Parker Reports Fiscal 2016 First Quarter Results

- First quarter EPS $1.41 as reported, or $1.52 adjusted for business realignment
- Sales decreased 12 percent, impacted by currency and weakness in global end markets
- Simplification efforts drive excellent margin performance
- Company revises fiscal 2016 full year guidance

CLEVELAND, Oct. 22, 2015 (GLOBE NEWSWIRE) -- Parker Hannifin Corporation (NYSE:PH), the global leader in motion and control technologies, today reported results for the fiscal 2016 first quarter ended September 30, 2015. Fiscal 2016 first quarter sales were $2.87 billion, compared with $3.27 billion in the prior year quarter. Net income was $195.0 million compared with $280.2 million in the first quarter of fiscal 2015. Fiscal 2016 first quarter earnings per share were $1.41, compared with $1.85 in the prior year quarter. Adjusted earnings per share were $1.52, compared with $1.89 in the prior year quarter. A reconciliation of reported to adjusted earnings per share is included with the financial tables in this news release.

“Despite ongoing headwinds from a strong dollar and further weakness in key end markets that pressured sales, we delivered adjusted segment operating margins of 15.3 percent.” said Chief Executive Officer, Tom Williams. “This type of margin performance is unprecedented in our recent history during previous down cycles and reflects the benefit of our prior year restructuring initiatives, rapid response on cost controls and savings resulting from our Simplification initiatives. Our previously announced restructuring initiatives for this year are underway to align costs with current demand and will position us well as the business environment improves. Simplification initiatives continue to expand as part of a broader effort to reduce complexity, increase speed, reduce costs and better serve our customers. We also introduced the new Win Strategy™, designed to take Parker’s performance to the next level as we target actions aimed at driving increased sales growth and achieving segment operating margins of 17 percent in the next five years.”

During the first quarter of fiscal 2016, the company repurchased $310 million in Parker shares. A total of $1.6 billion worth of shares have been purchased under a previously announced authorization to repurchase between $2 billion and $3 billion in shares over two years, beginning in October 2014.

Segment Results

Diversified Industrial Segment: North American first quarter sales decreased 13 percent to $1.3 billion, and operating income was $212.7 million compared with $264.2 million in the same period a year ago. International first quarter sales decreased 18 percent to $1.0
billion, the majority of the decline in sales was the result of foreign currency rate changes. International operating income was $129.3 million compared with $189.8 million in the same period a year ago.

**Aerospace Systems Segment:** First quarter sales increased 2 percent to $544.6 million, and operating income was $74.0 million compared with $65.3 million in the same period a year ago.

**Orders**
Parker reported a decrease in orders of 11 percent for the quarter ending September 30, 2015, compared with the same quarter a year ago. The company reported the following orders by business:

- Orders decreased 12 percent in the Diversified Industrial North America businesses compared with the same quarter a year ago.
- Orders decreased 8 percent in the Diversified Industrial International businesses compared with the same quarter a year ago.
- Orders decreased 16 percent in the Aerospace Systems segment on a rolling 12-month average basis.

**Outlook**
For the fiscal year ending June 30, 2016, the company has revised guidance for earnings from continuing operations to the range of $5.30 to $5.90 per share, or $5.80 to $6.40 per share on an adjusted basis. Fiscal year 2016 guidance is adjusted for expected business realignment expenses of approximately $0.50 per share, of which $0.30 per share relates to the company’s Simplification initiatives.

Williams added, “The change in our guidance largely reflects continued weakening in our end markets as evidenced by deteriorating order trends. We also do not expect any meaningful recovery in our markets through the end of our fiscal year. Aggressive actions are well underway to align our costs with the realities of current conditions. Looking forward, the continued execution of the new Win Strategy™ will help to position us to achieve new financial and operational performance targets designed to positively impact our customers and our shareholders.”

**NOTICE OF CONFERENCE CALL:** Parker Hannifin’s conference call and slide presentation to discuss its fiscal 2016 first quarter results are available to all interested parties via live webcast today at 10:00 a.m. ET, on the company’s investor information web site at [www.phstock.com](http://www.phstock.com). To access the call, click on the "Live Webcast" link. From this link, users also may complete a pre-call system test and register for e-mail notification of future events and information available from Parker. A replay of the conference call will also be available at [www.phstock.com](http://www.phstock.com) for one year after the call.

With annual sales of approximately $13 billion in fiscal year 2015, Parker Hannifin is the world's leading diversified manufacturer of motion and control technologies and systems, providing precision-engineered solutions for a wide variety of mobile, industrial and aerospace markets. The company employs approximately 55,000 people in 50 countries around the world. Parker has increased its annual dividends paid to shareholders for 59 consecutive fiscal years, among the top five longest-running dividend-increase records in the S&P 500 index. For more information, visit the company’s website at [www.parker.com](http://www.parker.com), or its
investor information website at [www.phstock.com](http://www.phstock.com).

**Note on Orders**
Orders provide near-term perspective on the company's outlook, particularly when viewed in the context of prior and future quarterly order rates. However, orders are not in themselves an indication of future performance. All comparisons are at constant currency exchange rates, with the prior year restated to the current-year rates. All exclude acquisitions until they can be reflected in both the numerator and denominator. Aerospace comparisons are rolling 12-month average computations. The total Parker orders number is derived from a weighted average of the year-over-year quarterly percent change in orders for Diversified Industrial North America and Diversified Industrial International, and the year-over-year 12-month rolling average of orders for the Aerospace Systems segment.

**Note on Non-GAAP Numbers**
This press release contains references to (a) earnings per share without the effect of business realignment expenses; (b) the effect of business realignment expenses on forecasted earnings from continuing operations per share; and (c) segment operating margins without the effect of business realignment expenses. The effects of business realignment expenses are removed to allow investors and the company to meaningfully evaluate changes in earnings per share and segment operating margins on a comparable basis from period to period.

**Forward-Looking Statements**
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. All statements regarding future performance, earnings projections, events or developments are forward-looking 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. 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: 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; 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 the Company’s capital allocation initiatives, including timing, price and execution of share repurchases; increases in raw material costs that cannot be recovered in product pricing; the company’s ability to manage costs related to insurance and employee retirement and health care benefits; 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; competitive market conditions 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. The company makes these statements as of the date of this disclosure, and undertakes no obligation to update them unless otherwise required by law.

PARKER HANNIFIN CORPORATION - SEPTEMBER 30, 2015
CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

<table>
<thead>
<tr>
<th>(Dollars in thousands except per share amounts)</th>
<th>Three Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
</tr>
<tr>
<td><strong>Net sales</strong></td>
<td>$2,869,348</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>2,200,904</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>668,444</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>370,214</td>
</tr>
<tr>
<td>Interest expense</td>
<td>35,760</td>
</tr>
<tr>
<td>Other (income), net</td>
<td>(13,179)</td>
</tr>
<tr>
<td><strong>Income before income taxes</strong></td>
<td>275,649</td>
</tr>
<tr>
<td><strong>Income taxes</strong></td>
<td>80,623</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>195,026</td>
</tr>
<tr>
<td>Less: Noncontrolling interests</td>
<td>48</td>
</tr>
<tr>
<td><strong>Net income attributable to common shareholders</strong></td>
<td>$194,978</td>
</tr>
</tbody>
</table>

Earnings per share attributable to common shareholders:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic earnings per share</td>
<td>$1.42</td>
<td>$1.88</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>$1.41</td>
<td>$1.85</td>
</tr>
</tbody>
</table>

Average shares outstanding during period -
Basic 136,844,504 148,738,828
Diluted 138,574,908 151,073,635

Cash dividends per common share $ .63 $ .48

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

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings per diluted share</td>
<td>$1.41</td>
<td>$1.85</td>
</tr>
<tr>
<td>Adjustments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business realignment charges</td>
<td>0.11</td>
<td>0.04</td>
</tr>
<tr>
<td>Adjusted earnings per diluted share</td>
<td>$1.52</td>
<td>$1.89</td>
</tr>
</tbody>
</table>
### BUSINESS SEGMENT INFORMATION
(Unaudited)  
Three Months Ended  
September 30,  
(Dollars in thousands)  
2015  2014

#### Net sales
Diversified Industrial:
- North America  $1,286,330  $1,471,812
- International  1,038,447  1,263,497
- Aerospace Systems  544,571  534,623
**Total**  $2,869,348  $3,269,932

#### Segment operating income
Diversified Industrial:
- North America  $212,748  $264,236
- International  129,295  189,805
- Aerospace Systems  74,003  65,349
**Total segment operating income**  $416,046  $519,390

**Corporate general and administrative expenses**  53,051  55,444
**Income before interest and other**  $362,995  $463,946
**Interest expense**  35,760  20,961
**Other expense**  51,586  46,350
**Income before income taxes**  $275,649  $396,635

#### RECONCILIATION OF SEGMENT OPERATING MARGIN TO ADJUSTED SEGMENT OPERATING MARGIN
(Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended September 30, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Operating income</td>
</tr>
<tr>
<td>As reported segment operating income</td>
<td>$416,046</td>
</tr>
<tr>
<td>Adjustments:</td>
<td></td>
</tr>
<tr>
<td>Business realignment charges</td>
<td>21,788</td>
</tr>
<tr>
<td><strong>Adjusted segment operating income</strong></td>
<td>$437,834</td>
</tr>
</tbody>
</table>

### CONSOLIDATED BALANCE SHEET
(Unaudited)  
(Debit to credit)  
(Unaudited)  
(Debit to credit)  
September 30,  
June 30,  
2015  2015  2014
(Dollars in thousands)  

#### Assets
**Current assets:**
- Cash and cash equivalents  $974,268  $1,180,584  $1,092,137
- Marketable securities and other investments  815,483  733,490  945,431
- Trade accounts receivable, net  1,561,054  1,620,194  1,711,798
- Non-trade and notes receivable  315,943  364,534  421,085
- Inventories  1,320,204  1,300,459  1,441,439
Prepaid expenses | 196,917 | 241,684 | 116,962  
Deferred income taxes | 144,033 | 142,147 | 147,410  
**Total current assets** | 5,327,902 | 5,583,092 | 5,876,262  
Plant and equipment, net | 1,632,803 | 1,664,022 | 1,755,254  
Goodwill | 2,947,955 | 2,942,679 | 3,068,420  
Intangible assets, net | 1,003,386 | 1,013,439 | 1,130,312  
Other assets | 1,089,508 | 1,091,805 | 914,377  
**Total assets** | $12,001,554 | $12,295,037 | $12,744,625  

**Liabilities and equity**

**Current liabilities:**
- Notes payable | $630,650 | $223,142 | $702,018  
- Accounts payable | 1,014,265 | 1,092,138 | 1,192,652  
- Accrued liabilities | 774,145 | 894,555 | 834,569  
- Accrued domestic and foreign taxes | 130,981 | 140,295 | 158,960  
**Total current liabilities** | 2,550,041 | 2,350,130 | 2,888,199  
- Long-term debt | 2,725,409 | 2,723,960 | 1,482,492  
- Pensions and other postretirement benefits | 1,480,466 | 1,699,197 | 1,328,123  
- Deferred income taxes | 78,019 | 77,967 | 89,038  
- Other liabilities | 312,868 | 336,214 | 374,409  
- Shareholders’ equity | 4,851,518 | 5,104,287 | 6,579,003  
- Noncontrolling interests | 3,233 | 3,282 | 3,361  
**Total liabilities and equity** | $12,001,554 | $12,295,037 | $12,744,625  

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**CONSOLIDATED STATEMENT OF CASH FLOWS**

(Unaudited)  
Three Months Ended September 30,  
(Dollars in thousands)  
2015 | 2014  
--- | ---  

**Cash flows from operating activities:**

| | 2015 | 2014  
--- | --- | ---  
Net income | $195,026 | $280,171  
Depreciation and amortization | 78,222 | 81,768  
Stock incentive plan compensation | 35,381 | 40,559  
Gain on sale of businesses | - | (5,782)  
(Gain) loss on sale of plant and equipment | (1,071) | 7,262  
Gain on sale of marketable securities | (54) | -  
Net change in receivables, inventories, and trade payables | (35,163) | (60,018)  
Net change in other assets and liabilities | (265,089) | (117,527)  
Other, net | (2,284) | 34,441  
**Net cash provided by operating activities** | 4,968 | 260,874  

**Cash flows from investing activities:**

| | 2015 | 2014  
--- | --- | ---  
Acquisitions (net of cash of $3,814 in 2015) | (67,552) | -  
Capital expenditures | (38,681) | (54,709)  
Proceeds from sale of plant and equipment | 3,847 | 2,736  
Proceeds from sale of businesses | - | 22,770  
**Net cash provided by investing activities** | - | -  

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### Purchases of marketable securities and other investments

<table>
<thead>
<tr>
<th>Description</th>
<th>Fiscal Year 2016</th>
<th>Fiscal Year 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases of marketable securities and other</td>
<td>(430,533)</td>
<td>(497,192)</td>
</tr>
<tr>
<td>investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maturities and sales of marketable securities</td>
<td>371,766</td>
<td>50,528</td>
</tr>
<tr>
<td>and other investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other, net</td>
<td>(40,273)</td>
<td>(5,060)</td>
</tr>
<tr>
<td><strong>Net cash (used in) investing activities</strong></td>
<td>(201,426)</td>
<td>(480,927)</td>
</tr>
</tbody>
</table>

### Cash flows from financing activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>Fiscal Year 2016</th>
<th>Fiscal Year 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net payments for common stock activity</td>
<td>(304,464)</td>
<td>(44,494)</td>
</tr>
<tr>
<td>Net proceeds from (payments for) debt</td>
<td>404,787</td>
<td>(113,565)</td>
</tr>
<tr>
<td>Dividends</td>
<td>(85,987)</td>
<td>(71,607)</td>
</tr>
<tr>
<td>**Net cash provided by (used in) financing</td>
<td>14,336</td>
<td>(229,666)</td>
</tr>
<tr>
<td>activities**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash</td>
<td>(24,194)</td>
<td>(71,699)</td>
</tr>
<tr>
<td>Net (decrease) in cash and cash equivalents</td>
<td>(206,316)</td>
<td>(521,418)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>1,180,584</td>
<td>1,613,555</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of period</strong></td>
<td>$ 974,268</td>
<td>$ 1,092,137</td>
</tr>
</tbody>
</table>

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

(Unaudited)

<table>
<thead>
<tr>
<th>Description</th>
<th>Fiscal Year 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Forecasted earnings per diluted share</strong></td>
<td>$5.30 to $5.90</td>
</tr>
<tr>
<td>Adjustments:</td>
<td></td>
</tr>
<tr>
<td>Business realignment charges</td>
<td>.50</td>
</tr>
<tr>
<td><strong>Adjusted forecasted earnings per diluted share</strong></td>
<td>$5.80 to $6.40</td>
</tr>
</tbody>
</table>

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