

Parker Hannifin Corporation

**3rd Quarter Fiscal Year 2020
Earnings Release**



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ENGINEERING YOUR SUCCESS.

April 30, 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,” “anticipates,” “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 cyber-security 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 including adjusted operating margin, adjusted EBITDA margin, adjusted cash flow from operating activities, free cash flow, and adjusted earnings per share. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. 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 plus discretionary pension contribution. Although adjusted operating margin, adjusted EBITDA margin, adjusted cash flow from operating activities, free cash flow, and adjusted earnings per share 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 periods presented. Detailed reconciliations of these non-GAAP financial measures to the comparable GAAP financial measures have been included in the appendix to this presentation.

Please visit www.PHstock.com for more information

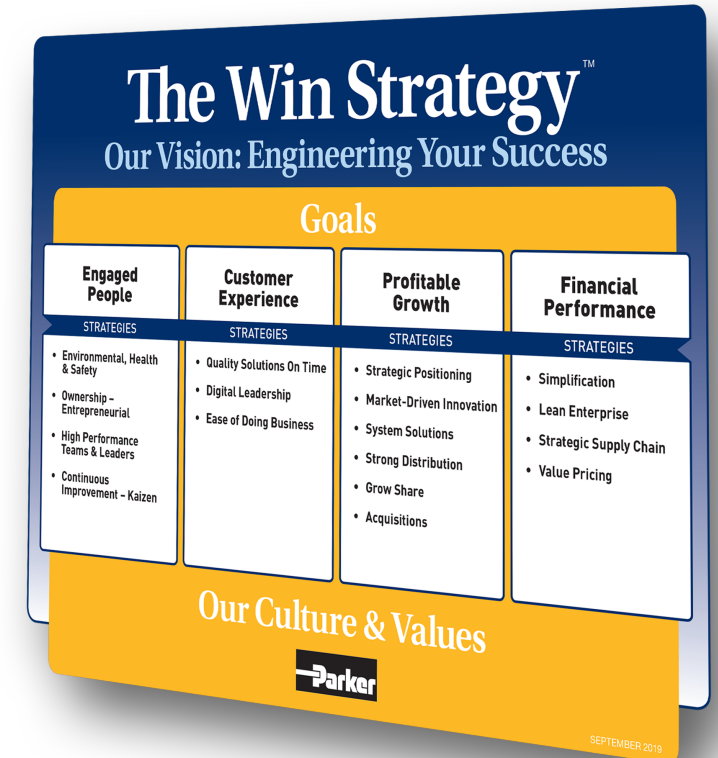
Agenda

- **CEO Update on Parker's Response to COVID-19**
- **CEO Highlights of Quarter Results**
- **CFO Summary of Quarter Results**
- **Questions & Answers**

Performance During a Health & Economic Crisis

Our strength comes from:

- The Win Strategy™
- A Portfolio of Products & Technologies that are needed
- Our Culture & Values
- Our Purpose
- Engaged People



Crisis Management Strategy

- Safety of our team members and their families
- Helping society through the crisis:
 - **We are Essential**
 - **Our Purpose in Action**
- Standing strong after the crisis

Utilizing our crisis response management team

Health & Safety Actions: Early & Decisive

- Enhanced hygiene, cleaning & sanitization protocols
- Physical distancing
- Early travel restrictions
- Early cancellation of in-person meetings
- Standard work: Investigation, disinfection & return-to-work protocols
- Contact tracing and quarantines
- Transparent communications to team members

Two Safest Places...Work and Home

Our Purpose in Action

Food Supply



Helping Patients



Essential Manufacturing



**Climate Control
Electromechanical
Engineered Materials
Filtration
Fluid & Gas Handling
Hydraulics
Pneumatics
Process Control**

Our Purpose in Action

Transportation



Power Generation



Healthcare - Ventilators



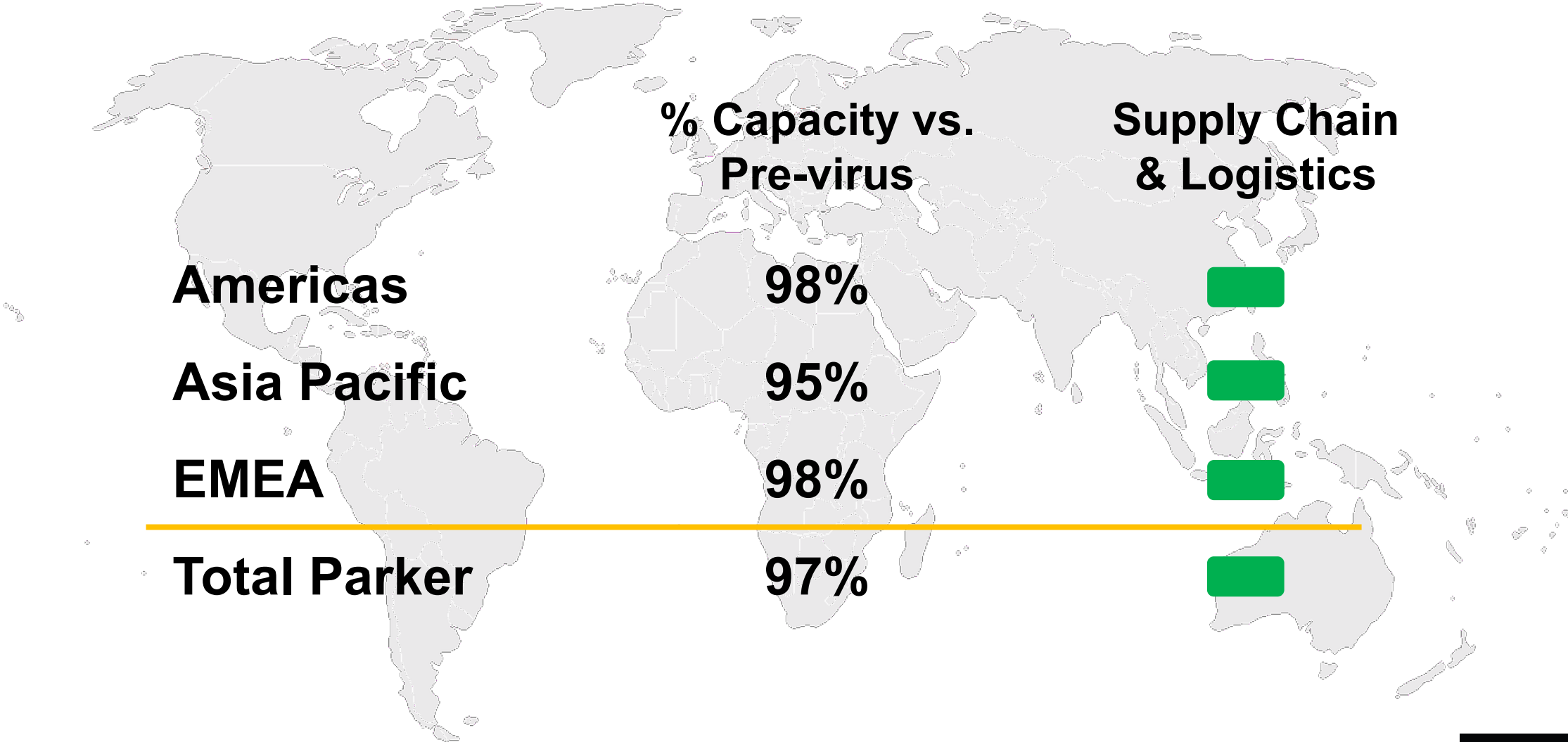
**Climate Control
Electromechanical
Engineered Materials
Filtration
Fluid & Gas Handling
Hydraulics
Pneumatics
Process Control**

Enabling Engineering Breakthroughs that Lead to a Better Tomorrow



ENGINEERING YOUR SUCCESS.

Facility & Supply Chain Status



3rd Quarter Highlights

- Safety: 27% reduction in recordable incidents; Top quartile incident rate
- Sales – Flat YoY; Acquisitions offset organic decline and FX
- Excellent adjusted margin performance:

<u>Without Acquisitions</u>	<u>FY20 Q3</u>	<u>FY19 Q3</u>	<u>Change</u>
Segment Operating Margin, As Reported	16.9%	17.1%	
Segment Operating Margin, Adjusted*	17.3%	17.2%	+10 bps
Decremental Margin vs. Prior Year			(16.4%)

<u>With Acquisitions</u>	<u>FY20 Q3</u>	<u>FY19 Q3</u>	<u>Change</u>
EBITDA Margin, As Reported	18.2%	18.6%	
EBITDA Margin, Adjusted*	19.3%	18.7%	+60 bps

3rd Quarter Highlights

- Strong EPS performance exceeded expectations
- Record Q3 YTD cash flow from operations of \$1.3 billion
- YTD Cash flow from operations margin of 12.3%
- YTD Free cash flow conversion rate of 122%
- Paid down \$611 million of debt
- Gross debt to EBITDA reduced from 4.0x at 12/31/19 to 3.8x at 3/31/20

Order Rates

	Mar 2020	Dec 2019	Mar 2019	Dec 2018
Total Parker	(2)%	(3)%	(4)%	1 %
Diversified Industrial North America	(7)%	(7)%	(6)%	0 %
Diversified Industrial International	(2)%	(6)%	(4)%	(2)%
Aerospace Systems	12 %	12 %	2 %	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

Q3 Order Trends & April

- Q3 orders improved through the quarter until mid-March
- Estimated April orders¹:

Diversified Industrial North America	(30 – 35%)
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Diversified Industrial International	(25 – 30%)
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Aerospace Systems	(40 – 45%)
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Total Parker	(30 – 35%)
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4th Quarter Cost Reduction Actions

Discretionary Cost Actions¹

- Salaried base wage reductions
 - Salaried Team Members & Directors (10%)
 - Officers (20 – 30%)
 - Chairman & CEO (50%)
- Reduced work schedules
- Foregoing annual merit increases
- Reduced travel, variable and discretionary spending



~\$250 - \$300 million

Structural Cost Actions

- Restructuring savings – reductions in force

~\$25 - \$30 million

~\$275 - \$330 million

Targeting a ~30% decremental margin



Cash Actions

- Conserve capital spending
- Optimize working capital
- Temporarily suspended 10b5-1 share repurchase program
- Maintain dividend payout and annual record of increasing dividends paid

Confident in CFOA > 10% Performance

Parker's Transformation



The Win Strategy™

Our Vision: Engineering Your Success

Goals

Engaged People

STRATEGIES

- Environmental, Health & Safety
- Ownership – Entrepreneurial
- High Performance Teams & Leaders
- Continuous Improvement – Kaizen

Customer Experience

STRATEGIES

- Quality Solutions On Time
- Digital Leadership
- Ease of Doing Business

Profitable Growth

STRATEGIES

- Strategic Positioning
- Market-Driven Innovation
- System Solutions
- Strong Distribution
- Grow Share
- Acquisitions

Financial Performance

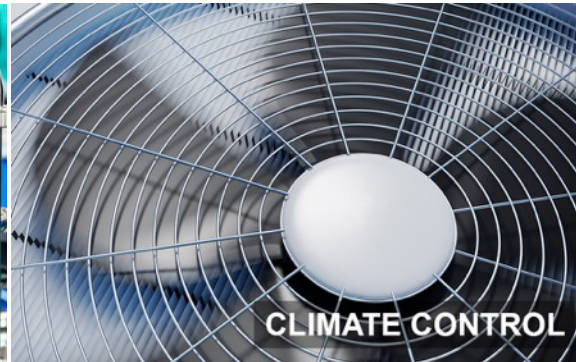
STRATEGIES

- Simplification
- Lean Enterprise
- Strategic Supply Chain
- Value Pricing

Our Culture & Values



Unmatched Breadth of Technologies



Transformational Acquisitions

CLARCOR

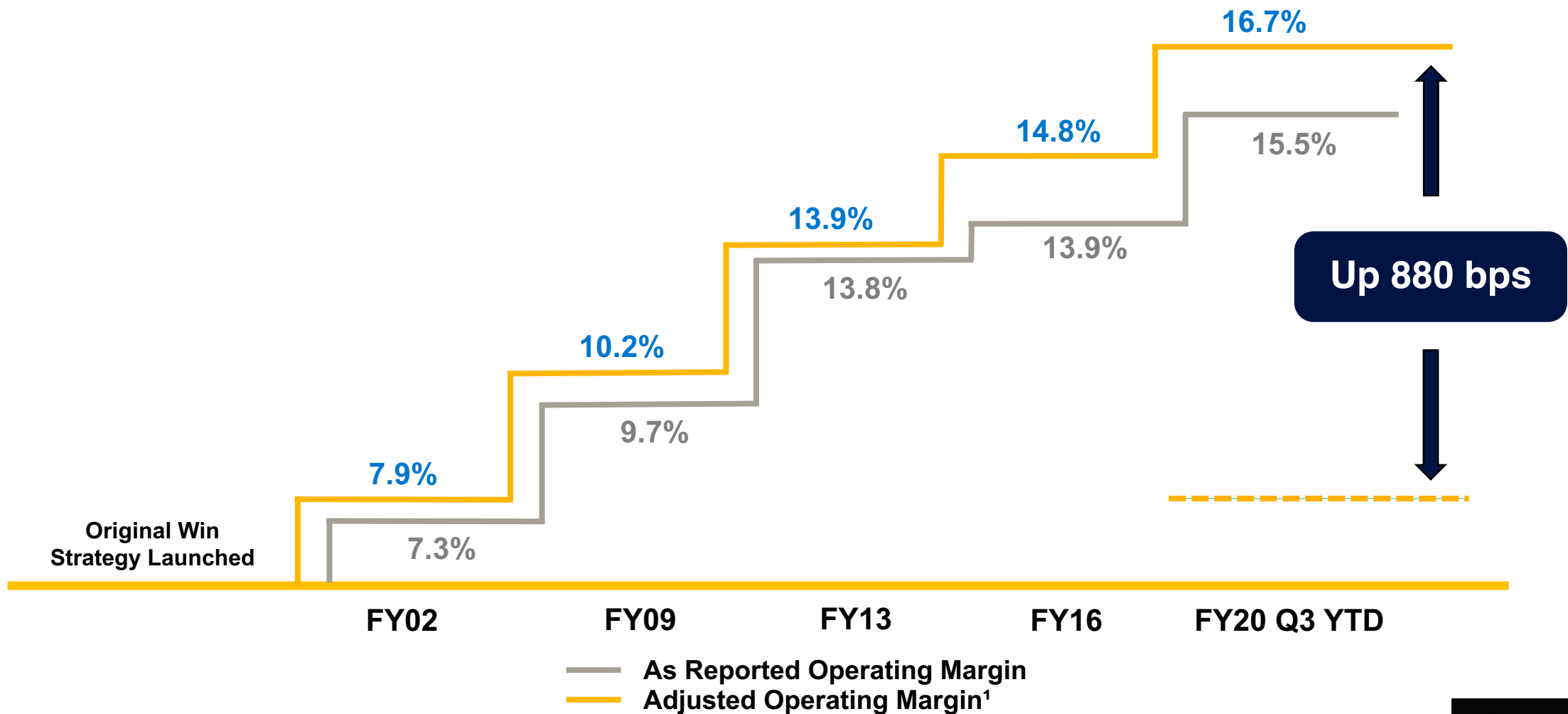
LORID

 **EXOTIC METALS**
FORMING COMPANY LLC

- \$3 billion in acquired sales¹
- More resilient
- Accretive to growth & margins

Raising the Floor on Operating Margins

Last five manufacturing recessions



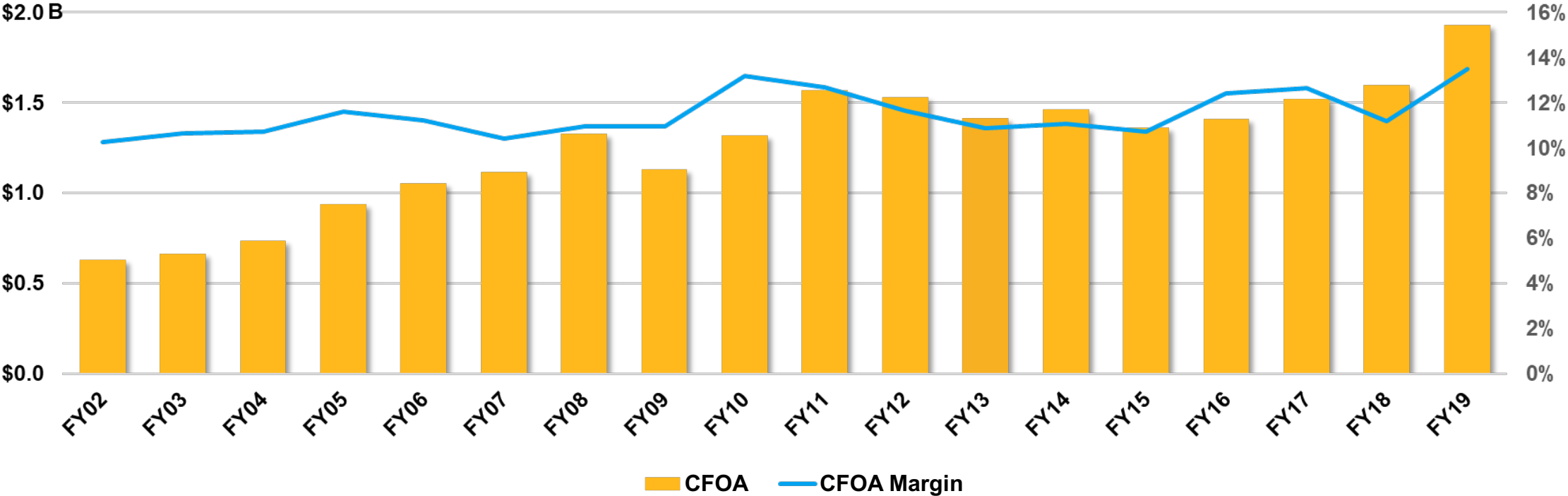
1. Adjusted amounts include certain non-GAAP financial measures. See Appendix for additional details and reconciliations.

Financial Performance

18 Consecutive years with 10%+ CFOA margins*

\$1.9B FY19 CFOA*

18 Consecutive years with 100%+ FCF conversion



*Cash Flow Provided by Operating Activities adjusted for discretionary pension contributions;
Free Cash Flow = Cash Provided by Operating Activities - Capital Expenditures + Discretionary Pension Contribution



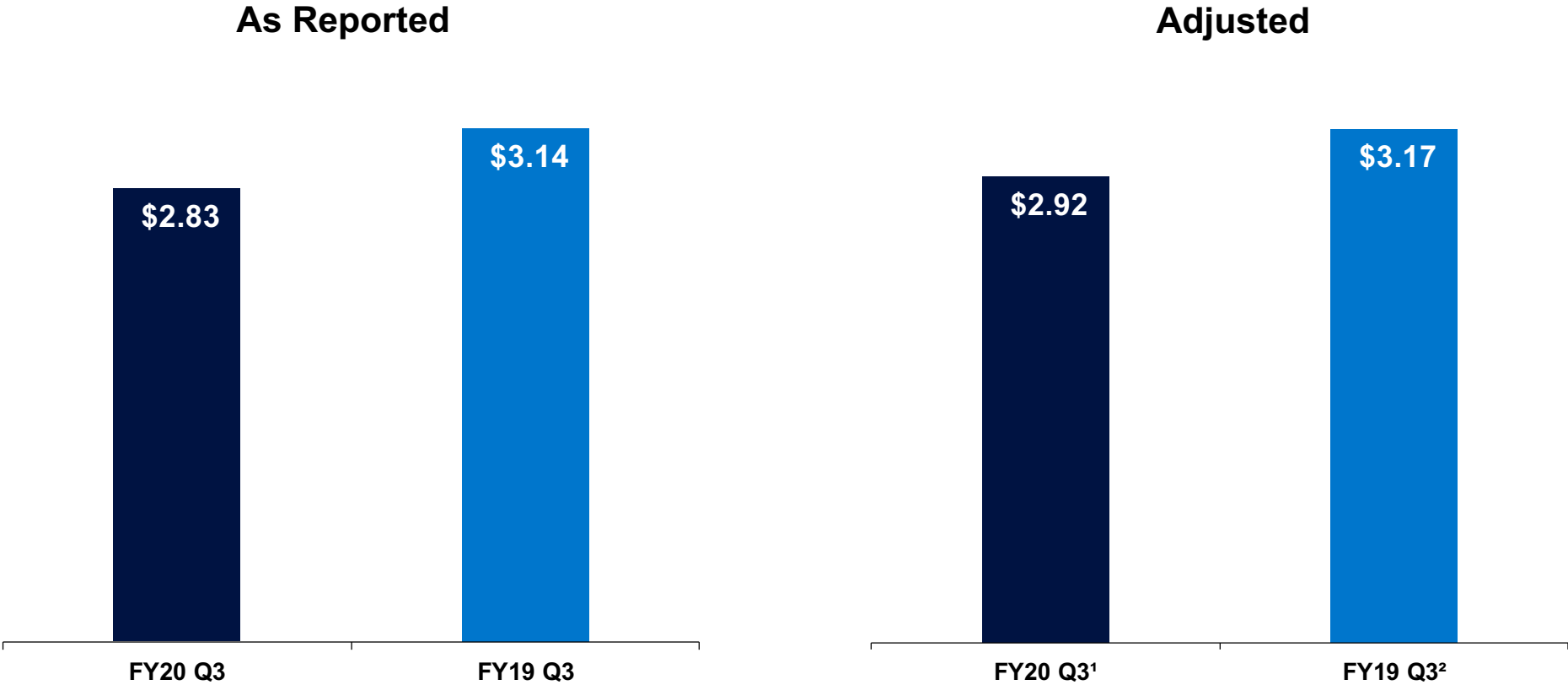
FY20 Outlook

- Current environment highly uncertain – withdrawing FY20 guidance
- Portfolio & cost structure has been transformed over the last five years
- Rapidly and aggressively adjusting costs to current environment
- Resilient – consistent cash flow from operations* >10% last 18 years

Win Strategy 3.0 & Our Purpose will Propel our Future

Diluted Earnings per Share

3rd Quarter FY2020 vs. FY2019

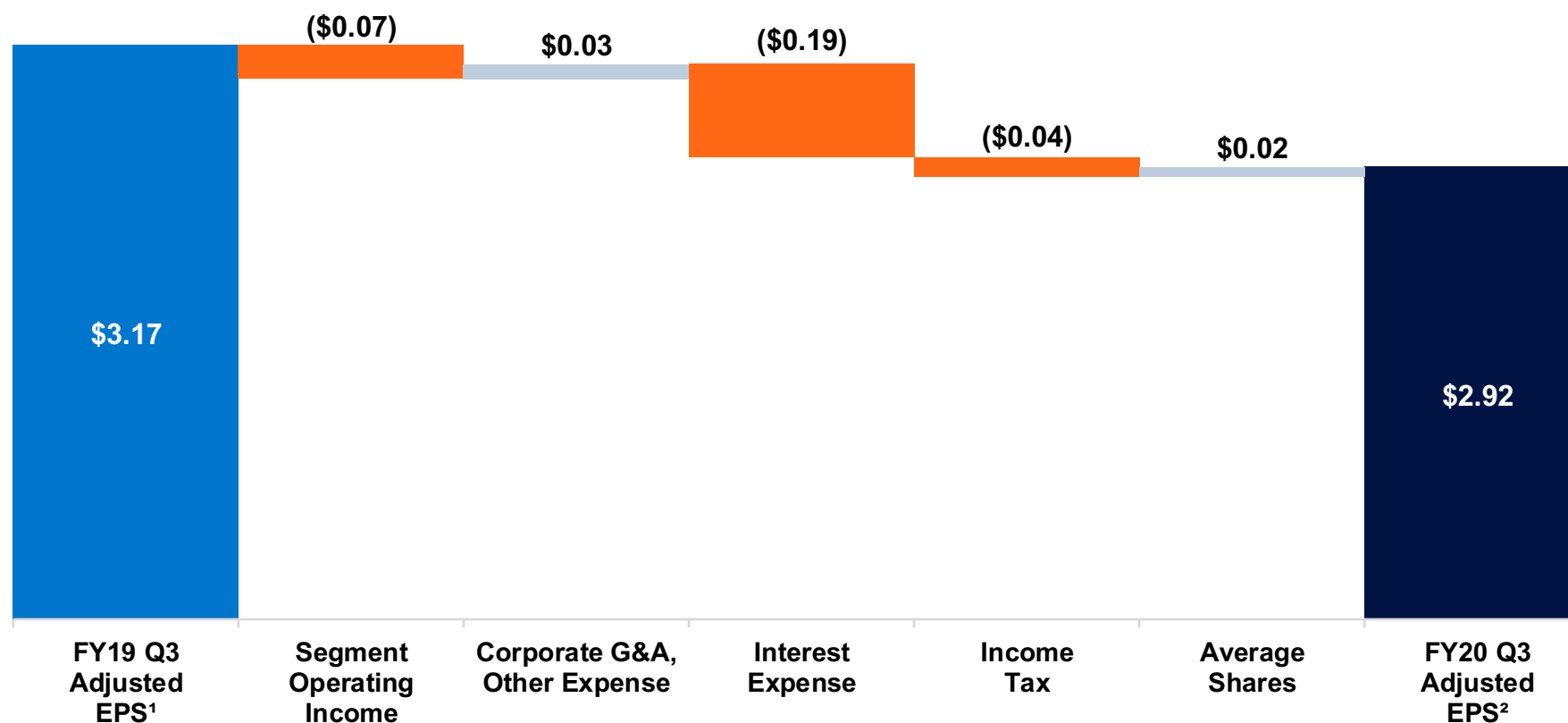


1. Adjusted for Business Realignment Charges, LORD and Exotic Costs to Achieve, Acquisition Related Expenses, the tax effect of such adjustments, and a net benefit from a favorable tax audit resolution
2. Adjusted for Business Realignment Charges, CLARCOR Costs to Achieve, and the tax effect of such adjustments



Influences on Adjusted Earnings per Share

3rd Quarter FY2020 vs. FY2019

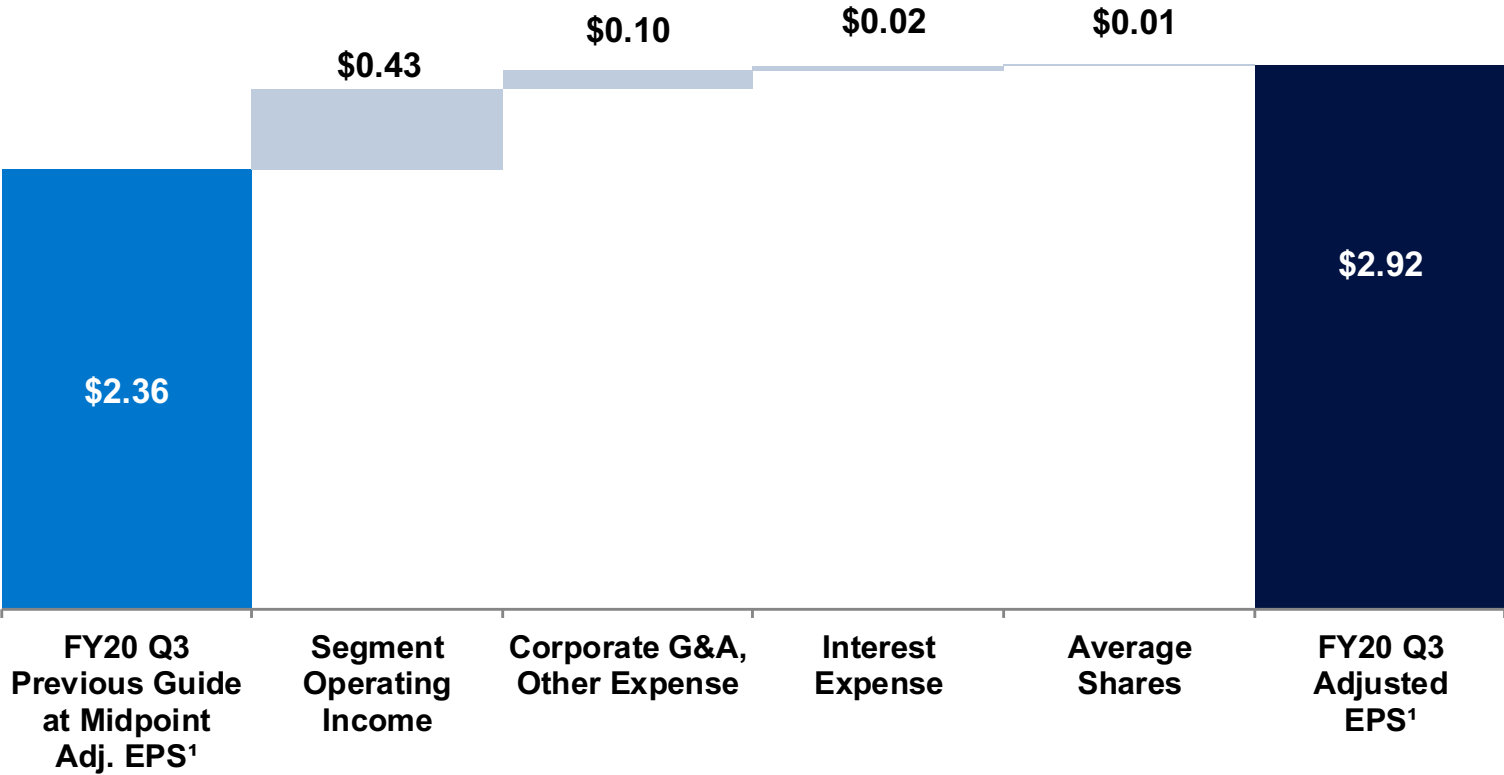


1. Adjusted for Business Realignment Charges, CLARCOR Costs to Achieve, and the tax effect of such adjustments

2. Adjusted for Business Realignment Charges, LORD and Exotic Costs to Achieve, Acquisition Related Expenses, the tax effect of such adjustments, and a net benefit from a favorable tax audit resolution

Influences on Adjusted Earnings per Share

Reconciliation of Q3 Beat



1. Adjusted for Business Realignment Charges, LORD and Exotic Costs to Achieve, Acquisition Related Expenses, the tax effect of such adjustments, and a net benefit from a favorable tax audit resolution



Sales & Segment Operating Margin

Total Parker

\$ in millions	3rd Quarter			
	FY2020	% Change	FY2019	
Sales				
As Reported	\$ 3,702	0.4 %	\$ 3,688	
Acquisitions ¹	343	9.3 %		
Currency	(56)	(1.5)%		
Organic Sales	\$ 3,415	(7.4)%		
	FY2020	% of Sales	FY2019	% of Sales
Segment Operating Margin				
As Reported	\$ 584	15.8 %	\$ 631	17.1 %
Business Realignment	13		4	
Integration Costs to Achieve ²	9		1	
Acquisition Related Expenses ³	18		-	
Adjusted	\$ 624	16.9 %	\$ 636	17.2 %

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

2. Integration Costs to Achieve for LORD and Exotic (FY20), CLARCOR (FY19)

3. Acquisition Related Expenses for Exotic and LORD (FY20).

FY2020 Q3 Acquisitions Impact on Segment Margins

As Reported	FY20 Q3			FY19 Q3
\$M	Total Parker	LORD + Exotic	Legacy Parker	Total Parker
Sales	\$3,702	\$343	\$3,359	\$3,688
Operating Income	\$584	\$16	\$568	\$631
Operating Margin	15.8%	4.7%	16.9%	17.1%

Adjusted*	FY20 Q3			FY19 Q3
\$M	Total Parker	LORD + Exotic	Legacy Parker	Total Parker
Sales	\$3,702	\$343	\$3,359	\$3,688
Operating Income	\$624	\$42	\$582	\$636
Operating Margin	16.9%	12.2%	17.3%	17.2%
Decremental Margin vs. Prior Year			(16.4%)	



Sales & Segment Operating Margin

Diversified Industrial North America

\$ in millions	3rd Quarter			
	FY2020	% Change	FY2019	
Sales				
As Reported	\$ 1,776	1.4 %	\$ 1,751	
Acquisitions ¹	155	8.9 %		
Currency	(4)	(0.4)%		
Organic Sales	\$ 1,625	(7.1)%		
	FY2020	% of Sales	FY2019	% of Sales
Segment Operating Margin				
As Reported	\$ 280	15.7 %	\$ 288	16.4 %
Business Realignment	3		1	
Integration Costs to Achieve ²	6		(0)	
Acquisition Related Expenses ³	15		-	
Adjusted	\$ 304	17.1 %	\$ 289	16.5 %

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

2. Integration Costs to Achieve for LORD (FY20), CLARCOR (FY19)

3. Acquisition Related Expenses for LORD (FY20).

Sales & Segment Operating Margin

Diversified Industrial International

\$ in millions	3rd Quarter			
	FY2020	% Change	FY2019	
Sales				
As Reported	\$ 1,182	(8.0)%	\$ 1,285	
Acquisitions ¹	79	6.2 %		
Currency	(50)	(4.0)%		
Organic Sales	\$ 1,153	(10.2)%		
Segment Operating Margin				
As Reported	\$ 177	15.0 %	\$ 209	16.2 %
Business Realignment	9		3	
Integration Costs to Achieve ²	2		0	
Acquisition Related Expenses ³	3		-	
Adjusted	\$ 191	16.2 %	\$ 212	16.5 %

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

2. Integration Costs to Achieve for LORD (FY20), CLARCOR (FY19)

3. Acquisition Related Expenses for LORD (FY20).

Sales & Segment Operating Margin

Aerospace Systems

\$ in millions	3rd Quarter			
	FY2020	% Change	FY2019	
Sales				
As Reported	\$ 745	14.2 %	\$ 652	
Acquisitions ¹	109	16.7 %		
Currency	(0)	(0.1)%		
Organic Sales	\$ 636	(2.4)%		
	FY2020	% of Sales	FY2019	% of Sales
Segment Operating Margin				
As Reported	\$ 127	17.1 %	\$ 135	20.7 %
Business Realignment	1		-	
Integration Costs to Achieve ²	0		-	
Acquisition Related Expenses ³	1		-	
Adjusted	\$ 129	17.4 %	\$ 135	20.7 %

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

2. Integration Costs to Achieve for Exotic (FY20)

3. Acquisition Related Expenses for LORD (FY20).

FY20 Q3 YTD Impact of Acquisitions

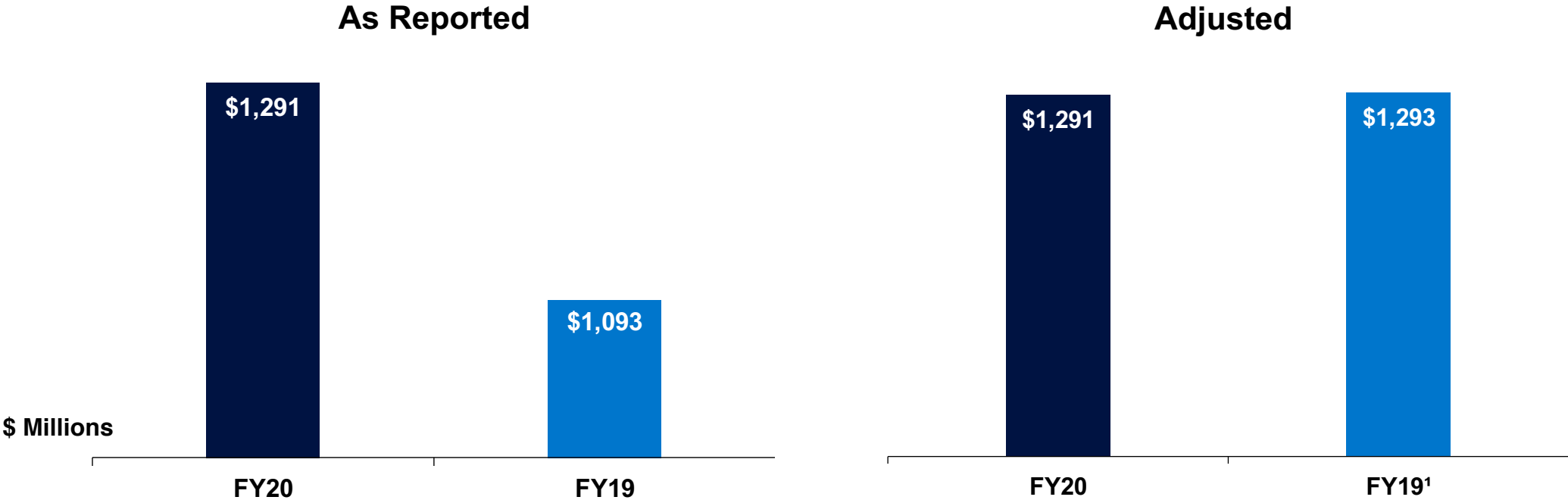
As Reported	FY20 YTD			FY19 YTD
\$M	Total Parker	LORD + Exotic	Legacy Parker	Total Parker
Sales	\$10,535	\$651	\$9,884	\$10,639
Operating Income	\$1,637	(\$4)	\$1,641	\$1,790
Operating Margin	15.5%	(0.6%)	16.6%	16.8%
EBITDA Margin	16.8%	(4.7%)	18.2%	17.8%
Adjusted*	FY20 YTD			FY19 YTD
\$M	Total Parker	LORD + Exotic	Legacy Parker	Total Parker
Sales	\$10,535	\$651	\$9,884	\$10,639
Operating Income	\$1,754	\$82	\$1,672	\$1,811
Operating Margin	16.7%	12.6%	16.9%	17.0%
EBITDA Margin	19.0%	26.3%	18.5%	18.0%

*Adjusted for Business Realignment Charges, Integration Costs to Achieve, Acquisition Related Expenses

Note: Segment Operating Income includes FY20 Q3 YTD Amortization expense estimated at \$25M for Exotic and \$40M for LORD. LORD Sales split approximately 64% Diversified Industrial North America, 32% Diversified Industrial International, and 4% Aerospace Systems. Exotic Sales 100% in Aerospace Systems

Cash Flow from Operating Activities

YTD FY2020 vs. FY2019



	YTD			
	FY 2020	% of Sales	FY 2019	% of Sales
As Reported Cash Flow From Operating Activities	\$ 1,291	12.3%	\$ 1,093	10.3%
Discretionary Pension Plan Contribution	-		200	
Adjusted Cash Flow From Operating Activities	\$ 1,291	12.3%	\$ 1,293	12.1%

1. Adjusted for Discretionary Pension Plan Contributions



Liquidity and Credit

- Cash balance \$0.7B as of March 31, 2020 – International operations self-financing
- Free cash flow > 100% conversion rate for 18+ years – expected to continue
 - Optimizing working capital
 - Deferring tax payments per government initiatives
 - Reducing capex spend
- Temporarily suspended 10b5-1 share repurchase program
- Remain committed to dividend and annual record of increasing dividends paid
- \$2.5B Revolving credit facility – matures September 2024
- No major debt repayment due until FY23 - \$1.0B
- Commercial paper readily available – March 31, 2020 balance \$0.9B
- Financial covenant: debt to debt-shareholders' equity cannot exceed 65%
 - 59.4% as of March 31, 2020
 - \$2.5B headroom as of March 31, 2020
- Gross Debt / EBITDA = 3.8x (down from 4.0x at December 31); Net Debt/EBITDA = 3.5x
 - \$611M reduction in debt during Q3 FY20

We are confident in
our ability to emerge
stronger than ever.



ENGINEERING YOUR SUCCESS.





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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 Cash Flow from Operations to Adjusted Cash Flow from Operations
- Reconciliation of Free Cash Flow Conversion
- Supplemental Sales Information – Global Technology Platforms

Consolidated Statement of Income

(Unaudited)

(Dollars in thousands, except per share amounts)

Net sales

Cost of sales

Selling, general and administrative expenses

Interest expense

Other (income), net

Income before income taxes

Income taxes

Net income

Less: Noncontrolling interests

Net income attributable to common shareholders

Earnings per share attributable to common shareholders:

Basic earnings per share

Diluted earnings per share

Average shares outstanding during period - Basic

Average shares outstanding during period - Diluted

CASH DIVIDENDS PER COMMON SHARE

(Unaudited)

(Amounts in dollars)

Cash dividends per common share

Three Months Ended March 31,

	2020	2019
\$	3,702,432	\$ 3,687,518
	2,766,693	2,766,744
	413,460	360,865
	80,765	48,209
	(12,643)	(17,500)
	454,157	529,200
	86,788	117,819
	367,369	411,381
	116	133
\$	367,253	\$ 411,248

\$	2.86	\$ 3.20
\$	2.83	\$ 3.14

128,289,720 128,706,137

129,746,547 130,884,968

Three Months Ended March 31,

	2020	2019
\$	0.88	\$ 0.76

Adjusted Amounts Reconciliation Consolidated Statement of Income

(Dollars in thousands, except per share data)
(Unaudited)

Quarter-to-Date FY 2020									
	As Reported March 31, 2020	% of Sales	Business Realignment Charges	Lord Costs to Achieve	Exotic Costs to Achieve	Acquisition Related Expenses	Favorable Tax Settlement	Adjusted March 31, 2020	% of Sales
Net sales	\$ 3,702,432	100.0 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,702,432	100.0 %
Cost of sales	2,766,693	74.7 %	10,201	399	-	18,060	-	2,738,033	74.0 %
Selling, general and admin. expenses	413,460	11.2 %	3,203	7,965	486	105	-	401,701	10.8 %
Interest expense	80,765	2.2 %	-	-	-	-	-	80,765	2.2 %
Other (income) expense, net	(12,643)	(0.3)%	50	-	-	-	-	(12,693)	(0.3)%
Income before income taxes	454,157	12.3 %	(13,454)	(8,364)	(486)	(18,165)	-	494,626	13.4 %
Income taxes	86,788	2.3 %	3,202	1,991	116	4,323	18,724	115,144	3.1 %
Net income	367,369	9.9 %	(10,252)	(6,373)	(370)	(13,842)	18,724	379,482	10.2 %
Less: Noncontrolling interests	116	0.0 %	-	-	-	-	-	116	0.0 %
Net income - common shareholders	\$ 367,253	9.9 %	\$ (10,252)	\$ (6,373)	\$ (370)	\$ (13,842)	\$ 18,724	\$ 379,366	10.2 %
Diluted earnings per share	\$ 2.83		\$ (0.08)	\$ (0.05)	\$ -	\$ (0.10)	\$ 0.14	\$ 2.92	

Adjusted Amounts Reconciliation

Business Segment Information

(Dollars in thousands)
(Unaudited)

	Quarter-to-Date FY 2020							
	As Reported March 31, 2020	% of Sales	Business Realignment Charges	Lord Costs to Achieve	Exotic Costs to Achieve	Acquisition Related Expenses	Adjusted March 31, 2020	% of Sales ²
Diversified Industrial:								
North America ¹	\$ 279,628	15.7%	\$ 3,303	\$ 6,249	\$ -	\$ 14,564	\$ 303,744	17.1%
International ¹	176,954	15.0%	9,417	2,115	-	2,684	191,170	16.2%
Aerospace Systems ¹	127,440	17.1%	613	-	486	812	129,351	17.4%
Total segment operating income	584,022	15.8%	(13,333)	(8,364)	(486)	(18,060)	624,265	16.9%
Corporate administration	48,342	1.3%	71	-	-	-	48,271	1.3%
Income before interest and other	535,680	14.5%	(13,404)	(8,364)	(486)	(18,060)	575,994	15.6%
Interest expense	80,765	2.2%	-	-	-	-	80,765	2.2%
Other (income) expense	758	0.0%	50	-	-	105	603	0.0%
Income before income taxes	<u>\$ 454,157</u>	<u>12.3%</u>	<u>\$ (13,454)</u>	<u>\$ (8,364)</u>	<u>\$ (486)</u>	<u>\$ (18,165)</u>	<u>\$ 494,626</u>	<u>13.4%</u>

¹Segment operating income as a percent of sales is calculated on 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 March 31,	
(Amounts in dollars)	2020	2019
Earnings per diluted share	\$ 2.83	\$ 3.14
Adjustments:		
Business realignment charges	0.10	0.03
Lord costs to achieve	0.06	-
Acquisition-related expenses	0.14	-
Tax effect of adjustments ¹	(0.07)	-
Favorable tax settlement	(0.14)	-
Adjusted earnings per diluted share	\$ 2.92	\$ 3.17

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)

(Dollars in thousands)

Net sales

Diversified Industrial:

North America

International

Aerospace Systems

Total net sales

Segment operating income

Diversified Industrial:

North America

International

Aerospace Systems

Total segment operating income

Corporate general and administrative expenses

Income before interest expense and other expense

Interest expense

Other expense

Income before income taxes

Three Months Ended March 31,

2020

2019

\$	1,775,578	\$	1,750,554
	1,182,273		1,284,866
	744,581		652,098
\$	3,702,432	\$	3,687,518
\$	279,628	\$	287,526
	176,954		208,707
	127,440		134,789
	584,022		631,022
	48,342		32,802
	535,680		598,220
	80,765		48,209
	758		20,811
\$	454,157	\$	529,200

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	9 Months ended 3/31/20
Net Sales	\$ 6,149	\$ 10,309	\$ 13,016	\$ 11,361	\$ 10,535
Total segment operating income	\$ 446	\$ 1,004	\$ 1,791	\$ 1,576	\$ 1,637
Adjustments:					
Business realignment charges	37	45	12	107	28
Acquisition-related expenses & Costs to Achieve					89
Adjusted total segment operating income*	\$ 483	\$ 1,049	\$ 1,804	\$ 1,682	\$ 1,754
Total segment operating margin	7.3%	9.7%	13.8%	13.9%	15.5%
Adjusted total segment operating margin	7.9%	10.2%	13.9%	14.8%	16.7%

*Totals may not foot due to rounding

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

(Unaudited)

(Dollars in thousands)

Total segment operating income

Adjustments:

Business realignment charges

Clarcor costs to achieve

Lord costs to achieve

Exotic costs to achieve

Acquisition-related expenses

Adjusted total segment operating income

Three Months Ended

March 31, 2020

Operating income	Operating margin
\$ 584,022	15.8 %

Three Months Ended

March 31, 2019

Operating income	Operating margin
\$ 631,022	17.1 %

13,333

4,366

-

233

8,364

-

486

-

18,060

-

\$ 624,265	16.9 %
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\$ 635,621	17.2 %
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Nine Months Ended

March 31, 2020

Operating income	Operating margin
\$ 1,636,961	15.5 %

Nine Months Ended

March 31, 2019

Operating income	Operating margin
\$ 1,790,404	16.8 %

27,770

9,284

-

11,255

18,503

-

1,570

-

69,304

-

\$ 1,754,108	16.7 %
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\$ 1,810,943	17.0 %
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Total segment operating income

Adjustments:

Business realignment charges

Clarcor costs to achieve

Lord costs to achieve

Exotic costs to achieve

Acquisition-related expenses

Adjusted total segment operating income



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

(Unaudited) (Dollars in millions)	Three Months Ended March 31, 2020 Total Parker		Three Months Ended March 31, 2020 LORD & Exotic		Three Months Ended March 31, 2020 Legacy Parker	
	Operating income	Operating margin	Operating income	Operating margin	Operating income	Operating margin
Total segment operating income	\$ 584	15.8 %	\$ 16	4.7 %	\$ 568	16.9 %
Adjustments:						
Business realignment charges	13		-		13	
Costs to achieve	9		9		-	
One-time acquisition expenses	18		18		-	
Adjusted total segment operating income	\$ 624	16.9 %	\$ 42	12.2 %	\$ 582	17.3 %

Reconciliation of EBITDA to Adjusted EBITDA

(Unaudited)	Three Months Ended March 31,		Nine Months Ended March 31,	
(Dollars in thousands)	2020	2019	2020	2019
Net sales	\$ 3,702,432	\$ 3,687,518	\$ 10,534,917	\$ 10,638,857
Net income	\$ 367,369	\$ 411,381	\$ 911,008	\$ 1,099,193
Income taxes	86,788	117,819	231,051	320,884
Depreciation and amortization	137,649	108,258	390,949	330,801
Interest expense	80,765	48,209	233,612	140,066
EBITDA	672,571	685,667	1,766,620	1,890,944
Adjustments:				
Business realignment charges	13,454	4,366	28,013	9,284
Clarcor costs to achieve	-	233	-	11,530
Lord costs to achieve	8,364	-	18,503	-
Exotic costs to achieve	486	-	1,570	-
Acquisition-related expenses	18,165	-	184,081	-
Adjusted EBITDA	\$ 713,040	\$ 690,266	\$ 1,998,787	\$ 1,911,758
EBITDA margin	18.2 %	18.6 %	16.8 %	17.8 %
Adjusted EBITDA margin	19.3 %	18.7 %	19.0 %	18.0 %

Reconciliation of FY2020 Q3 YTD Total Segment Operating Margin to Adjusted Total Segment Operating Margin and EBITDA to Adjusted EBITDA

RECONCILIATION OF FISCAL 2020 Q3 YTD TOTAL SEGMENT OPERATING MARGIN TO FISCAL 2020 Q3 YTD ADJUSTED TOTAL SEGMENT OPERATING MARGIN

(Unaudited)

(Dollars in millions)

	Total Parker		LORD & Exotic		Legacy Parker	
	Operating income	Operating margin	Operating income	Operating margin	Operating income	Operating margin
Total segment operating income	\$ 1,637	15.5 %	\$ (4)	(0.6)%	\$ 1,641	16.6 %
Adjustments:						
Business realignment charges	28				28	
Costs to achieve	20		17		3	
One-time acquisition expenses	69		69			
income	\$ 1,754	16.7 %	\$ 82	12.6 %	\$ 1,672	16.9 %

RECONCILIATION OF FISCAL 2020 Q3 YTD EBITDA TO FISCAL 2020 Q3 YTD ADJUSTED EBITDA

(Unaudited)

(Dollars in millions)

	Total Parker	LORD & Exotic	Legacy Parker
Net sales	\$ 10,535	\$ 651	\$ 9,884
Net income	911	(148)	1,059
Income taxes	231	(45)	276
Depreciation and amortization	391	89	302
Interest expense	234	74	160
EBITDA	1,767	(30)	1,797
Adjustments:			
Business realignment charges	28		28
Costs to achieve	20	17	3
One-time acquisition expenses	184	184	
Adjusted EBITDA	\$ 1,999	\$ 171	\$ 1,828
EBITDA margin	16.8 %	(4.7)%	18.2 %
Adjusted EBITDA margin	19.0 %	26.3 %	18.5 %

Consolidated Balance Sheet

(Unaudited)	March 31,	June 30,	March 31,
(Dollars in thousands)	2020	2019	2019
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 697,617	\$ 3,219,767	\$ 1,098,729
Marketable securities and other investments	92,536	150,931	70,190
Trade accounts receivable, net	2,174,425	2,131,054	2,117,103
Non-trade and notes receivable	322,187	310,708	317,412
Inventories	2,011,367	1,678,132	1,755,991
Prepaid expenses and other	183,294	182,494	178,366
Total current assets	5,481,426	7,673,086	5,537,791
Plant and equipment, net	2,296,990	1,768,287	1,779,892
Deferred income taxes	124,515	150,462	96,463
Goodwill	7,829,779	5,453,805	5,459,965
Intangible assets, net	3,881,827	1,783,277	1,834,433
Investments and other assets	750,743	747,773	769,391
Total assets	\$ 20,365,280	\$ 17,576,690	\$ 15,477,935
<u>Liabilities and equity</u>			
Current liabilities:			
Notes payable and long-term debt payable within one year	\$ 1,035,191	\$ 587,014	\$ 1,017,278
Accounts payable, trade	1,422,011	1,413,155	1,423,659
Accrued payrolls and other compensation	415,213	426,285	381,754
Accrued domestic and foreign taxes	151,029	167,312	186,113
Other accrued liabilities	650,165	558,007	540,146
Total current liabilities	3,673,609	3,151,773	3,548,950
Long-term debt	8,097,922	6,520,831	4,284,235
Pensions and other postretirement benefits	1,320,167	1,304,379	895,197
Deferred income taxes	497,920	193,066	277,212
Other liabilities	468,235	438,489	456,293
Shareholders' equity	6,295,990	5,961,969	6,009,978
Noncontrolling interests	11,437	6,183	6,070
Total liabilities and equity	\$ 20,365,280	\$ 17,576,690	\$ 15,477,935



Consolidated Statement of Cash Flows

(Unaudited)

(Dollars in thousands)

Nine Months Ended March 31,

Cash flows from operating activities:

	2020	2019
Net income	\$ 911,008	\$ 1,099,193
Depreciation and amortization	390,949	330,801
Stock incentive plan compensation	91,857	84,525
Loss on sale of businesses	-	623
(Gain) loss on plant and equipment and intangible assets	(5,194)	3,993
Loss on marketable securities	434	4,487
Gain on investments	(1,849)	(4,175)
Net change in receivables, inventories and trade payables	111,416	(124,942)
Net change in other assets and liabilities	(218,979)	(340,241)
Other, net	11,217	38,333
Net cash provided by operating activities	1,290,859	1,092,597

Cash flows from investing activities:

Acquisitions (net of cash of \$82,192 in 2020 and \$690 in 2019)	(5,076,064)	(2,042)
Capital expenditures	(182,502)	(145,071)
Proceeds from sale of plant and equipment	25,398	37,158
Proceeds from sale of businesses	-	19,540
Purchases of marketable securities and other investments	(191,277)	(51,736)
Maturities and sales of marketable securities and other investments	249,306	25,103
Other	129,938	953
Net cash used in investing activities	(5,045,201)	(116,095)

Cash flows from financing activities:

Net payments for common stock activity	(192,174)	(769,820)
Net proceeds from debt	1,805,210	378,642
Dividends paid	(340,291)	(299,006)
Net cash provided by (used in) financing activities	1,272,745	(690,184)
Effect of exchange rate changes on cash	(40,553)	(9,726)
Net (decrease) increase in cash and cash equivalents	(2,522,150)	276,592
Cash and cash equivalents at beginning of period	3,219,767	822,137
Cash and cash equivalents at end of period	\$ 697,617	\$ 1,098,729

Reconciliation of Cash Flow from Operations to Adjusted Cash Flow from Operations and Free Cash Flow

Cash Provided by Operating Activities Reconciliation to GAAP (\$MM) YTD

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Cash Provided by Operating Activities - As Reported	631	558	662	854	951	957	1,317	1,129	1,219	1,167	1,530	1,191	1,388	1,363	1,211	1,302	1,597	1,730
Discretionary Pension Contribution	-	106	75	83	101	161	12	-	100	400	-	226	75	-	200	220	-	200
Cash Provided by Operating Activities - Adjusted	631	663	737	936	1,051	1,118	1,329	1,129	1,319	1,567	1,530	1,417	1,463	1,363	1,411	1,522	1,597	1,930

Free Cash Flow Reconciliation to GAAP (\$MM) YTD

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Cash Provided by Operating Activities - As Reported	631	558	662	854	951	957	1,317	1,129	1,219	1,167	1,530	1,191	1,388	1,363	1,211	1,302	1,597	1,730
Capital Expenditures	207	156	138	155	198	238	280	271	129	207	219	266	216	216	149	204	248	195
Free Cash Flow	424	401	524	699	753	719	1,036	858	1,090	960	1,312	925	1,172	1,148	1,061	1,099	1,349	1,535
Discretionary Pension Contribution	-	106	75	83	101	161	12	-	100	400	-	226	75	-	200	220	-	200
Free Cash Flow - Adjusted for Discretionary Pension	424	507	599	782	853	880	1,049	858	1,190	1,360	1,312	1,151	1,247	1,148	1,261	1,319	1,349	1,735

Reconciliation of Free Cash Flow Conversion

(Unaudited)	
(Dollars in thousands)	
Net income	Nine Months Ended March 31, 2020 \$ 911,008
Cash flow from operations	\$ 1,290,859
Capital Expenditures	(182,502)
Free cash flow	\$ 1,108,357
Free cash flow conversion (free cash flow / net income)	122 %

Supplemental Sales Information

Global Technology Platforms

(Unaudited) (Dollars in thousands)	Three Months Ended March 31,	
	2020	2019
Net sales		
Diversified Industrial:		
Motion Systems	\$ 778,840	\$ 899,948
Flow and Process Control	1,015,430	1,105,176
Filtration and Engineered Material	1,163,581	1,030,296
Aerospace Systems	744,581	652,098
Total	\$ 3,702,432	\$ 3,687,518