.4x from 3.6x at June 30, 2020
- Net debt to EBITDA reduced to 3.0x from 3.3x at June 30, 2020

Savings from Cost Out Actions



Savings

Discretionary Actions

Permanent Actions

Total

FY21 Q1

~125

~60

~\$185M

FY21

~175

~250

~\$425M*

Shifting to more permanent actions

Parker's Transformation

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Parker Transformed by Portfolio & Performance Actions

- Two major updates to the Parker Business System:
 - 2015 – The Win Strategy™ 2.0
 - 2019 – The Win Strategy™ 3.0
- Simplification has streamlined organization structure:
 - 126 to 84 divisions inclusive of acquisitions
- Acquired companies with higher growth trajectory and margins:

CLARCOR

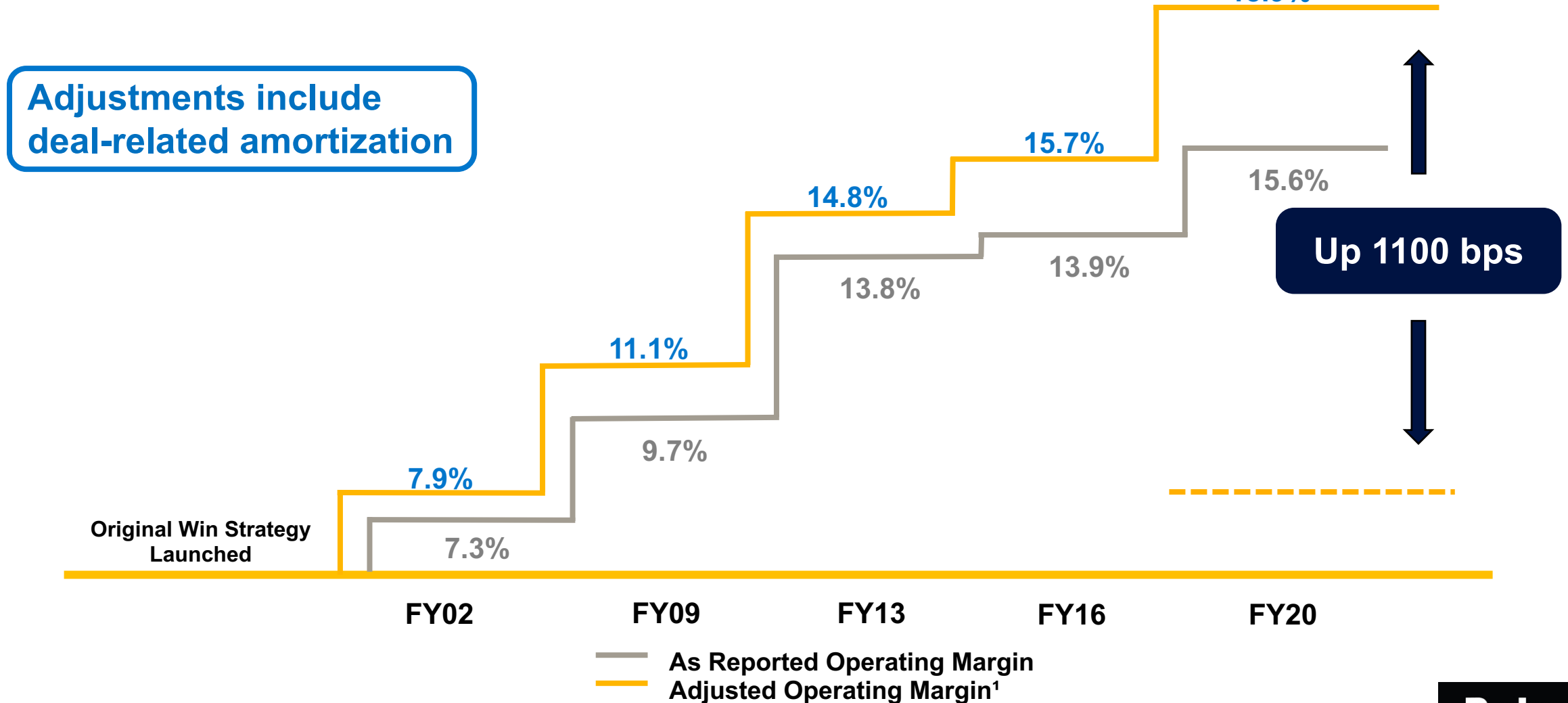
LORD



EXOTIC METALS
FORMING

Raising the Floor on Operating Margins

Last 5 manufacturing recessions



The Win Strategy™ 3.0



Enabling Engineering Breakthroughs that Lead to a Better Tomorrow

Win Strategy 3.0 Accelerates Performance

- Simplification – 80/20 + Simple by Design™
- Innovation - Winovation Updates
- Digital Leadership
- Expand and Grow Distribution
- Kaizen, HPT and Lean
- Acquisitions – Consolidator of Choice
- Annual Cash Incentive Program (ACIP)



Portfolio & Performance Transformation Continues

Catherine A. Suever

Executive Vice President – Finance & Administration and Chief Financial Officer



- Will retire effective January 1, 2021 as part of her long-term plan after 33 years of dedicated service to the company
- Helped guide Parker through economic recessions and expansions, drive implementation of the Win Strategy, manage major acquisitions and achieve record financial performance
- We thank Cathy for her skillful leadership and distinguished character, which has long served as an example of Parker's values and leading with purpose

Todd M. Leombruno

Executive Vice President and Chief Financial Officer



- Currently Vice President and Controller, will succeed Cathy as CFO on January 1, 2021
- 27 years with Parker, in-depth knowledge of our organization and business groups
- Has worked closely with our shareholders and analysts in the IR function
- Strong financial expertise and proven leadership make Todd an excellent fit and enables a seamless transition

Summary of Fiscal 2021 1st Quarter Results

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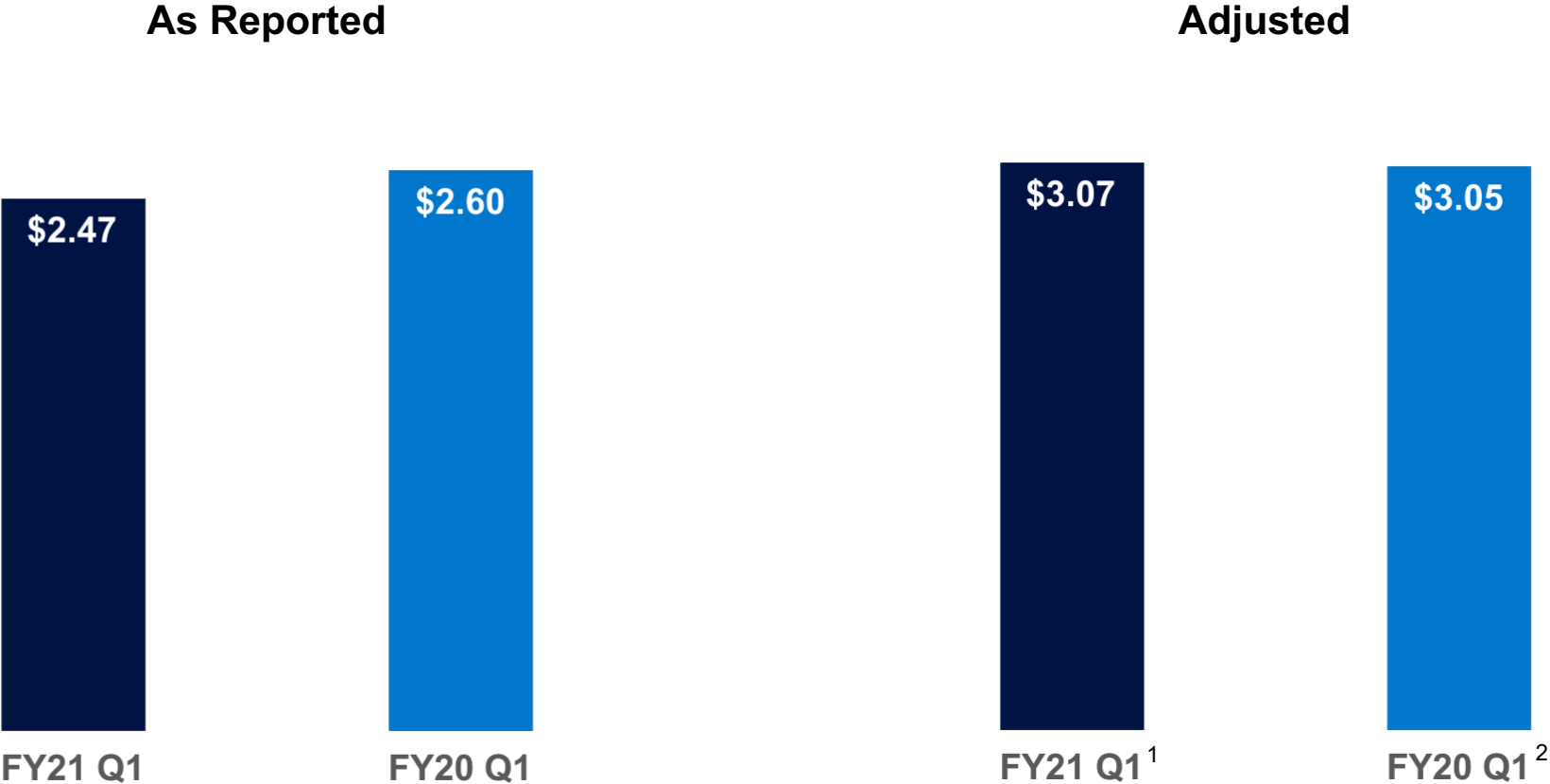
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Diluted Earnings per Share

1st Quarter FY2021 vs. FY2020

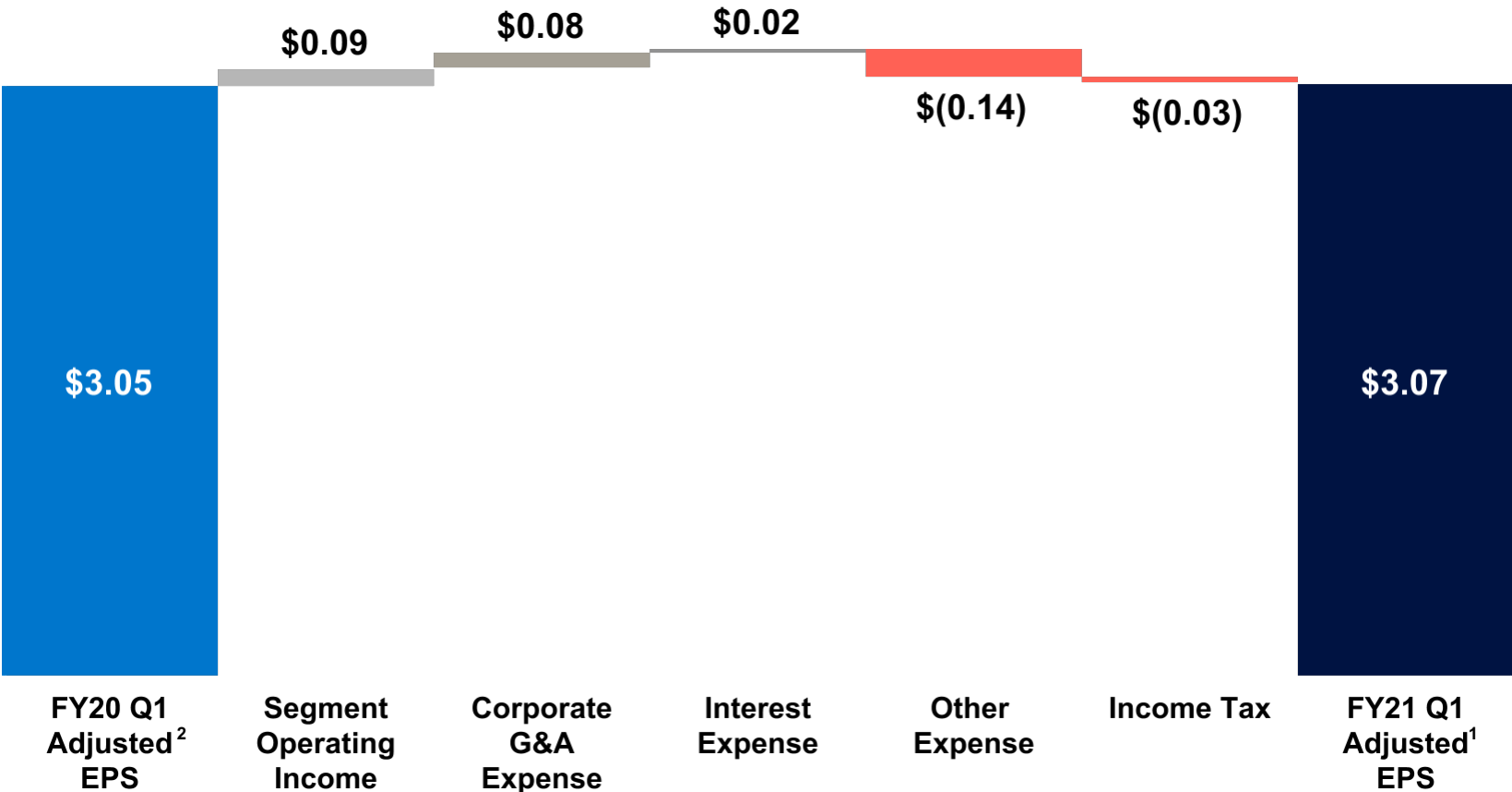


1: Adjusted for Acquired Intangible Asset Amortization, Business Realignment Charges, Integration Costs to Achieve, and the tax effect of such adjustments
2: Adjusted for Acquired Intangible Asset Amortization, Business Realignment Charges, Integration Costs to Achieve, Acquisition Related Expenses, and the tax effect of such adjustments



Influences on Adjusted Earnings per Share

1st Quarter FY2021 vs. FY2020



1: Adjusted for Acquired Intangible Asset Amortization, Business Realignment Charges, Integration Costs to Achieve, and the tax effect of such adjustments

2: Adjusted for Acquired Intangible Asset Amortization, Business Realignment Charges, Integration Costs to Achieve, Acquisition Related Expenses, and the tax effect of such adjustments



Sales & Segment Operating Margin

Total Parker

\$ in millions	1st Quarter			
	<u>FY2021</u>	<u>% Change</u>	<u>FY2020</u>	
<u>Sales</u>				
As Reported	\$ 3,231	(3.1)%	\$ 3,335	
Acquisitions ¹	305	9.1 %		
Currency	26	0.8 %		
Organic Sales	\$ 2,900	(13.0)%		
	<u>FY2021</u>	<u>% of Sales</u>	<u>FY2020</u>	<u>% of Sales</u>
<u>Segment Operating Margin</u>				
As Reported	\$ 543	16.8 %	\$ 567	17.0 %
Acquired Intangible Asset Amortization	82		49	
Business Realignment	14		5	
Integration Costs to Achieve ²	4		4	
Acquisition-Related Expenses ³	—		2	
Adjusted	\$ 643	19.9 %	\$ 627	18.8 %

1: Acquisitions reflect Exotic (closed 9/16/19) and LORD (closed 10/29/19)

2: Integration Costs to Achieve for LORD and Exotic

3: Acquisition Related Expenses for LORD and Exotic



Sales & Segment Operating Margin

Diversified Industrial North America

\$ in millions	1st Quarter			
	<u>FY2021</u>	<u>% Change</u>	<u>FY2020</u>	
<u>Sales</u>				
As Reported	\$ 1,528	(5.9)%	\$ 1,625	
Acquisitions ¹	138	8.5 %		
Currency	(6)	(0.3)%		
Organic Sales	\$ 1,396	(14.1)%		
	<u>FY2021</u>	<u>% of Sales</u>	<u>FY2020</u>	<u>% of Sales</u>
<u>Segment Operating Margin</u>				
As Reported	\$ 269	17.6 %	\$ 275	16.9 %
Acquired Intangible Asset Amortization	48		34	
Business Realignment	3		3	
Integration Costs to Achieve ²	2		3	
Adjusted	\$ 322	21.0 %	\$ 315	19.4 %

1: Acquisitions reflect LORD (closed 10/29/19)

2: Integration Costs to Achieve for LORD



Sales & Segment Operating Margin

Diversified Industrial International

\$ in millions	1st Quarter				
	<u>FY2021</u>	<u>% Change</u>	<u>FY2020</u>		
<u>Sales</u>					
As Reported	\$ 1,129	4.7 %	\$ 1,079		
Acquisitions ¹	99	9.1 %			
Currency	30	2.9 %			
Organic Sales	\$ 1,000	(7.3)%			
	<u>FY2021</u>	<u>% of Sales</u>	<u>FY2020</u>	<u>% of Sales</u>	
<u>Segment Operating Margin</u>					
As Reported	\$ 187	16.6 %	\$ 169	15.6 %	
Acquired Intangible Asset Amortization	21		13		
Business Realignment	8		2		
Integration Costs to Achieve ²	1		—		
Adjusted	\$ 217	19.2 %	\$ 184	17.0 %	

1: Acquisitions reflect LORD (closed 10/29/19)

2: Integration Costs to Achieve for LORD

Sales & Segment Operating Margin

Aerospace Systems

\$ in millions	1st Quarter			
	<u>FY2021</u>	<u>% Change</u>	<u>FY2020</u>	
<u>Sales</u>				
As Reported	\$ 573	(9.2)%	\$ 631	
Acquisitions ¹	68	10.8 %		
Currency	1	0.1 %		
Organic Sales	\$ 504	(20.1)%		
	<u>FY2021</u>	<u>% of Sales</u>	<u>FY2020</u>	<u>% of Sales</u>
<u>Segment Operating Margin</u>				
As Reported	\$ 87	15.1 %	\$ 123	19.5 %
Acquired Intangible Asset Amortization	13		3	
Business Realignment	4		—	
Integration Costs to Achieve ²	—		1	
Acquisition-Related Expenses ³	—		2	
Adjusted	\$ 104	18.1 %	\$ 129	20.4 %

1: Acquisitions reflect Exotic (closed 9/16/19) and LORD (closed 10/29/19)

2: Integration Costs to Achieve for Exotic

3: Acquisition Related Expenses for Exotic



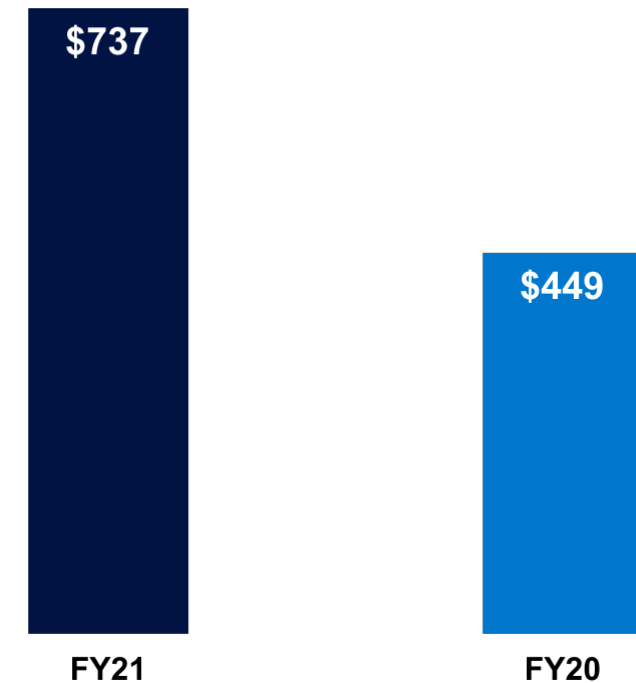
Cash Flow

1st Quarter FY2021 vs. FY2020

Q1 FY2021 Highlights

- Cash Flow from Operations of 22.8% of Sales
- Free Cash Flow of 21.5% of Sales
- Free Cash Flow Conversion of 216%

Cash Flow from Operations \$ Millions



Order Rates

	Sep 2020	Jun 2020	Sep 2019	Jun 2019
Total Parker	(12)%	(22)%	(2)%	(3)%
Diversified Industrial North America	(11)%	(29)%	(6)%	(4)%
Diversified Industrial International	(4)%	(21)%	(10)%	(8)%
Aerospace Systems	(25)%	(5)%	22 %	10 %

Excludes Acquisitions, Divestitures & Currency
3-month year-over-year comparisons of total dollars, except Aerospace Systems
Aerospace Systems is calculated using a 12-month rolling average



FY2021 Guidance Increased

EPS Midpoint: \$10.23 As Reported, \$12.00 Adjusted

Sales Growth vs. Prior Year		
Diversified Industrial North America		(4.0)% - (1.0)%
Diversified Industrial International		0.3% - 3.3%
Aerospace Systems		(16.0)% - (13.0)%
Total Parker		(5.0)% - (2.0)%

Segment Operating Margins	As Reported	Adjusted¹
Diversified Industrial North America	16.2% - 16.6%	19.8% - 20.2%
Diversified Industrial International	15.6% - 16.0%	18.2% - 18.6%
Aerospace Systems	15.9% - 16.3%	18.4% - 18.8%
Total Parker	16.0% - 16.4%	19.0% - 19.4%

Below the Line Items	As Reported	Adjusted²
Corporate General & Administrative Expenses, Interest and Other	\$400M	\$500M

Tax Rate	As Reported
Full Year	23.0%

Shares	
Diluted Shares Outstanding	130.4M

Earnings Per Share	As Reported	Adjusted^{1,2}
Range	\$9.93 - \$10.53	\$11.70 - \$12.30

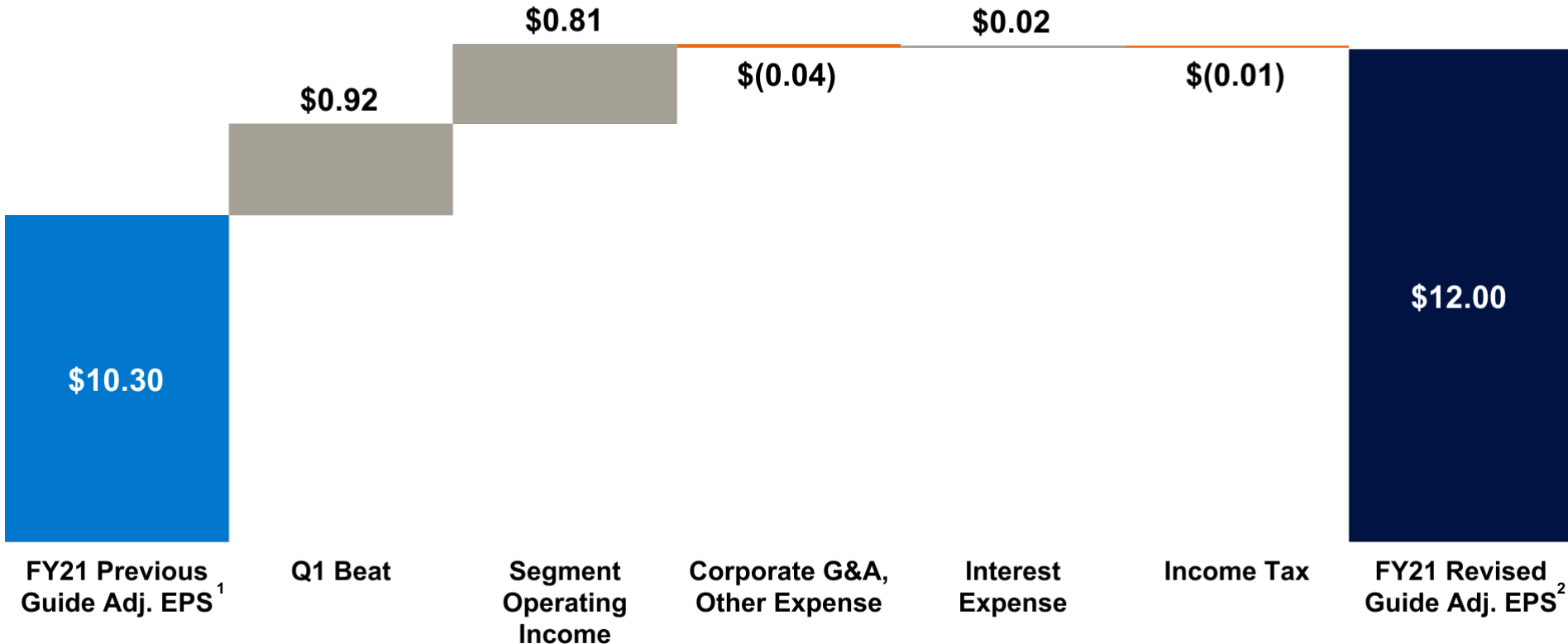
1: Detail of Pre-Tax Adjustments to Segment Margins	
Acquired Intangible Asset Amortization	\$322M
Business Realignment Charges	\$60M
Integration Costs to Achieve	\$18M

2: Detail of Pre-Tax Adjustments to Below the Line Items	
Gain on Land Sale	(\$101M)



FY2021 Guidance

Reconciliation of Q1 Beat and Updated Guidance



1: Adjusted for Acquired Intangible Asset Amortization, Business Realignment Charges, Integration Costs to Achieve, and the tax effect of such adjustments
 2: Adjusted for Acquired Intangible Asset Amortization, Business Realignment Charges, Integration Costs to Achieve, Gain on land sale, and the tax effect of such adjustments



Key Messages

- Strength & interconnectivity of Parker's portfolio
- Strategic portfolio transformation – CLARCOR, LORD & Exotic
- Improving financial performance over the cycle
- The Win Strategy™ 3.0 & Purpose Statement will accelerate performance

Confident in achieving updated FY23 Targets





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Appendix

- Consolidated Statement of Income
- Adjusted Amounts Reconciliation
- Reconciliation of EPS
- Business Segment Information
- Reconciliation of Total Segment Operating Margin to Adjusted Total Segment Operating Margin
- Reconciliation of EBITDA to Adjusted EBITDA
- Consolidated Balance Sheet
- Consolidated Statement of Cash Flows
- Reconciliation of Free Cash Flow Conversion
- Reconciliation of Forecasted EPS
- Supplemental Sales Information – Global Technology Platforms

Consolidated Statement of Income

	Three Months Ended September 30,	
	2020	2019
(Unaudited)		
(Dollars in thousands, except per share amounts)		
Net sales	\$ 3,230,540	\$ 3,334,511
Cost of sales	2,384,328	2,479,741
Selling, general and administrative expenses	369,851	399,179
Interest expense	65,958	69,956
Other (income), net	(4,892)	(47,521)
Income before income taxes	415,295	433,156
Income taxes	93,578	94,115
Net income	321,717	339,041
Less: Noncontrolling interests	308	143
Net income attributable to common shareholders	\$ 321,409	\$ 338,898
Earnings per share attributable to common shareholders:		
Basic earnings per share	\$ 2.50	\$ 2.64
Diluted earnings per share	\$ 2.47	\$ 2.60
Average shares outstanding during period - Basic	128,707,745	128,463,992
Average shares outstanding during period - Diluted	130,294,223	130,130,076
CASH DIVIDENDS PER COMMON SHARE		
(Unaudited)		
(Amounts in dollars)		
Cash dividends per common share	\$ 0.88	\$ 0.88

Adjusted Amounts Reconciliation Consolidated Statement of Income

(Dollars in thousands, except per share data)

(Unaudited)

	Quarter-to-Date FY 2021							
	As Reported September, 30 2020	% of Sales	Acquired Intangible Asset Amortization	Business Realignment Charges	Lord Costs to Achieve	Exotic Costs to Achieve	Adjusted September 30, 2020	% of Sales
Net Sales	\$ 3,230,540	100.0 %	\$ —	\$ —	\$ —	\$ —	\$ 3,230,540	100.0 %
Cost of Sales	2,384,328	73.8 %	—	12,150	331	—	2,371,847	73.4 %
Selling, general, and admin. expenses	369,851	11.4 %	81,703	2,987	3,284	332	281,545	8.7 %
Interest expense	65,958	2.0 %	—	—	—	—	65,958	2.0 %
Other (income), net	(4,892)	(0.2)%	—	564	—	—	(5,456)	(0.2)%
Income before income taxes	415,295	12.9 %	(81,703)	(15,701)	(3,615)	(332)	516,646	16.0 %
Income taxes	93,578	2.9 %	18,792	3,611	831	76	116,888	3.6 %
Net Income	321,717	10.0 %	(62,911)	(12,090)	(2,784)	(256)	399,758	12.4 %
Less: Noncontrollable interests	308	0.0 %	—	—	—	—	308	0.0 %
Net Income - common shareholders	\$ 321,409	9.9 %	\$ (62,911)	\$ (12,090)	\$ (2,784)	\$ (256)	\$ 399,450	12.4 %
Diluted earnings per share	\$ 2.47		\$ (0.48)	\$ (0.10)	\$ (0.02)	\$ —	\$ 3.07	

Adjusted Amounts Reconciliation

Business Segment Information

(Dollars in thousands)

(Unaudited)

	Quarter-to-Date FY 2021							
	<u>As Reported September 30, 2020</u>	<u>% of Sales</u>	<u>Acquired Intangible Asset Amortization</u>	<u>Business Realignment Charges</u>	<u>Lord Costs to Achieve</u>	<u>Exotic Costs to Achieve</u>	<u>Adjusted September 30, 2020</u>	<u>% of Sales²</u>
Diversified Industrial								
North America ¹	\$ 268,833	17.6 %	\$ 48,104	\$ 2,311	\$ 2,262	\$ —	\$ 321,510	21.0 %
International ¹	186,901	16.6 %	20,832	8,261	1,353	—	217,347	19.2 %
Aerospace Systems ¹	86,766	15.1 %	12,767	3,951	—	332	103,816	18.1 %
Total segment operating income	542,500	16.8 %	(81,703)	(14,523)	(3,615)	(332)	642,673	19.9 %
Corporate administration	36,735	1.1 %	—	614	—	—	36,121	1.1 %
Income before interest and other	505,765	15.7 %	(81,703)	(15,137)	(3,615)	(332)	606,552	18.8 %
Interest expense	65,958	2.0 %	—	—	—	—	65,958	2.0 %
Other (income) expense	24,512	0.8 %	—	564	—	—	23,948	0.7 %
Income before income taxes	\$ 415,295	12.9 %	\$ (81,703)	\$ (15,701)	\$ (3,615)	\$ (332)	\$ 516,646	16.0 %

¹Segment operating income as a percent of sales is calculated on as reported segment sales.

²Adjusted amounts as a percent of sales are calculated on as reported sales.

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

(Unaudited)	Three Months Ended September 30,	
(Amounts in dollars)	<u>2020</u>	<u>2019</u>
Earnings per diluted share	\$ 2.47	\$ 2.60
Adjustments:		
Acquired intangible asset amortization expense	0.63	0.38
Business realignment charges	0.12	0.04
Lord costs to achieve	0.03	0.03
Exotic costs to achieve	—	0.01
Acquisition-related expenses	—	0.14
Tax effect of adjustments ¹	<u>(0.18)</u>	<u>(0.15)</u>
Adjusted earnings per diluted share	<u>\$ 3.07</u>	<u>\$ 3.05</u>

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

Business Segment Information

(Unaudited)	Three Months Ended September 30,	
(Dollars in thousands)	2020	2019
Net sales		
Diversified Industrial:		
North America	\$ 1,528,111	\$ 1,624,605
International	1,129,251	1,078,850
Aerospace Systems	573,178	631,056
Total net sales	\$ 3,230,540	\$ 3,334,511
Segment operating income		
Diversified Industrial:		
North America	\$ 268,833	\$ 275,192
International	186,901	168,573
Aerospace Systems	86,766	122,980
Total segment operating income	542,500	566,745
Corporate general and administrative expenses	36,735	48,902
Income before interest expense and other expense	505,765	517,843
Interest expense	65,958	69,956
Other expense	24,512	14,731
Income before income taxes	\$ 415,295	\$ 433,156



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

(Unaudited)

(Dollars in millions)

	12 Months ended 6/30/02	12 Months ended 6/30/09	12 Months ended 6/30/13	12 Months ended 6/30/16	12 Months ended 6/30/20
Net Sales	\$ 6,149	\$ 10,309	\$ 13,016	\$ 11,361	\$ 13,696
Total segment operating income	\$ 446	\$ 1,004	\$ 1,791	\$ 1,576	\$ 2,138
Adjustments:					
Acquisition-related intangible asset amortization	3	99	118	101	285
Business realignment charges	37	45	12	107	74
Acquisition-related expenses & Costs to Achieve					92
Adjusted total segment operating income*	\$ 486	\$ 1,148	\$ 1,922	\$ 1,783	\$ 2,589
Total segment operating margin	7.3%	9.7%	13.8%	13.9%	15.6%
Adjusted total segment operating margin	7.9%	11.1%	14.8%	15.7%	18.9%

*Totals may not foot due to rounding

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

(Unaudited) (Dollars in thousands)	Three Months Ended September 30, 2020		Three Months Ended September 30, 2019	
	Operating income	Operating margin	Operating income	Operating margin
Total segment operating income	\$ 542,500	16.8 %	\$ 566,745	17.0 %
Adjustments:				
Acquired intangible asset amortization expense	81,703		49,433	
Business realignment charges	14,523		4,718	
Lord costs to achieve	3,615		3,414	
Exotic costs to achieve	332		595	
Acquisition-related expenses	—		2,519	
Adjusted total segment operating income	\$ 642,673	19.9 %	\$ 627,424	18.8 %

Reconciliation of EBITDA to Adjusted EBITDA

(Unaudited) (Dollars in thousands)	Three Months Ended September 30,	
	2020	2019
Net sales	\$ 3,230,540	\$ 3,334,511
Net income	\$ 321,717	\$ 339,041
Income taxes	93,578	94,115
Depreciation and amortization	148,442	109,071
Interest expense	65,958	69,956
EBITDA	629,695	612,183
Adjustments:		
Business realignment charges	15,701	4,723
Lord costs to achieve	3,615	3,414
Exotic costs to achieve	332	595
Acquisition-related expenses	—	17,449
Adjusted EBITDA	\$ 649,343	\$ 638,364
EBITDA margin	19.5 %	18.4 %
Adjusted EBITDA margin	20.1 %	19.1 %

Consolidated Balance Sheet

(Unaudited)
(Dollars in thousands)

Assets

Current assets:

Cash and cash equivalents

\$ 742,394 \$ 685,514 \$ 3,627,393

Marketable securities and other investments

33,463 70,805 282,102

Trade accounts receivable, net

1,860,324 1,854,398 1,983,242

Non-trade and notes receivable

273,991 244,870 288,762

Inventories

1,795,779 1,814,631 1,790,044

Prepaid expenses and other

163,533 214,986 166,536

Total current assets

4,869,484 **4,885,204** **8,138,079**

Plant and equipment, net

2,292,880 2,292,735 1,880,157

Deferred income taxes

129,751 126,839 145,476

Investments and other assets

778,591 764,563 892,508

Intangible assets, net

3,743,314 3,798,913 2,693,756

Goodwill

7,971,897 7,869,935 5,818,613

Total assets

\$ 19,785,917 **\$ 19,738,189** **\$ 19,568,589**

Liabilities and equity

Current liabilities:

Notes payable and long-term debt payable within one year

\$ 884,450 \$ 809,529 \$ 1,736,779

Accounts payable, trade

1,264,991 1,111,759 1,287,420

Accrued payrolls and other compensation

332,110 424,231 310,417

Accrued domestic and foreign taxes

196,429 195,314 188,571

Other accrued liabilities

650,243 607,540 634,141

Total current liabilities

3,328,223 **3,148,373** **4,157,328**

Long-term debt

7,057,723 7,652,256 7,366,912

Pensions and other postretirement benefits

1,864,506 1,887,414 1,261,493

Deferred income taxes

413,891 382,528 178,454

Other liabilities

577,325 539,089 501,610

Shareholders' equity

6,528,964 6,113,983 6,096,616

Noncontrolling interests

15,285 14,546 6,176

Total liabilities and equity

\$ 19,785,917 **\$ 19,738,189** **\$ 19,568,589**

Consolidated Statement of Cash Flows

(Unaudited)

(Dollars in thousands)

Cash flows from operating activities:

Net income
 Depreciation and amortization
 Share incentive plan compensation
 Gain on plant and equipment
 (Gain) loss on marketable securities
 Gain on investments
 Net change in receivables, inventories and trade payables
 Net change in other assets and liabilities
 Other, net

Net cash provided by operating activities

Cash flows from investing activities:

Acquisitions (net of cash of \$8,179 in 2019)
 Capital expenditures
 Proceeds from sale of plant and equipment
 Purchases of marketable securities and other investments
 Maturities and sales of marketable securities and other investments
 Other

Net cash provided by (used in) investing activities

Cash flows from financing activities:

Net payments for common stock activity
 Net (payments for) proceeds from debt
 Dividends paid

Net cash (used in) provided by financing activities

Effect of exchange rate changes on cash
 Net increase in cash and cash equivalents
 Cash and cash equivalents at beginning of year

Cash and cash equivalents at end of period

Three Months Ended September 30,

2020

2019

	\$	321,717	\$	339,041
		148,442		109,071
		58,461		52,633
		(498)		(10,269)
		(340)		201
		(970)		(498)
		194,350		53,526
		4,207		(77,794)
		12,005		(16,780)
		737,374		449,131
		—		(1,696,456)
		(42,117)		(50,345)
		6,590		19,284
		(10,726)		(159,984)
		49,107		26,477
		1,054		8,070
		3,908		(1,852,954)
		(21,750)		(71,985)
		(557,442)		2,023,714
		(113,542)		(113,352)
		(692,734)		1,838,377
		8,332		(26,928)
		56,880		407,626
		685,514		3,219,767
	\$	742,394	\$	3,627,393



Reconciliation of Free Cash Flow Conversion

(Unaudited) (Dollars in thousands)	Three Months Ended September 30, 2020
Net income	\$ 321,717
Cash flow from operations	\$ 737,374
Capital Expenditures	(42,117)
Free cash flow	\$ 695,257
Free cash flow conversion (free cash flow / net income)	216 %

Reconciliation of EPS

Fiscal Year 2021 Guidance

(Unaudited)	
(Amounts in dollars)	
	Fiscal Year 2021
Forecasted earnings per diluted share	\$9.93 to \$10.53
Adjustments:	
Business realignment charges	0.46
Costs to achieve	0.14
Acquisition-related intangible asset amortization expense	2.47
Gain on sale of land	(0.77)
Tax effect of adjustments ¹	(0.53)
Adjusted forecasted earnings per diluted share	\$11.70 to \$12.30

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

Supplemental Sales Information

Global Technology Platforms

(Unaudited) (Dollars in thousands)	Three Months Ended September 30,	
	2020	2019
Net sales		
Diversified Industrial:		
Motion Systems	657,141	766,815
Flow and Process Control	924,125	1,011,354
Filtration and Engineered Materials	1,076,096	925,286
Aerospace Systems	573,178	631,056
Total	\$ 3,230,540	\$ 3,334,511