

Parker Hannifin Corporation

4th Quarter & Fiscal Year 2020
Earnings Release



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ENGINEERING YOUR SUCCESS.

August 6, 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.

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Agenda

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

Responding to COVID-19 Pandemic

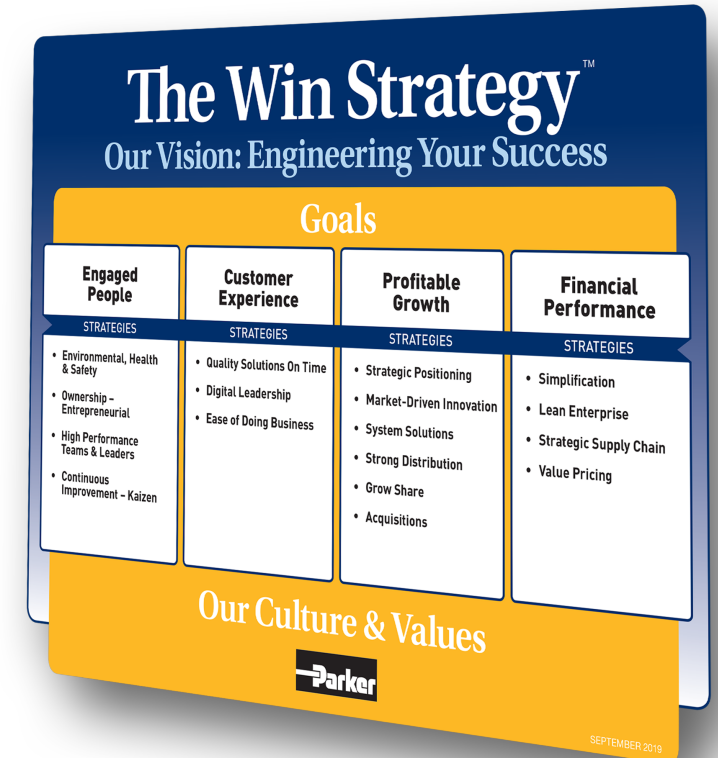
- Safety of our team members and their families
 - **Rigorous prevention, screening, and hygiene protocols**
- Helping society through the crisis
 - **Our Technologies are Essential**
 - **Our Purpose in Action**
- Manufacturing capacity near normal levels throughout pandemic

Two safest places...Work and Home

Performance During a Health & Economic Crisis

Our strength comes from:

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



Strength of our Portfolio & Our Purpose in Action

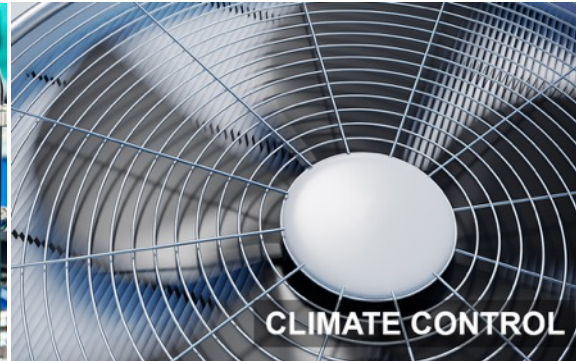
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Unmatched Breadth of Technologies



Transforming Portfolio Through Strategic Acquisitions

CLARCOR

LORID

 EXOTIC METALS
FORMING COMPANY LLC

- \$3 billion in acquired sales¹
- Increased resilience from new technologies and aftermarket content
- Accretive to growth, margins & cash²

What is Parker's purpose?



**Enabling
Engineering
Breakthroughs
that Lead to
a Better
Tomorrow**

Our Purpose in Action

Food Supply



Helping Patients



Essential Manufacturing



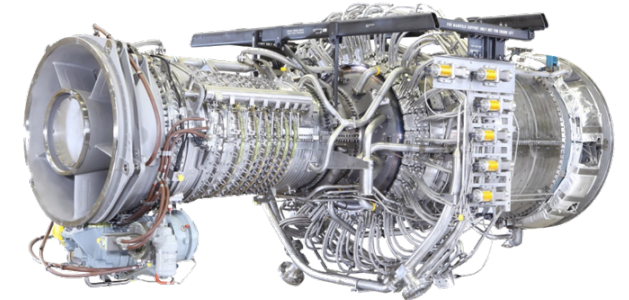
Transportation



Healthcare Applications



Power Generation



FY20 Fourth Quarter and Full Year Performance Highlights

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Outstanding Performance in FY20 Fourth Quarter

- Sales – (14.1%) YoY; (21.1%) Organic YoY
- Paid down \$687 million of debt
- Improved performance and portfolio drive margin excellence:

<u>Without Acquisitions</u>	<u>FY20 Q4</u>	<u>FY19 Q4</u>	<u>Change</u>
Total Segment Operating Margin, As Reported	16.6%	17.4%	
Total Segment Operating Margin, Adjusted ¹	18.1%	17.6%	+50 bps
Decremental Margin vs. Prior Year			(16.0%)

<u>With Acquisitions</u>	<u>FY20 Q4</u>	<u>FY19 Q4</u>	<u>Change</u>
EBITDA Margin, As Reported	18.7%	18.2%	
EBITDA Margin, Adjusted ²	20.4%	18.8%	+160 bps

A Year of Continued Progress - FY20 Full Year Highlights

- Safety: 35% reduction in recordable incidents; Top quartile performance
- Cash flow from operations an all-time record at \$2.1 billion
- Cash flow from operations margin of 15.1%
- Free cash flow conversion rate of 152%
- Gross debt to EBITDA reduced to 3.6x from 3.8x at March 31, 2020
 - Net debt reduced to 3.3x from 3.5x at March 31, 2020
- Cumulative debt reduction of \$1.3B, ~25% of transaction debt

Great Margin Performance in FY20

- Sales – (4.4%) YoY; (9.8%) Organic YoY
- Increased adjusted EBITDA margin by 110 bps

<u>Without Acquisitions</u>	<u>FY20</u>	<u>FY19</u>	<u>Change</u>
Total Segment Operating Margin, As Reported	16.6%	17.0%	
Total Segment Operating Margin, Adjusted ¹	17.2%	17.2%	Flat
Decremental Margin vs. Prior Year			(17.2%)
<u>With Acquisitions</u>	<u>FY20</u>	<u>FY19</u>	<u>Change</u>
EBITDA Margin, As Reported	17.2%	17.9%	
EBITDA Margin, Adjusted ²	19.3%	18.2%	+110 bps

Parker's Transformation

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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



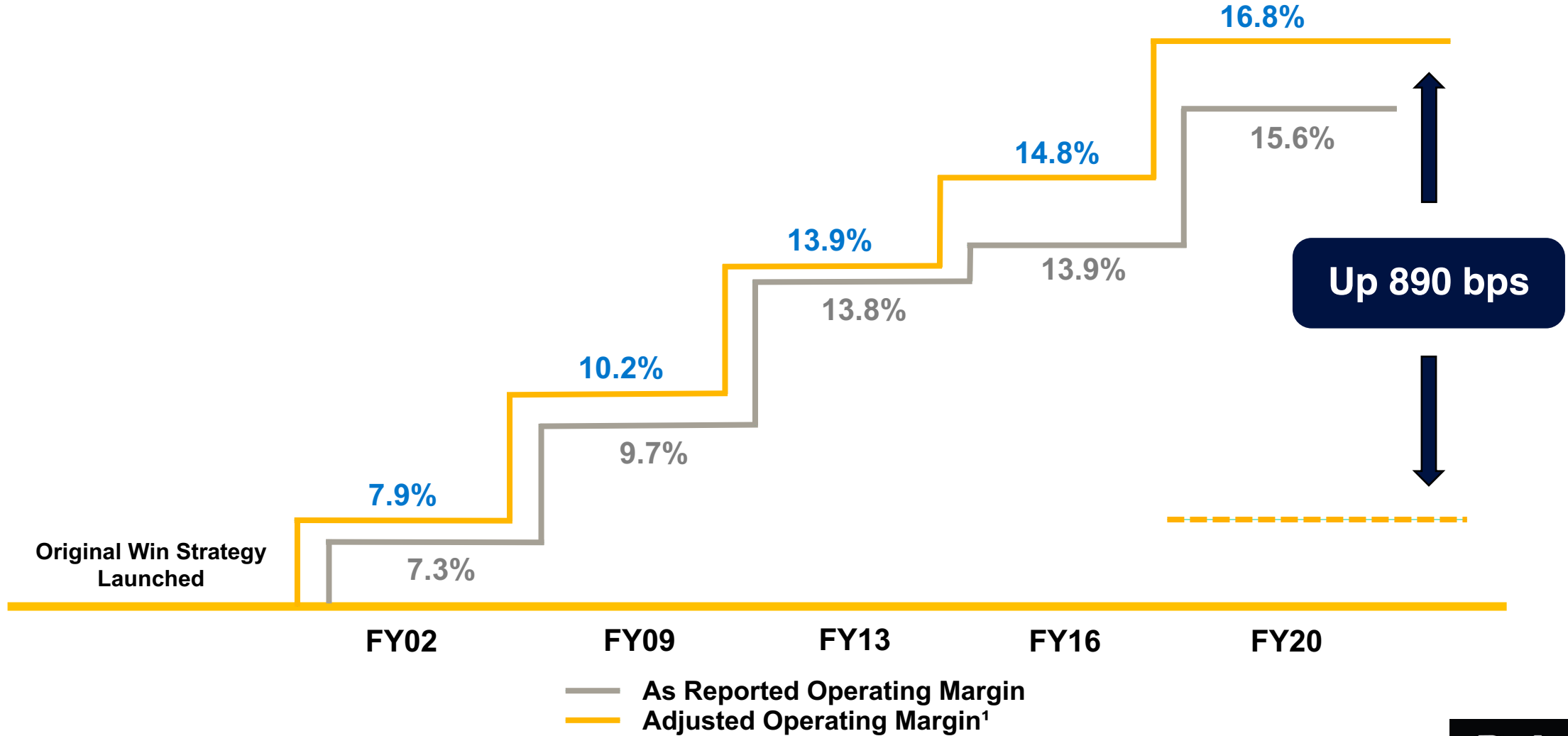
Parker's Transformation – What's Different?

- Strategic restructuring FY14-FY16 has reduced cost structure
- Simplification has streamlined organization structure:
 - 126 to 84 divisions inclusive of acquisitions
- Two major updates to the Parker Business System:
 - 2015 – The Win Strategy™ 2.0
 - 2019 – The Win Strategy™ 3.0
- Acquired companies with higher growth rates, resiliency and margins
 - CLARCOR, LORD, Exotic
- Enhanced performance resilience over business cycle

Purpose Statement provides alignment & inspiration

Raising the Floor on Operating Margins

Last five manufacturing recessions



1. Adjusted for business realignment charges, integration costs to achieve, and acquisition related expenses. See Appendix for additional details and reconciliations.

Top Line Resilience - Great Recession vs. COVID-19

Time Period

FY09 Q4



FY20 Q4

Organic Sales

(32%)



(21%)

Structural Improvements

- CLARCOR acquisition – 80% aftermarket
- % Revenue from innovative products has doubled
- Increased International Distribution mix by 500 bps
- Improved customer experience

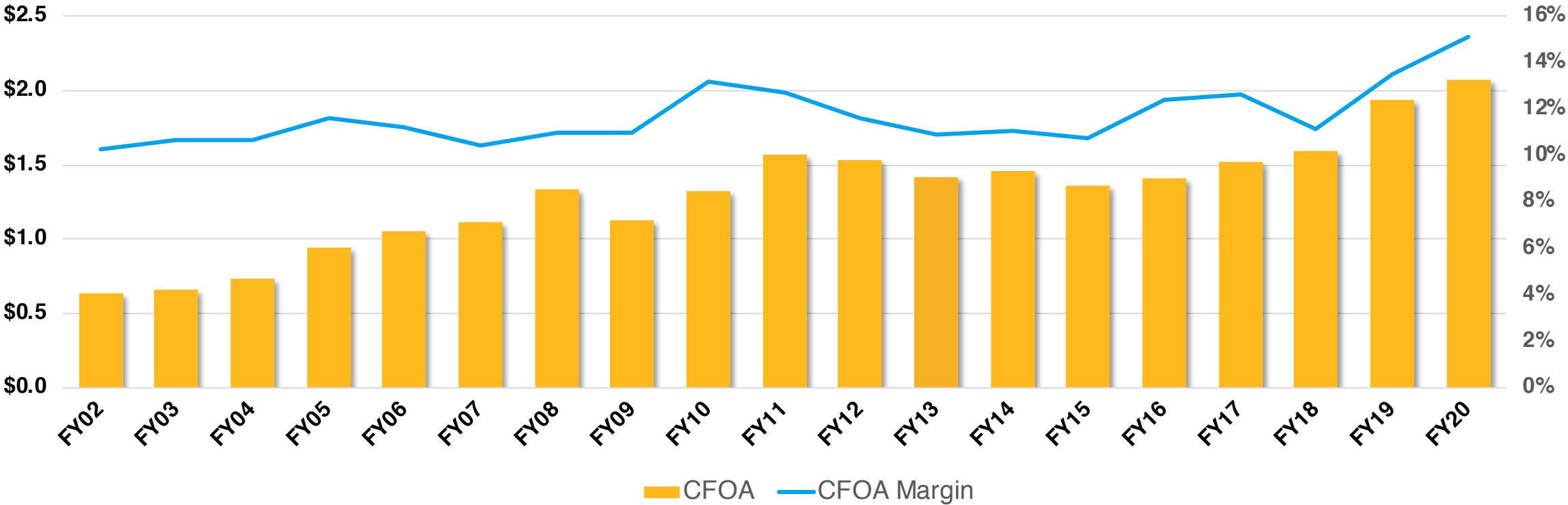
Top line more resilient...Will improve further with LORD & Exotic

Great Generators of Cash - Record CFOA in FY20

19 Consecutive years with 10%+ CFOA margins*

\$2.1B FY20 CFOA

19 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



Fiscal 2021 Outlook

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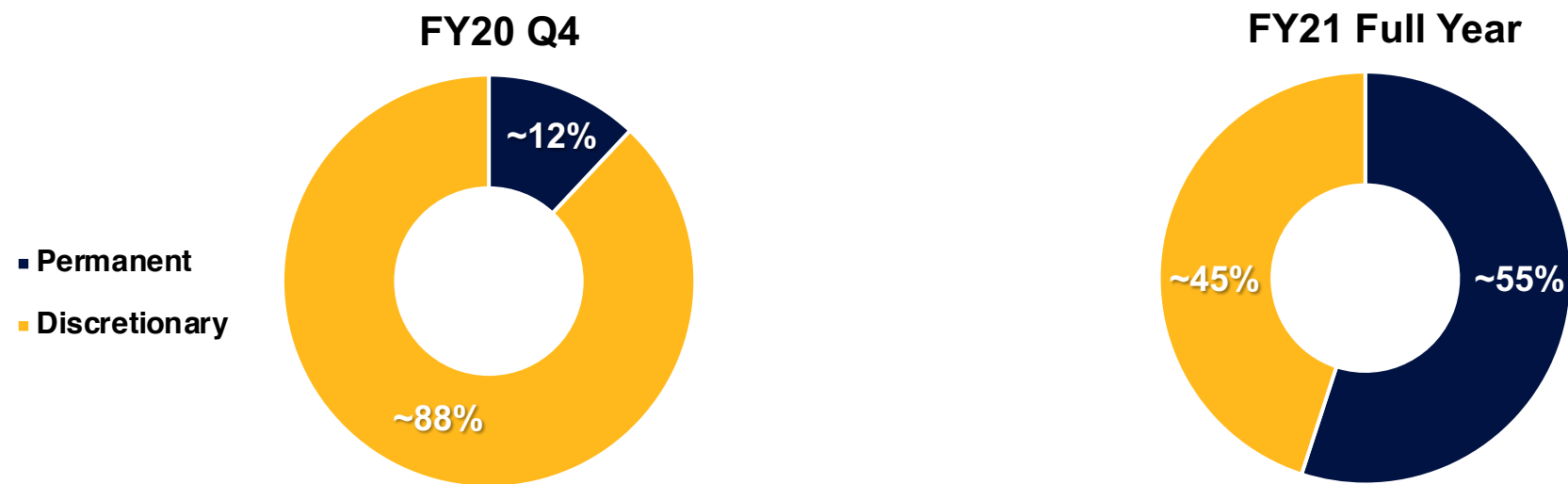
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Continued Cost Actions Expected in FY21

Shifting to more permanent actions



Savings

Discretionary Actions
Permanent Actions
Total

FY20 Q4

~175
~25
~\$200

FY21

~200
~250
~\$450*

Targeting a ~30% decremental margin for FY21



*Estimated savings from cost actions will vary based on demand conditions

Summary of Fiscal 2020 4th Quarter Results

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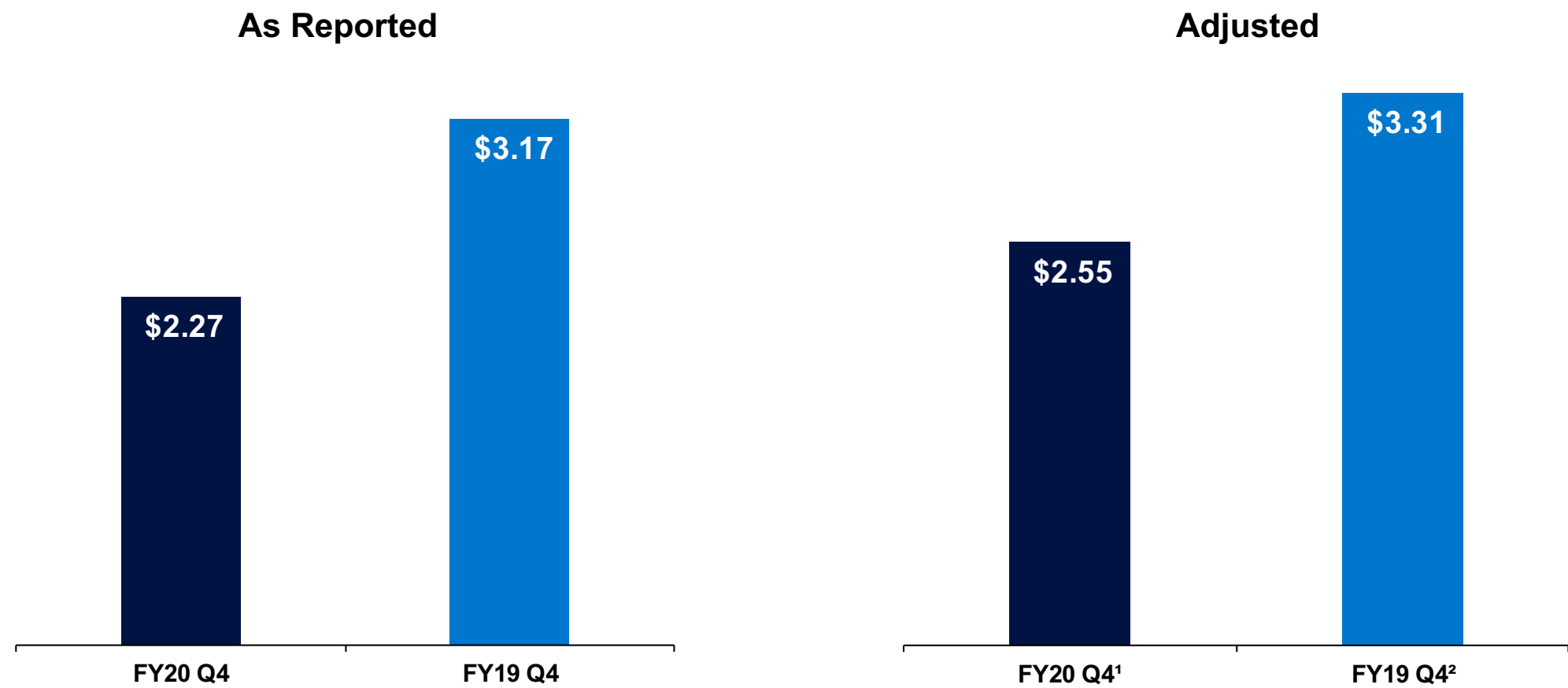
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Diluted Earnings per Share

4th Quarter FY2020 vs. FY2019

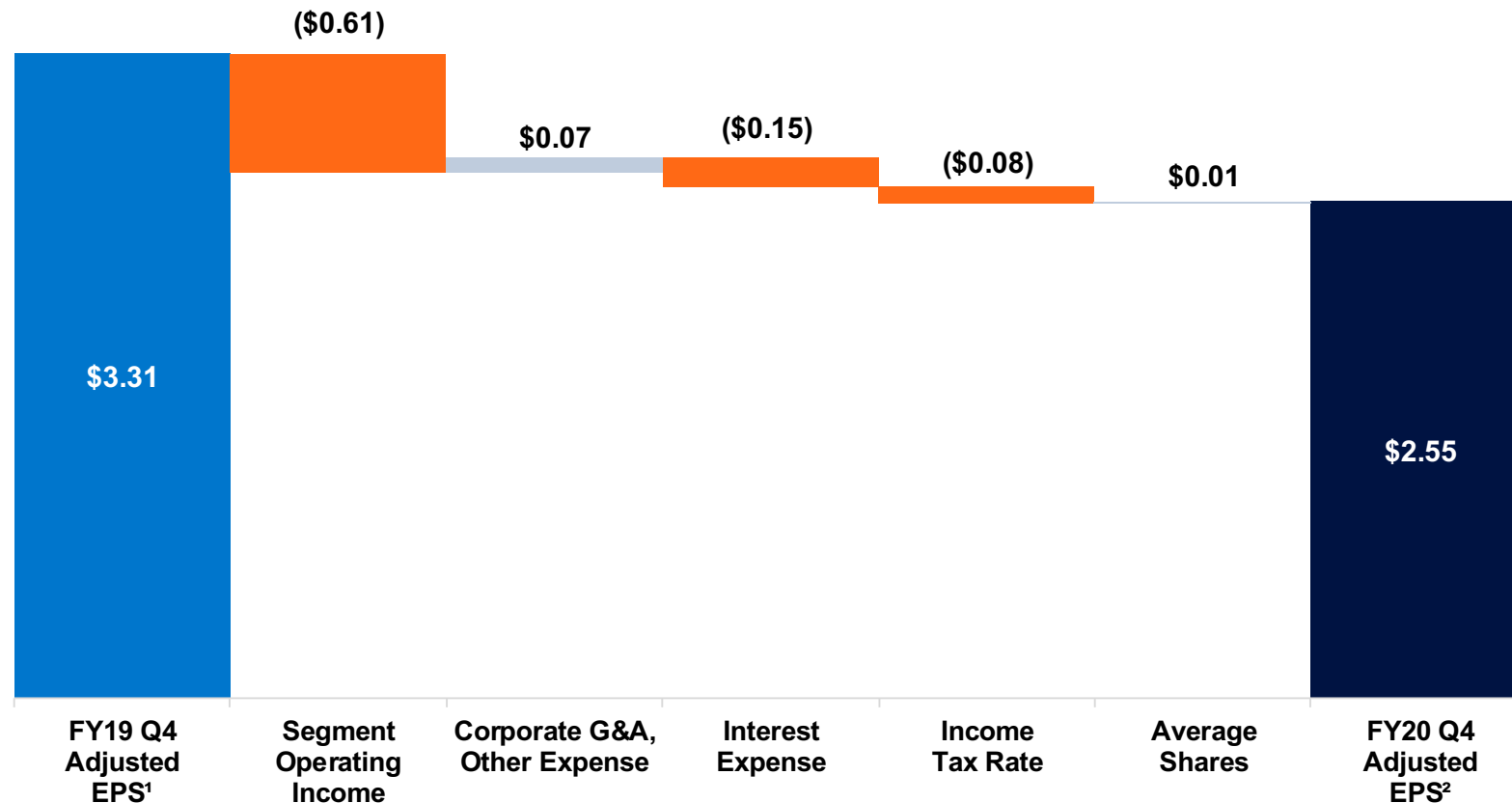


1. Adjusted for Business Realignment Charges, LORD and Exotic Costs to Achieve, Acquisition Related Expenses, the tax effect of such adjustments, and a net benefit from a favorable tax audit resolution
2. Adjusted for Business Realignment Charges, CLARCOR and LORD Costs to Achieve, Acquisition Related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



Influences on Adjusted Earnings per Share

4th Quarter FY2019 vs. 4th Quarter FY2020



1. Adjusted for Business Realignment Charges, CLARCOR and LORD Costs to Achieve, Acquisition Related Expenses, 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

Sales & Segment Operating Margin

Total Parker

\$ in millions	4th Quarter			
	FY2020	% Change	FY2019	
Sales				
As Reported	\$ 3,161	(14.1)%	\$ 3,681	
Acquisitions ¹	298	8.1 %		
Currency	(43)	(1.1)%		
Organic Sales	\$ 2,906	(21.1)%		
	FY2020	% of Sales	FY2019	% of Sales
Segment Operating Margin				
As Reported	\$ 501	15.8 %	\$ 641	17.4 %
Business Realignment	47		6	
Integration Costs to Achieve ²	2		2	
Adjusted	\$ 550	17.4 %	\$ 649	17.6 %

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 and LORD (FY19)

FY2020 Acquisitions Impact on Q4 Segment Margins

As Reported	FY20 Q4			FY19 Q4
\$M	Total Parker	LORD + Exotic	Legacy Parker	Total Parker
Sales	\$3,161	\$298	\$2,863	\$3,681
Operating Income	\$501	\$27	\$474	\$641
Operating Margin	15.8%	9.1%	16.6%	17.4%

Adjusted*	FY20 Q4			FY19 Q4
\$M	Total Parker	LORD + Exotic	Legacy Parker	Total Parker
Sales	\$3,161	\$298	\$2,863	\$3,681
Operating Income	\$550	\$32	\$518	\$649
Operating Margin	17.4%	10.8%	18.1%	17.6%
Decremental Margin vs. Prior Year			(16.0%)	

Sales & Segment Operating Margin

Diversified Industrial North America

\$ in millions	4th Quarter			
	FY2020	% Change	FY2019	
Sales				
As Reported	\$ 1,440	(17.5)%	\$ 1,745	
Acquisitions ¹	133	7.6 %		
Currency	(7)	(0.4)%		
Organic Sales	\$ 1,314	(24.7)%		
	FY2020	% of Sales	FY2019	% of Sales
Segment Operating Margin				
As Reported	\$ 220	15.3 %	\$ 318	18.2 %
Business Realignment	18		2	
Integration Costs to Achieve ²	0		2	
Adjusted	\$ 238	16.5 %	\$ 322	18.4 %

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

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

Sales & Segment Operating Margin

Diversified Industrial International

\$ in millions	4th Quarter			
	FY2020	% Change	FY2019	
Sales				
As Reported	\$ 1,096	(12.9)%	\$ 1,258	
Acquisitions ¹	68	5.4 %		
Currency	(37)	(2.9)%		
Organic Sales	\$ 1,065	(15.4)%		
	FY2020	% of Sales	FY2019	% of Sales
Segment Operating Margin				
As Reported	\$ 175	16.0 %	\$ 201	16.0 %
Business Realignment	7		5	
Integration Costs to Achieve ²	2		0	
Adjusted	\$ 184	16.8 %	\$ 206	16.4 %

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

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

Sales & Segment Operating Margin

Aerospace Systems

\$ in millions	4th Quarter			
	FY2020	% Change	FY2019	
Sales				
As Reported	\$ 624	(8.0)%	\$ 678	
Acquisitions ¹	97	14.3 %		
Currency	(0)	(0.0)%		
Organic Sales	\$ 527	(22.3)%		
	FY2020	% of Sales	FY2019	% of Sales
Segment Operating Margin				
As Reported	\$ 105	16.9 %	\$ 122	17.9 %
Business Realignment	21		-	
Integration Costs to Achieve ²	1		-	
Adjusted	\$ 127	20.4 %	\$ 122	17.9 %

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

2. Integration Costs to Achieve for Exotic (FY20)

FY20 Impact of Acquisitions

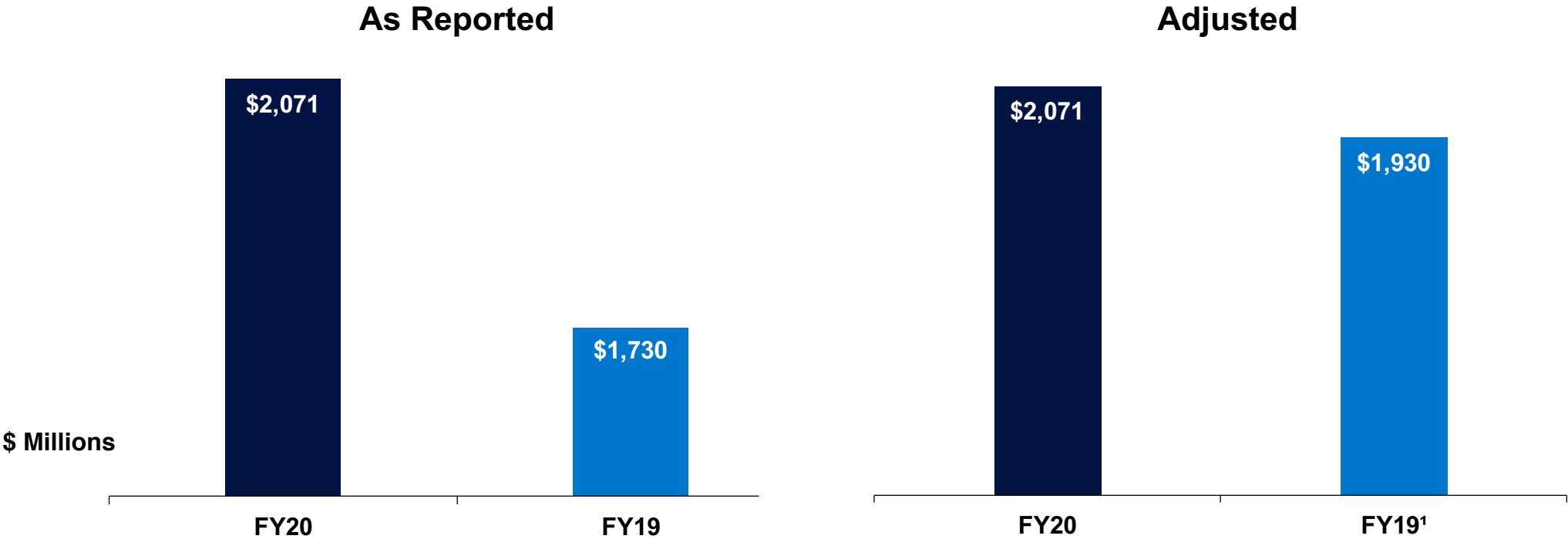
As Reported	FY20			FY19
\$M	Total Parker	LORD + Exotic	Legacy Parker	Total Parker
Sales	\$13,696	\$949	\$12,747	\$14,320
Operating Income	\$2,138	\$22	\$2,116	\$2,431
Operating Margin	15.6%	2.3%	16.6%	17.0%
EBITDA Margin	17.2%	4.3%	18.2%	17.9%
Adjusted*	FY20			FY19
\$M	Total Parker	LORD + Exotic	Legacy Parker	Total Parker
Sales	\$13,696	\$949	\$12,747	\$14,320
Operating Income	\$2,304	\$114	\$2,190	\$2,460
Operating Margin	16.8%	12.0%	17.2%	17.2%
EBITDA Margin	19.3%	26.3%	18.8%	18.2%

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

Note: Segment Operating Income includes FY20 Amortization expense \$37M for Exotic and \$63M 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

FY2020 vs. FY2019



	FY20 Full Year			
	FY 2020	% of Sales	FY 2019	% of Sales
As Reported Cash Flow From Operating Activities	\$ 2,071	15.1%	\$ 1,730	12.1%
Discretionary Pension Plan Contribution	-		200	
Adjusted Cash Flow From Operating Activities	\$ 2,071	15.1%	\$ 1,930	13.5%

1. Adjusted for Discretionary Pension Plan Contributions



Leverage and Liquidity Highlights

- \$687M reduction in debt during Q4 FY20
- \$1.3B cumulative debt reduction in FY20
- Gross debt to EBITDA reduced to 3.6x from 3.8x at March 31, 2020
 - Net debt reduced to 3.3x from 3.5x at March 31, 2020
- Continue suspension of 10b5-1 share repurchase program
- Remain committed to dividend and annual record of increasing dividends paid

Remain Confident in CFOA > 10% Performance

Order Rates Impacted by COVID-19 Pandemic

	<u>Jun 2020</u>	<u>Mar 2020</u>	<u>Jun 2019</u>	<u>Mar 2019</u>
Total Parker	(22)%	(2)%	(3)%	(4)%
Diversified Industrial North America	(29)%	(7)%	(4)%	(6)%
Diversified Industrial International	(21)%	(2)%	(8)%	(4)%
Aerospace Systems	(5)%	12 %	10 %	2 %

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

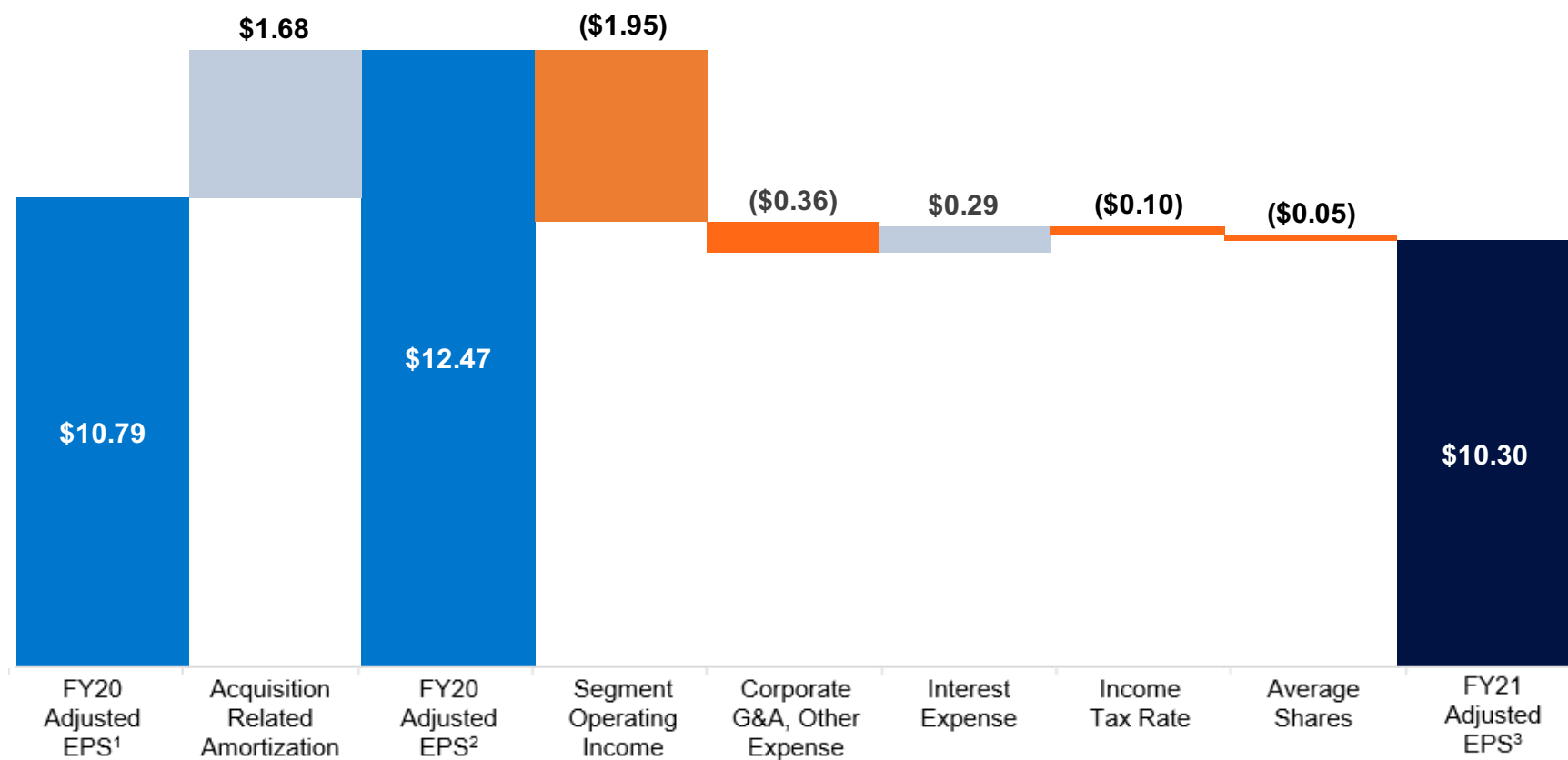
FY2021 Guidance

EPS Midpoint: \$7.91 As Reported, \$10.30 Adjusted

Sales Growth vs. Prior Year		
Diversified Industrial North America		(10.2)% - (6.2)%
Diversified Industrial International		(6.3)% - (2.3)%
Aerospace Systems		(19.2)% - (15.2)%
Total Parker		(10.7)% - (6.7)%
Segment Operating Margins		
	As Reported	Adjusted ¹
Diversified Industrial North America	14.7% - 15.4%	18.6% - 19.2%
Diversified Industrial International	14.2% - 14.8%	16.8% - 17.4%
Aerospace Systems	14.6% - 15.5%	17.4% - 18.4%
Total Parker	14.5% - 15.2%	17.8% - 18.4%
Below the Line Items		As Reported
Corporate General & Administrative Expense, Interest and Other		\$ 517 M
Tax Rate		As Reported
Full Year		23.0%
Shares		
Diluted Shares Outstanding		130.5 M
Earnings Per Share		
	As Reported	Adjusted ¹
Range	\$7.41 - \$8.41	\$9.80 - \$10.80
1. Detail of Pre-Tax Adjustments		
Business Realignment Charges		\$ 65 M
Integration Costs to Achieve		\$ 19 M
Acquisition-Related Intangible Asset Amortization		\$ 321 M

FY2021 Guidance

FY20 Actual vs. FY21 Guidance



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, LORD and Exotic Costs to Achieve, Acquisition Related Expenses, Acquisition-Related Intangible Asset Amortization, the tax effect of such adjustments, and a net benefit from a favorable tax audit resolution.

3. Adjusted for Business Realignment Charges, LORD Costs to Achieve, Acquisition-Related Intangible Asset Amortization, and the tax effect of such adjustments

Note: FY20 acquisition-related intangible asset amortization was \$2.19 before tax and \$1.68 after tax. We expect the FY21 amount to be \$2.46 before tax and \$1.89 after tax.

FY23 Corporate Targets



FY23 Target Metrics

Growth	➔	150 bps > GIPI
Adj. Seg Op Margin	➔	21%
Adj. EBITDA Margin	➔	21%
FCF Conversion	➔	> 100%
Adj. EPS CAGR	➔	10%+



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Appendix

- Supplementary Reconciliation of Segment Operating Margin including acquisition-related intangible asset amortization
- Supplementary Reconciliation of EPS including acquisition-related intangible asset amortization
- 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

Supplementary Reconciliation of Segment Operating Income including adjustment for acquisition-related amortization

Diversified Industrial North America

(unaudited)

(Dollars in thousands)

Diversified Industrial North America

Sales

Total segment operating income

Adjustments:

Business realignment charges

Clarcor costs to achieve

Lord costs to achieve

Acquisition-related expenses

Acquisition related intangible amortization
expense

Adjusted total segment operating income

As reported %

As adjusted %

	3 months ended 9/30/2018	3 months ended 12/31/2018	3 months ended 3/31/2019	3 months ended 6/30/2019	12 months ended 6/30/2019	3 months ended 9/30/2019	3 months ended 12/31/2019	3 months ended 3/31/2020	3 months ended 6/30/2020	12 months ended 6/30/2020
Sales	\$ 1,681,044	\$ 1,632,059	\$ 1,750,554	\$ 1,745,291	\$ 6,808,948	\$ 1,624,605	\$ 1,615,852	\$ 1,775,578	\$ 1,440,263	\$ 6,456,298
Total segment operating income	\$ 275,111	\$ 257,774	\$ 287,526	\$ 318,175	\$ 1,138,586	\$ 275,192	\$ 211,339	\$ 279,628	\$ 219,785	\$ 985,944
Adjustments:										
Business realignment charges	822	526	1,789	1,579	4,716	2,278	3,285	3,303	18,110	26,976
Clarcor costs to achieve	3,915	3,293	(39)	906	8,075	-	-	-	-	-
Lord costs to achieve	-	-	-	912	912	3,038	4,685	6,249	275	14,247
Acquisition-related expenses	-	-	-	-	-	-	29,126	14,564	-	43,690
Acquisition related intangible amortization expense	36,919	36,432	35,751	34,136	143,238	34,090	45,339	51,032	43,077	173,538
Adjusted total segment operating income	\$ 316,767	\$ 298,025	\$ 325,027	\$ 355,708	\$ 1,295,527	\$ 314,598	\$ 293,774	\$ 354,776	\$ 281,247	\$ 1,244,395
As reported %	16.4%	15.8%	16.4%	18.2%	16.7%	16.9%	13.1%	15.7%	15.3%	15.3%
As adjusted %	18.8%	18.3%	18.6%	20.4%	19.0%	19.4%	18.2%	20.0%	19.5%	19.3%

Supplementary Reconciliation of Segment Operating Income including adjustment for acquisition-related amortization

Diversified Industrial International

(unaudited)

(Dollars in thousands)

Diversified Industrial International Sales

Total segment operating income

Adjustments:

Business realignment charges

Clarcor costs to achieve

Lord costs to achieve

Acquisition-related expenses

Acquisition related intangible amortization
expense

Adjusted total segment operating income

As reported %

As adjusted %

	3 months ended 9/30/2018	3 months ended 12/31/2018	3 months ended 3/31/2019	3 months ended 6/30/2019	12 months ended 6/30/2019	3 months ended 9/30/2019	3 months ended 12/31/2019	3 months ended 3/31/2020	3 months ended 6/30/2020	12 months ended 6/30/2020
Sales	\$ 1,233,766	\$ 1,223,679	\$ 1,284,866	\$ 1,258,288	\$ 5,000,599	\$ 1,078,850	\$ 1,147,084	\$ 1,182,273	\$ 1,096,380	\$ 4,504,587
Total segment operating income	\$ 206,094	\$ 189,085	\$ 208,707	\$ 201,004	\$ 804,890	\$ 168,573	\$ 153,816	\$ 176,954	\$ 175,420	\$ 674,763
Adjustments:										
Business realignment charges	1,581	1,989	2,577	4,640	10,787	2,447	6,382	9,417	7,066	25,312
Clarcor costs to achieve	2,240	1,574	272	166	4,252	-	-	-	-	-
Lord costs to achieve	-	-	-	-	-	376	2,040	2,115	1,891	6,422
Acquisition-related expenses	-	-	-	-	-	-	5,375	2,684	-	8,059
Acquisition related intangible amortization expense	14,466	13,081	13,213	12,682	53,442	12,444	16,118	16,707	24,907	70,176
Adjusted total segment operating income	\$ 224,381	\$ 205,729	\$ 224,769	\$ 218,492	\$ 873,371	\$ 183,840	\$ 183,731	\$ 207,877	\$ 209,284	\$ 784,732
As reported %	16.7%	15.5%	16.2%	16.0%	16.1%	15.6%	13.4%	15.0%	16.0%	15.0%
As adjusted %	18.2%	16.8%	17.5%	17.4%	17.5%	17.0%	16.0%	17.6%	19.1%	17.4%

Supplementary Reconciliation of Segment Operating Income including adjustment for acquisition-related amortization

Aerospace Systems

(unaudited)

(Dollars in thousands)

	3 months ended 9/30/2018	3 months ended 12/31/2018	3 months ended 3/31/2019	3 months ended 6/30/2019	12 months ended 6/30/2019	3 months ended 9/30/2019	3 months ended 12/31/2019	3 months ended 3/31/2020	3 months ended 6/30/2020	12 months ended 6/30/2020
Aerospace Sales	\$ 564,484	\$ 616,307	\$ 652,098	\$ 677,888	\$ 2,510,777	\$ 631,056	\$ 735,038	\$ 744,581	\$ 623,960	\$ 2,734,635
Total segment operating income	\$ 109,855	\$ 121,463	\$ 134,789	\$ 121,650	\$ 487,757	\$ 122,980	\$ 121,039	\$ 127,440	\$ 105,441	\$ 476,900
Adjustments:										
Business realignment charges	-	-	-	-	-	(7)	52	613	21,443	22,101
Exotic costs to achieve	-	-	-	-	-	595	489	486	338	1,908
Acquisition-related expenses	-	-	-	-	-	2,519	14,224	812	-	17,555
Acquisition related intangible amortization expense	768	768	768	768	3,072	2,899	12,499	12,767	12,753	40,918
Adjusted total segment operating income	\$ 110,623	\$ 122,231	\$ 135,557	\$ 122,418	\$ 490,829	\$ 128,986	\$ 148,303	\$ 142,118	\$ 139,975	\$ 559,382
As reported %	19.5%	19.7%	20.7%	17.9%	19.4%	19.5%	16.5%	17.1%	16.9%	17.4%
As adjusted %	19.6%	19.8%	20.8%	18.1%	19.5%	20.4%	20.2%	19.1%	22.4%	20.5%

Supplementary Reconciliation of Segment Operating Income including adjustment for acquisition-related amortization

Total Parker

(unaudited)

(Dollars in thousands)

Total Parker

Sales

Total segment operating income

Adjustments:

Business realignment charges

Clarcor costs to achieve

Lord costs to achieve

Exotic costs to achieve

Acquisition-related expenses

Acquisition related intangible amortization
expense

Adjusted total segment operating income

As reported %

As adjusted %

	3 months ended 9/30/2018	3 months ended 12/31/2018	3 months ended 3/31/2019	3 months ended 6/30/2019	12 months ended 6/30/2019	3 months ended 9/30/2019	3 months ended 12/31/2019	3 months ended 3/31/2020	3 months ended 6/30/2020	12 months ended 6/30/2020
Sales	\$ 3,479,294	\$ 3,472,045	\$ 3,687,518	\$ 3,681,467	\$ 14,320,324	\$ 3,334,511	\$ 3,497,974	\$ 3,702,432	\$ 3,160,603	\$ 13,695,520
Total segment operating income	\$ 591,060	\$ 568,322	\$ 631,022	\$ 640,829	\$ 2,431,233	\$ 566,745	\$ 486,194	\$ 584,022	\$ 500,646	\$ 2,137,607
Adjustments:										
Business realignment charges	2,403	2,515	4,366	6,219	15,503	4,718	9,719	13,333	46,619	74,389
Clarcor costs to achieve	6,155	4,867	233	1,072	12,327	-	-	-	-	-
Lord costs to achieve	-	-	-	912	912	3,414	6,725	8,364	2,166	20,669
Exotic costs to achieve	-	-	-	-	-	595	489	486	338	1,908
Acquisition-related expenses	-	-	-	-	-	2,519	48,725	18,060	-	69,304
Acquisition related intangible amortization expense	52,153	50,281	49,732	47,586	199,752	49,433	73,956	80,506	80,737	284,632
Adjusted total segment operating income	\$ 651,771	\$ 625,985	\$ 685,353	\$ 696,618	\$ 2,659,727	\$ 627,424	\$ 625,808	\$ 704,771	\$ 630,506	\$ 2,588,509
As reported %	17.0%	16.4%	17.1%	17.4%	17.0%	17.0%	13.9%	15.8%	15.8%	15.6%
As adjusted %	18.7%	18.0%	18.6%	18.9%	18.6%	18.8%	17.9%	19.0%	19.9%	18.9%

Supplementary Reconciliation of EPS including adjustment for acquisition-related amortization

	3 months ended 9/30/2018	3 months ended 12/31/2018	3 months ended 3/31/2019	3 months ended 6/30/2019	12 months ended 6/30/2019	3 months ended 9/30/2019	3 months ended 12/31/2019	3 months ended 3/31/2020	3 months ended 6/30/2020	12 months ended 6/30/2020
(Unaudited)										
Earnings per diluted share	\$ 2.79	\$ 2.36	\$ 3.14	\$ 3.17	\$ 11.48	\$ 2.60	\$ 1.57	\$ 2.83	\$ 2.27	\$ 9.29
Adjustments:										
Business realignment charges	0.02	0.02	0.03	0.05	0.12	0.04	0.08	0.10	0.37	0.59
Clarcor costs to achieve	0.05	0.04	-	0.01	0.10	-	-	-	-	-
LORD costs to achieve	-	-	-	0.01	0.01	0.03	0.05	0.06	0.02	0.16
Exotic costs to achieve	-	-	-	-	-	0.01	-	-	-	0.01
Acquisition-related expenses	-	-	-	0.12	0.12	0.14	1.14	0.14	0.03	1.45
Acquisition-related intangible amortization expense ¹	0.39	0.38	0.38	0.36	1.51	0.38	0.57	0.62	0.62	2.19
Tax effect of adjustments	(0.11)	(0.11)	(0.09)	(0.13)	(0.44)	(0.15)	(0.43)	(0.22)	(0.23)	(1.03)
Favorable tax settlement	-	-	-	-	-	-	-	(0.14)	(0.05)	(0.19)
Tax expense related to U.S. Tax Reform	-	0.11	-	-	0.11	-	-	-	-	-
Adjusted earnings per diluted share	\$ 3.14	\$ 2.80	\$ 3.46	\$ 3.59	\$ 13.01	\$ 3.05	\$ 2.98	\$ 3.39	\$ 3.03	\$ 12.47

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.

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 expense (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 June 30,		Twelve Months Ended June 30,	
2020	2019	2020	2019
\$ 3,160,603	\$ 3,681,467	\$ 13,695,520	\$ 14,320,324
2,357,319	2,739,578	10,286,518	10,703,484
352,793	391,493	1,656,553	1,543,939
74,549	50,072	308,161	190,138
5,374	(13,024)	(68,339)	(50,662)
370,568	513,348	1,512,627	1,933,425
74,873	99,610	305,924	420,494
295,695	413,738	1,206,703	1,512,931
(21)	70	362	567
\$ 295,716	\$ 413,668	\$ 1,206,341	\$ 1,512,364
\$ 2.30	\$ 3.22	\$ 9.39	\$ 11.63
\$ 2.27	\$ 3.17	\$ 9.29	\$ 11.48
128,523,334	128,561,494	128,418,495	129,997,640
129,993,001	130,460,247	129,805,034	131,781,617
Three Months Ended June 30,		Twelve Months Ended June 30,	
2020	2019	2020	2019
\$ 0.88	\$ 0.88	\$ 3.52	\$ 3.16

Adjusted Amounts Reconciliation Consolidated Statement of Income

(Dollars in thousands, except per share data)

(Unaudited)

Quarter-to-Date FY 2020

	As Reported June 30, 2020	% of Sales	Business Realignment Charges	Lord Costs to Achieve	Exotic Costs to Achieve	Acquisition Related Expenses	Favorable Tax Settlement	Adjusted June 30, 2020	% of Sales
Net sales	\$ 3,160,603	100.0 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,160,603	100.0 %
Cost of sales	2,357,319	74.6 %	37,566	324	-	-	-	2,319,429	73.4 %
Selling, general and admin. expenses	352,793	11.2 %	10,035	1,842	338	4,437	-	336,141	10.6 %
Interest expense	74,549	2.4 %	-	-	-	-	-	74,549	2.4 %
Other (income) expense, net	5,374	0.2 %	-	-	-	-	-	5,374	0.2 %
Income before income taxes	370,568	11.7 %	(47,601)	(2,166)	(338)	(4,437)	-	425,110	13.5 %
Income taxes	74,873	2.4 %	11,091	505	79	1,034	6,039	93,621	3.0 %
Net income	295,695	9.4 %	(36,510)	(1,661)	(259)	(3,403)	6,039	331,489	10.5 %
Less: Noncontrolling interests	(21)	(0.0)%	-	-	-	-	-	(21)	(0.0)%
Net income - common shareholders	\$ 295,716	9.4 %	\$ (36,510)	\$ (1,661)	\$ (259)	\$ (3,403)	\$ 6,039	\$ 331,510	10.5 %
Diluted earnings per share	\$ 2.27		\$ (0.28)	\$ (0.02)	\$ -	\$ (0.03)	\$ 0.05	\$ 2.55	

(Dollars in thousands, except per share data)

(Unaudited)

Year-to-Date FY 2020

	As Reported June 30, 2020	% of Sales	Business Realignment Charges	Lord Costs to Achieve	Exotic Costs to Achieve	Acquisition Related Expenses	Favorable Tax Settlement	Adjusted June 30, 2020	% of Sales
Net sales	\$ 13,695,520	100.0 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,695,520	100.0 %
Cost of sales	10,286,518	75.1 %	58,791	1,516	-	69,304	-	10,156,907	74.2 %
Selling, general and admin. expenses	1,656,553	12.1 %	16,773	19,153	1,908	119,214	-	1,499,505	10.9 %
Interest expense	308,161	2.3 %	-	-	-	-	-	308,161	2.3 %
Other (income) expense, net	(68,339)	(0.5)%	50	-	-	-	-	(68,389)	(0.5)%
Income before income taxes	1,512,627	11.0 %	(75,614)	(20,669)	(1,908)	(188,518)	-	1,799,336	13.1 %
Income taxes	305,924	2.2 %	17,675	4,851	447	43,868	24,763	397,528	2.9 %
Net income	1,206,703	8.8 %	(57,939)	(15,818)	(1,461)	(144,650)	24,763	1,401,808	10.2 %
Less: Noncontrolling interests	362	0.0 %	-	-	-	-	-	362	0.0 %
Net income - common shareholders	\$ 1,206,341	8.8 %	\$ (57,939)	\$ (15,818)	\$ (1,461)	\$ (144,650)	\$ 24,763	\$ 1,401,446	10.2 %
Diluted earnings per share	\$ 9.29		\$ (0.45)	\$ (0.13)	\$ (0.01)	\$ (1.10)	\$ 0.19	\$ 10.79	

Adjusted Amounts Reconciliation Business Segment Information

(Dollars in thousands)
(Unaudited)

Quarter-to-Date FY 2020								
	As Reported June 30, 2020	% of Sales	Business Realignment Charges ³	Lord Costs to Achieve	Exotic Costs to Achieve	Acquisition Related Expenses	Adjusted June 30, 2020	% of Sales ²
Diversified Industrial:								
North America ¹	\$ 219,785	15.3%	\$ 18,110	\$ 275	\$ -	\$ -	\$ 238,170	16.5%
International ¹	175,420	16.0%	7,066	1,891	-	-	184,377	16.8%
Aerospace Systems ¹	105,441	16.9%	21,443	-	338	-	127,222	20.4%
Total segment operating income	500,646	15.8%	(46,619)	(2,166)	(338)	-	549,769	17.4%
Corporate administration	37,999	1.2%	982	-	-	-	37,017	1.2%
Income before interest and other	462,647	14.6%	(47,601)	(2,166)	(338)	-	512,752	16.2%
Interest expense	74,549	2.4%	-	-	-	-	74,549	2.4%
Other (income) expense	17,530	0.6%	-	-	-	4,437	13,093	0.4%
Income before income taxes	\$ 370,568	11.7%	\$ (47,601)	\$ (2,166)	\$ (338)	\$ (4,437)	\$ 425,110	13.5%

(Dollars in thousands)
(Unaudited)

Year-to-Date FY 2020								
	As Reported June 30, 2020	% of Sales	Business Realignment Charges ³	Lord Costs to Achieve	Exotic Costs to Achieve	Acquisition Related Expenses	Adjusted June 30, 2020	% of Sales ²
Diversified Industrial:								
North America ¹	\$ 985,944	15.3%	\$ 26,976	\$ 14,247	\$ -	\$ 43,690	\$ 1,070,857	16.6%
International ¹	674,763	15.0%	25,312	6,422	-	8,059	714,556	15.9%
Aerospace Systems ¹	476,900	17.4%	22,101	-	1,908	17,555	518,464	19.0%
Total segment operating income	2,137,607	15.6%	(74,389)	(20,669)	(1,908)	(69,304)	2,303,877	16.8%
Corporate administration	170,903	1.2%	1,175	-	-	-	169,728	1.2%
Income before interest and other	1,966,704	14.4%	(75,564)	(20,669)	(1,908)	(69,304)	2,134,149	15.6%
Interest expense	308,161	2.3%	-	-	-	-	308,161	2.3%
Other (income) expense	145,916	1.1%	50	-	-	119,214	26,652	0.2%
Income before income taxes	\$ 1,512,627	11.0%	\$ (75,614)	\$ (20,669)	\$ (1,908)	\$ (188,518)	\$ 1,799,336	13.1%

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.

³Aerospace Systems includes \$3,056 of Exotic business realignment charges; No Lord business realignment charges were incurred.

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

(Unaudited)	Three Months Ended June 30,		Twelve Months Ended June 30,	
(Amounts in dollars)	2020	2019	2020	2019
Earnings per diluted share	\$ 2.27	\$ 3.17	\$ 9.29	\$ 11.48
Adjustments:				
Business realignment charges	0.37	0.05	0.59	0.12
Clarcor costs to achieve	-	0.01	-	0.10
Lord costs to achieve	0.02	0.01	0.16	0.01
Exotic costs to achieve	-	-	0.01	-
Acquisition-related expenses	0.03	0.12	1.45	0.12
Tax effect of adjustments ¹	(0.09)	(0.05)	(0.52)	(0.09)
Favorable tax settlement	(0.05)	-	(0.19)	-
Tax expense related to U.S. Tax Reform	-	-	-	0.11
Adjusted earnings per diluted share	\$ 2.55	\$ 3.31	\$ 10.79	\$ 11.85

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 June 30,		Twelve Months Ended June 30,	
2020	2019	2020	2019
\$ 1,440,263	\$ 1,745,291	\$ 6,456,298	\$ 6,808,948
1,096,380	1,258,288	4,504,587	5,000,599
623,960	677,888	2,734,635	2,510,777
<u>\$ 3,160,603</u>	<u>\$ 3,681,467</u>	<u>\$ 13,695,520</u>	<u>\$ 14,320,324</u>
\$ 219,785	\$ 318,175	\$ 985,944	\$ 1,138,586
175,420	201,004	674,763	804,890
105,441	121,650	476,900	487,757
<u>500,646</u>	<u>640,829</u>	<u>2,137,607</u>	<u>2,431,233</u>
37,999	47,977	170,903	194,994
<u>462,647</u>	<u>592,852</u>	<u>1,966,704</u>	<u>2,236,239</u>
74,549	50,072	308,161	190,138
17,530	29,432	145,916	112,676
<u>\$ 370,568</u>	<u>\$ 513,348</u>	<u>\$ 1,512,627</u>	<u>\$ 1,933,425</u>

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:					
Business realignment charges	37	45	12	107	74
Acquisition-related expenses & Costs to Achieve					92
Adjusted total segment operating income*	\$ 483	\$ 1,049	\$ 1,804	\$ 1,682	\$ 2,304
 Total segment operating margin	 7.3%	 9.7%	 13.8%	 13.9%	 15.6%
Adjusted total segment operating margin	7.9%	10.2%	13.9%	14.8%	16.8%

*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

Adjusted total segment operating income

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 June 30, 2020		Three Months Ended June 30, 2019	
Operating income	Operating margin	Operating income	Operating margin
\$ 500,646	15.8 %	\$ 640,829	17.4 %
46,619		6,219	
-		1,072	
2,166		912	
338		-	
\$ 549,769	17.4 %	\$ 649,032	17.6 %

Twelve Months Ended June 30, 2020		Twelve Months Ended June 30, 2019	
Operating income	Operating margin	Operating income	Operating margin
\$ 2,137,607	15.6 %	\$ 2,431,233	17.0 %
74,389		15,503	
-		12,327	
20,669		912	
1,908		-	
69,304		-	
\$ 2,303,877	16.8 %	\$ 2,459,975	17.2 %

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

(Unaudited) (Dollars in millions)	Three Months Ended June 30, 2020 Total Parker		Three Months Ended June 30, 2020 LORD & Exotic		Three Months Ended June 30, 2020 Legacy Parker	
	Operating income	Operating margin	Operating income	Operating margin	Operating income	Operating margin
Total segment operating income	\$ 501	15.8 %	\$ 27	9.1 %	\$ 474	16.6 %
Adjustments:						
Business realignment charges	47		3		44	
Costs to achieve	3		3		-	
Adjusted total segment operating income	\$ 550	17.4 %	\$ 32	10.8 %	\$ 518	18.1 %

Reconciliation of EBITDA to Adjusted EBITDA

(Unaudited)
(Dollars in thousands)

	Three Months Ended June 30,		Twelve Months Ended June 30,	
	2020	2019	2020	2019
Net sales	\$ 3,160,603	\$ 3,681,467	\$ 13,695,520	\$ 14,320,324
Net income	\$ 295,695	\$ 413,738	\$ 1,206,703	\$ 1,512,931
Income taxes	74,873	99,610	305,924	420,494
Depreciation and amortization	146,582	105,388	537,531	436,189
Interest expense	74,549	50,072	308,161	190,138
EBITDA	591,699	668,808	2,358,319	2,559,752
Adjustments:				
Business realignment charges	47,601	6,393	75,614	15,677
Clarcor costs to achieve	-	928	-	12,458
Lord costs to achieve	2,166	912	20,669	912
Exotic costs to achieve	338	-	1,908	-
Acquisition-related expenses	4,437	16,234	188,518	16,234
Adjusted EBITDA	\$ 646,241	\$ 693,275	\$ 2,645,028	\$ 2,605,033
EBITDA margin	18.7 %	18.2 %	17.2 %	17.9 %
Adjusted EBITDA margin	20.4 %	18.8 %	19.3 %	18.2 %

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

RECONCILIATION OF FISCAL 2020 TOTAL SEGMENT OPERATING MARGIN TO FISCAL 2020 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	\$ 2,138	15.6 %	\$ 22	2.3 %	\$ 2,116	16.6 %
Adjustments:						
Business realignment charges	74		3		71	
Costs to achieve	23		20		3	
One-time acquisition expenses	69		69			
income	\$ 2,304	16.8 %	\$ 114	12.0 %	\$ 2,190	17.2 %

RECONCILIATION OF FISCAL 2020 EBITDA TO FISCAL 2020 ADJUSTED EBITDA

(Unaudited)

(Dollars in millions)

	Total Parker	LORD & Exotic	Legacy Parker
Net sales	\$ 13,696	\$ 949	\$ 12,747
Net income	1,207	(158)	1,365
Income taxes	306	(48)	354
Depreciation and amortization	538	138	399
Interest expense	308	109	199
EBITDA	2,358	41	2,317
Adjustments:			
Business realignment charges	76	-	76
Costs to achieve	23	20	3
One-time acquisition expenses	189	189	-
Adjusted EBITDA	\$ 2,645	\$ 249	\$ 2,396
EBITDA margin	17.2 %	4.3 %	18.2 %
Adjusted EBITDA margin	19.3 %	26.3 %	18.8 %

Consolidated Balance Sheet

(Unaudited)		
(Dollars in thousands)		
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 685,514	\$ 3,219,767
Marketable securities and other investments	70,805	150,931
Trade accounts receivable, net	1,854,398	2,131,054
Non-trade and notes receivable	244,870	310,708
Inventories	1,814,631	1,678,132
Prepaid expenses and other	214,986	182,494
Total current assets	4,885,204	7,673,086
Plant and equipment, net	2,292,735	1,768,287
Deferred income taxes	126,839	150,462
Investments and other assets	764,563	747,773
Intangible assets, net	3,798,913	1,783,277
Goodwill	7,869,935	5,453,805
Total assets	\$ 19,738,189	\$ 17,576,690
<u>Liabilities and equity</u>		
Current liabilities:		
Notes payable and long-term debt payable within one year	\$ 809,529	\$ 587,014
Accounts payable, trade	1,111,759	1,413,155
Accrued payrolls and other compensation	424,231	426,285
Accrued domestic and foreign taxes	195,314	167,312
Other accrued liabilities	607,540	558,007
Total current liabilities	3,148,373	3,151,773
Long-term debt	7,652,256	6,520,831
Pensions and other postretirement benefits	1,887,414	1,304,379
Deferred income taxes	382,528	193,066
Other liabilities	539,089	438,489
Shareholders' equity	6,113,983	5,961,969
Noncontrolling interests	14,546	6,183
Total liabilities and equity	\$ 19,738,189	\$ 17,576,690

Consolidated Statement of Cash Flows

(Unaudited)	Twelve Months Ended June 30,	
(Dollars in thousands)		
	2020	2019
Cash flows from operating activities:		
Net income	\$ 1,206,703	\$ 1,512,931
Depreciation and amortization	537,531	436,189
Stock incentive plan compensation	111,375	104,078
Loss on sale of businesses	-	5,854
(Gain) loss on plant and equipment and intangible assets	(1,850)	5,091
(Gain) loss on marketable securities	(587)	7,563
Gain on investments	(2,084)	(16,749)
Net change in receivables, inventories and trade payables	409,252	(61,762)
Net change in other assets and liabilities	(211,049)	(301,480)
Other, net	21,658	38,425
Net cash provided by operating activities	2,070,949	1,730,140
Cash flows from investing activities:		
Acquisitions (less acquired cash of \$82,192 in 2020 and \$690 in 2019)	(5,076,064)	(2,042)
Capital expenditures	(232,591)	(195,089)
Proceeds from sale of plant and equipment	26,345	46,592
Proceeds from sale of businesses	-	19,678
Purchases of marketable securities and other investments	(194,742)	(181,780)
Maturities and sales of marketable securities and other investments	275,483	74,908
Other	177,576	19,223
Net cash used in investing activities	(5,023,993)	(218,510)
Cash flows from financing activities:		
Net payments for common stock activity	(213,426)	(857,577)
Acquisition of noncontrolling interests	(1,200)	-
Net proceeds from debt	1,117,774	2,172,351
Dividends paid	(453,838)	(412,468)
Net cash provided by financing activities	449,310	902,306
Effect of exchange rate changes on cash	(30,519)	(16,306)
Net (decrease) increase in cash and cash equivalents	(2,534,253)	2,397,630
Cash and cash equivalents at beginning of period	3,219,767	822,137
Cash and cash equivalents at end of period	\$ 685,514	\$ 3,219,767

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	FY20
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	2,071
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	2,071

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	FY20
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	2,071
Capital Expenditures	207	156	138	155	198	238	280	271	129	207	219	266	216	216	149	204	248	195	233
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	1,838
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	1,838

Reconciliation of Free Cash Flow Conversion

(Unaudited)	
(Dollars in thousands)	
Net income	Twelve Months Ended June 30, 2020
	\$ 1,206,703
Cash flow from operations	\$ 2,070,949
Capital Expenditures	(232,591)
Free cash flow	\$ 1,838,358
Free cash flow conversion (free cash flow / net income)	152 %

Reconciliation of EPS

Fiscal Year 2021 Guidance

(Unaudited)

(Amounts in dollars)

Forecasted earnings per diluted share

Adjustments:

Business realignment charges

Costs to achieve

Acquisition-related intangible asset amortization expense

Tax effect of adjustments¹

Adjusted forecasted earnings per diluted share

Fiscal Year 2021

\$7.41 to \$8.41

0.50

0.14

2.46

(0.71)

\$9.80 to \$10.80

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 June 30,	
	2020	2019
Net sales		
Diversified Industrial:		
Motion Systems	\$ 698,684	\$ 869,190
Flow and Process Control	826,919	1,111,953
Filtration and Engineered Material	1,011,040	1,022,436
Aerospace Systems	623,960	677,888
Total	\$ 3,160,603	\$ 3,681,467