

Parker Hannifin Corporation

4th Quarter & Fiscal Year 2018

Earnings Release



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ENGINEERING YOUR SUCCESS.

August 2, 2018

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. 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 and earnings projections are: economic conditions within the company’s key 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 the U.S. Tax Reform may affect future performance and earnings projections as the amounts reflected in this period are preliminary estimates and exact amounts will not be determined until a later date, and there may be other judicial or regulatory interpretations of the U.S. Tax Reform that may also affect these estimates and the actual impact on the company. 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 of the company are, as applicable: 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; 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. 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 reconciles (a) sales amounts reported in accordance with U.S. GAAP to organic sales, which are sales amounts adjusted to remove the effects of acquisitions, divestitures and the effects of currency exchange rates, (b) cash flow from operating activities and cash flow from operating activities as a percent of sales in accordance with U.S. GAAP to cash flow from operating activities and cash flow from operating activities as a percent of sales without the effect of discretionary pension plan contributions, (c) as reported and forecast segment operating income and operating margins reported in accordance with U.S. GAAP to as reported and forecast segment operating income and operating margins without the effect of business realignment charges, CLARCOR costs to achieve and acquisition-related expenses, (d) Below the Line Items reported in accordance with U.S. GAAP to Below the Line Items without the effect of the net loss on sale and write-down of assets, and (e) Income tax in accordance with U.S. GAAP to Income tax without the effect of U.S. Tax Reform one-time impact, net (f) as reported and forecast earnings per diluted share reported in accordance with U.S. GAAP to as reported and forecast earnings per diluted share without the effect of business realignment charges, CLARCOR costs to achieve, net loss on sale and write-down of assets and U.S. Tax Reform one-time impact, net. This presentation also contains references to EBITDA and adjusted EBITDA. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA before business realignment charges, CLARCOR costs to achieve, net loss on sale and write-down of assets, and acquisition-related expenses. Although EBITDA and Adjusted EBITDA are not measures of performance calculated in accordance with GAAP, we believe that it is useful to an investor in evaluating the results of this quarter versus one year ago. The effects of acquisitions, divestitures, currency exchange rates, discretionary pension plan contributions, business realignment charges, CLARCOR costs to achieve, acquisition-related expenses, net loss on sale and write-down of assets and U.S. Tax Reform one-time impact, net are removed to allow investors and the company to meaningfully evaluate changes in sales, and cash flow from operating activities as a percent of sales, segment operating income, operating margins, Below the Line Items, Income Tax and earnings per diluted share on a comparable basis from period to period. Full year adjusted guidance removes business realignment charges, CLARCOR costs to achieve.

Agenda

- **Highlights of Quarter and Full Year Results**

- **Results & Outlook**

- **Questions & Answers**

Highlights of Quarter and FY18 Results

Fourth Quarter Results

- Safety - 21% reduction – creating an ownership culture
- All-time records for sales & segment operating margins
- 4th Quarter records for Net Income, Net Income ROS & EPS
- Strong organic growth, 9% and order growth, 8%
- Adjusted EBITDA margins up 80 bps

Full Year Fiscal 2018 Highlights

- All-time records for Sales, EPS, Segment Operating Margins, Cash Flow
- 8% Organic growth, improvement in Segment & EBITDA Margins
- Strong cash generation; increased dividend, reduced debt, shares repurchased
- Clarcor integration going well
- EBITDA performance: on track to hit 300 bps margin expansion early

FY19 Outlook and Looking Ahead

Fiscal 2019 Guidance

- Anticipating record year for sales and EPS
- Adjusted EPS in the range of \$10.70 to \$11.50
- Solid organic growth of 2.3% to 5.1% partially offset by currency headwinds

Going Forward

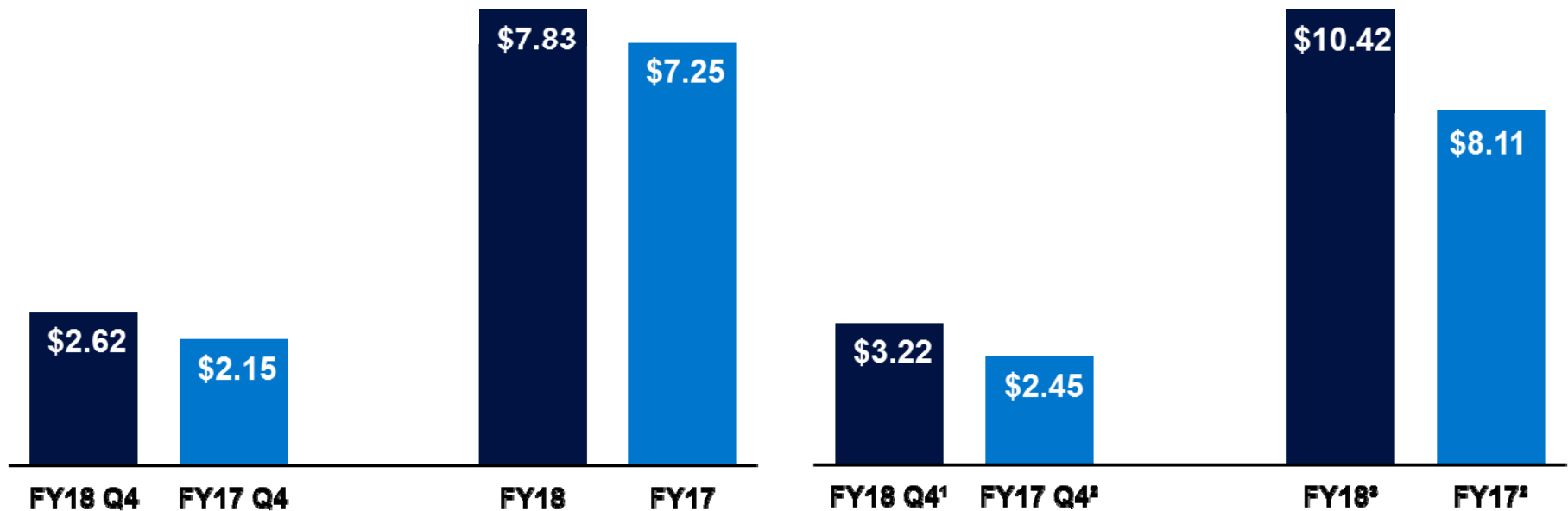
- Positive momentum: market conditions and growth initiatives
- Continued strong performance in Aerospace Systems
- Build on strong margin performance in international businesses
- North America – lower restructuring expenses, margin improvement
- FY19: stronger balance sheet for deployment priorities
- FY18 performance and FY19 guide a solid start against new 5-year targets

Diluted Earnings Per Share

4th Quarter & Fiscal Year 2018

As Reported EPS

Adjusted EPS



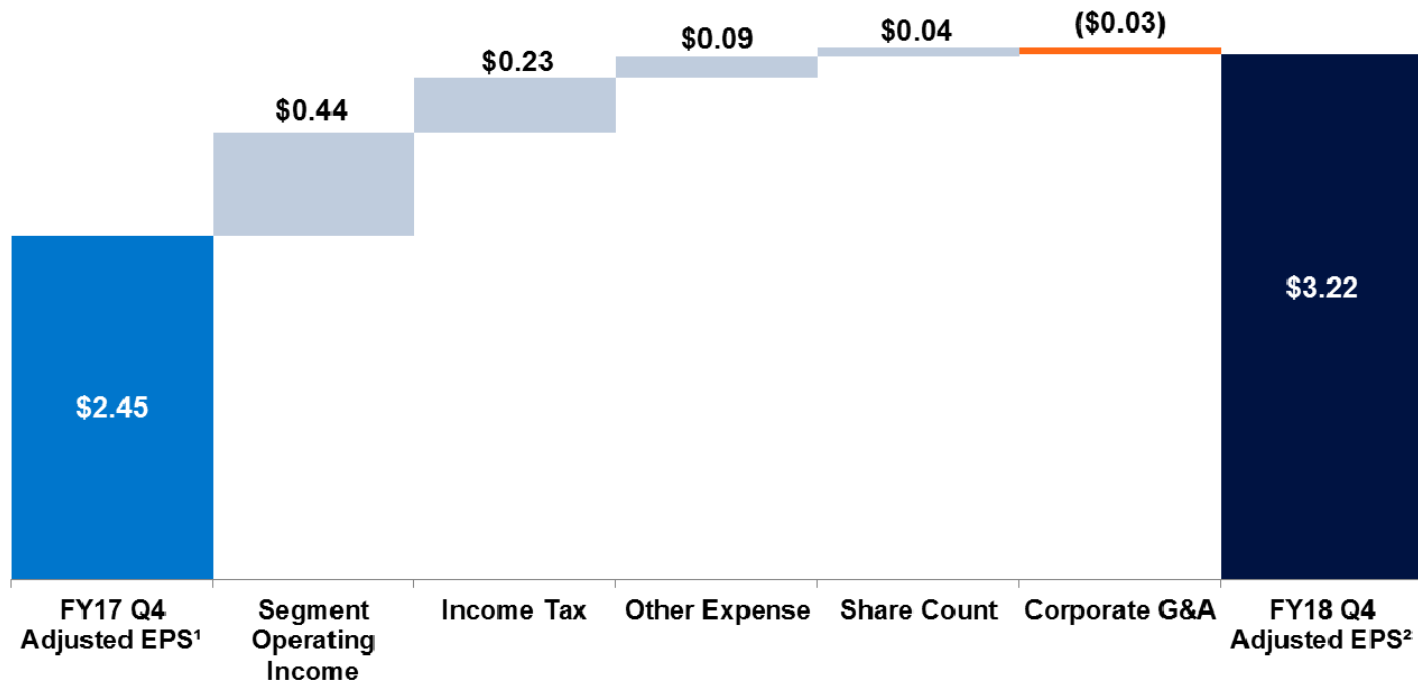
¹Adjusted for Business Realignment Charges, CLARCOR Costs to Achieve, Loss on the Sale and Write Down of Assets, and U.S. Tax Reform Impact

²Adjusted for Business Realignment Charges, Acquisition-related expenses

³Adjusted for Business Realignment Charges, CLARCOR Costs to Achieve, Net Loss on the Sale and Write Down of Assets, and U.S. Tax Reform Impact

Influences on Adjusted Earnings Per Share

4th Quarter FY2018 vs. 4th Quarter FY2017

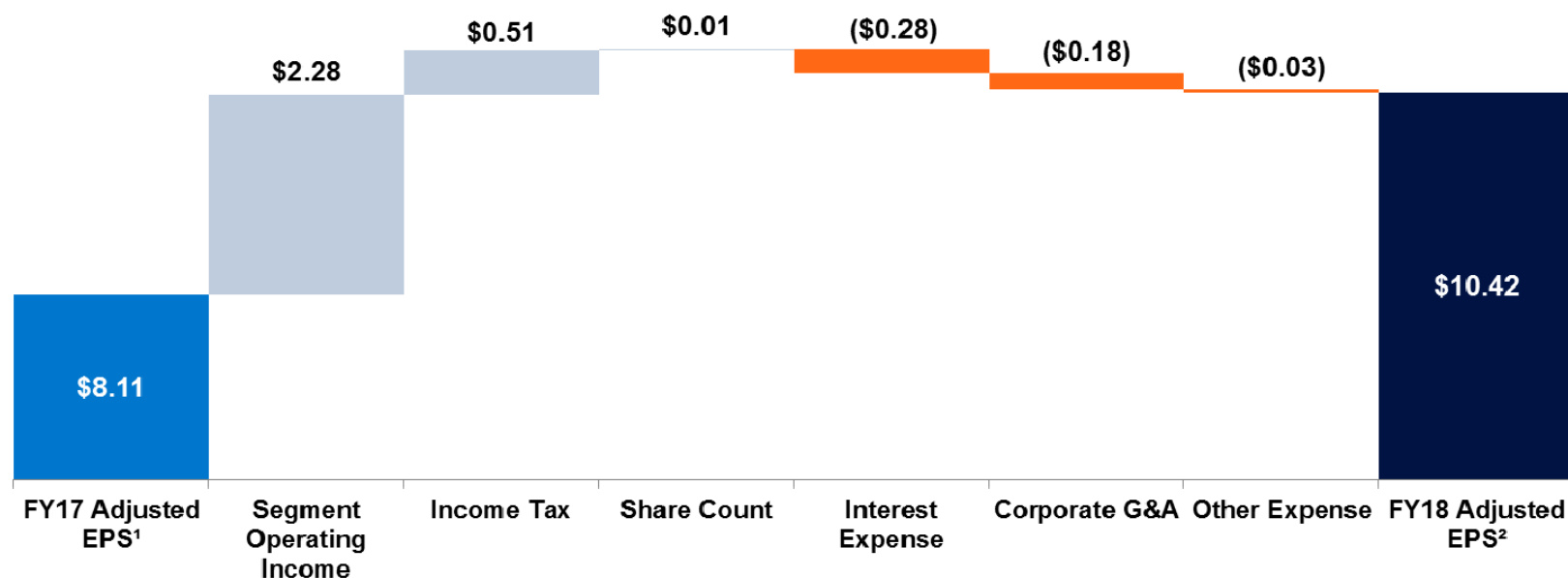


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Influences on Adjusted Earnings Per Share

FY2018 vs. FY2017



¹Adjusted for Business Realignment Charges, Acquisition-related expenses

²Adjusted for Business Realignment Charges, CLARCOR Costs to Achieve, Net Loss on the Sale and Write Down of Assets, and U.S. Tax Reform Impact

Sales & Segment Operating Margin

Total Parker

\$ in millions

	4th Quarter			Full Year			
	FY2018	% Change	FY2017	FY2018	% Change	FY2017	
Sales							
As Reported	\$3,816	9.2 %	\$3,496	\$14,302	18.9 %	\$12,029	
Acquisitions	-	- %		971	8.1 %		
Divestitures	(15)	(0.4)%		(15)	(0.1)%		
Currency	31	0.9 %		295	2.5 %		
Organic Sales	\$3,800	8.7 %		\$13,051	8.4 %		
Segment Operating Margin							
As Reported	\$ 644	16.9 %	\$ 535	\$ 2,239	15.7 %	\$ 1,790	14.9 %
Business Realignment	18		21	46		56	
CLARCOR Costs to Achieve	8			37			
Acquisition-Related Expenses			32			58	
Adjusted	\$ 670	17.5 %	\$ 588	\$ 2,322	16.2 %	\$ 1,904	15.8 %

Sales & Segment Operating Margin

Diversified Industrial North America

\$ in millions

	4th Quarter			Full Year			
	FY2018	% Change	FY2017	FY2018	% Change	FY2017	
Sales							
As Reported	\$ 1,805	8.4 %	\$ 1,665	\$ 6,727	25.3 %	\$ 5,367	
Acquisitions	-	- %		798	14.9 %		
Divestitures	(6)	(0.4)%		(6)	(0.1)%		
Currency	(0)	(0.0)%		21	0.4 %		
Organic Sales	\$ 1,811	8.8 %		\$ 5,914	10.1 %		
Segment Operating Margin							
As Reported	\$ 313	17.4 %	\$ 262	\$ 1,076	16.0 %	\$ 874	16.3 %
Business Realignment	3		10	9		20	
CLARCOR Costs to Achieve	6			29			
Acquisition-Related Expenses			32			58	
Adjusted	\$ 322	17.8 %	\$ 304	\$ 1,114	16.6 %	\$ 952	17.7 %

Sales & Segment Operating Margin

Diversified Industrial International

\$ in millions	4th Quarter			Full Year				
	FY2018	% Change	FY2017	FY2018	% Change	FY2017		
Sales								
As Reported	\$ 1,376	12.1 %	\$ 1,228	\$ 5,259	20.1 %	\$ 4,378		
Acquisitions	-	- %		173	3.9 %			
Divestitures	(9)	(0.7)%		(9)	(0.2)%			
Currency	31	2.6 %		269	6.2 %			
Organic Sales	\$ 1,354	10.2 %		\$ 4,826	10.2 %			
		% of	% of		% of	% of		
	FY2018	Sales	FY2017	FY2018	Sales	FY2017	% of Sales	
Segment Operating Margin								
As Reported	\$ 203	14.8 %	\$ 161	13.2 %	\$ 765	14.5 %	\$ 579	13.2 %
Business Realignment	16		11		34		33	
CLARCOR Costs to Achieve	2				8			
Adjusted	\$ 221	16.1 %	\$ 172	14.0 %	\$ 807	15.3 %	\$ 612	14.0 %

Sales & Segment Operating Margin

Aerospace Systems

\$ in millions

	4th Quarter			Full Year			
	FY2018	% Change	FY2017	FY2018	% Change	FY2017	
Sales							
As Reported	\$ 636	5.6 %	\$ 603	\$ 2,316	1.4 %	\$ 2,285	
Acquisitions	-	- %		-	- %		
Currency	1	0.1 %		5	0.2 %		
Organic Sales	\$ 635	5.5 %		\$ 2,311	1.2 %		
Segment Operating Margin		% of Sales			% of Sales		% of Sales
As Reported	\$ 127	19.9 %	\$ 112	\$ 398	17.2 %	\$ 337	14.8 %
Business Realignment	0		(0)	3		3	
Adjusted	\$ 127	19.9 %	\$ 112	\$ 401	17.3 %	\$ 340	14.9 %

Order Rates

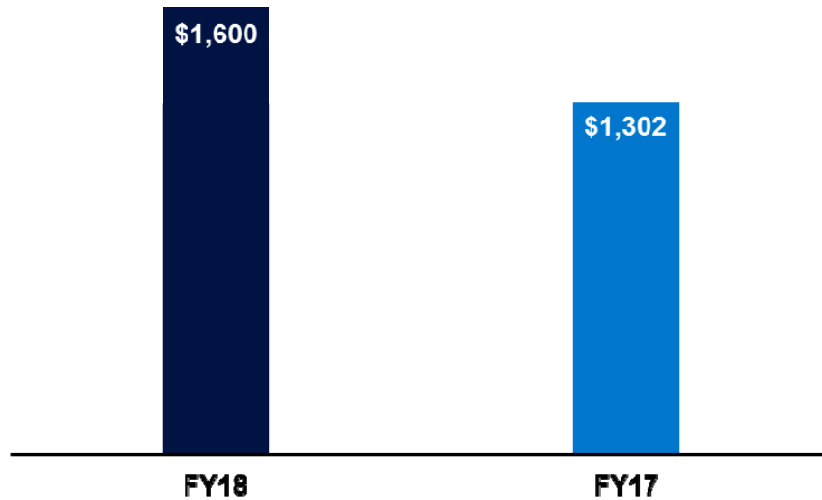
	<u>Jun 2018</u>		<u>Mar 2018</u>		<u>Jun 2017</u>		<u>Mar 2017</u>	
Total Parker	+	8 %	+	11 %	+	8 %	+	8 %
Diversified Industrial North America	+	9 %	+	11 %	+	10 %	+	9 %
Diversified Industrial International	+	5 %	+	8 %	+	10 %	+	13 %
Aerospace Systems	+	10 %	+	17 %	+	1 %		0 %

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

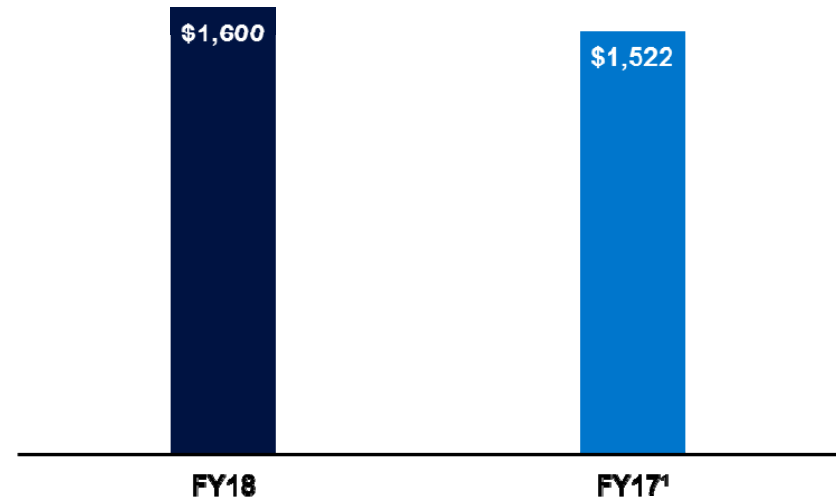
Cash Flow from Operating Activities

Dollars in millions

As Reported Cash Flow



Adjusted Cash Flow



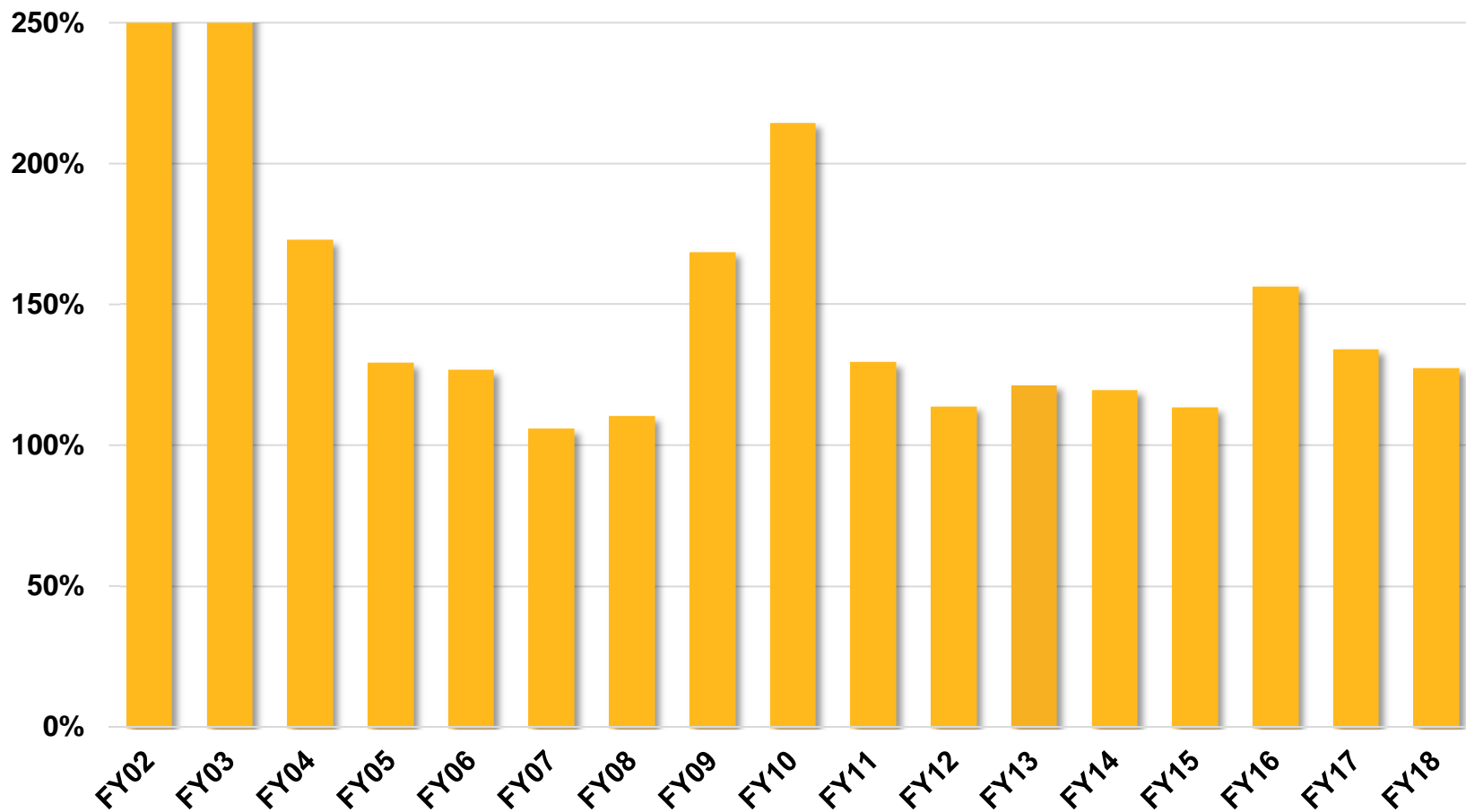
¹Adjusted for Discretionary Pension Plan Contribution

As Reported Cash Flow From Operating Activities
 Discretionary Pension Plan Contribution
 Adjusted Cash Flow From Operating Activities

Full Year			
<u>FY 2018</u>	<u>% of Sales</u>	<u>FY 2017</u>	<u>% of Sales</u>
1,600	11.2%	1,302	10.8%
		220	
1,600	11.2%	1,522	12.7%

Free Cash Flow Conversion

Free Cash Flow / Net Income



* Free Cash Flow = Cash Provided by Operating Activities - Capital Expenditures + Discretionary Pension Contribution



FY2019 Guidance

EPS Midpoint: \$10.90 As Reported, \$11.10 Adjusted

Sales Growth vs. Prior Year	Total Growth	Organic Growth
Diversified Industrial North America	2.6% - 5.6%	3.1% - 6.1%
Diversified Industrial International	(2.5)% - 0.5%	1.1% - 4.1%
Aerospace Systems	2.5% - 4.5%	2.5% - 4.5%
Total Parker	0.7% - 3.5%	2.3% - 5.1%

Segment Operating Margins	As Reported	Adjusted ¹
Diversified Industrial North America	16.4% - 17.2%	16.6% - 17.4%
Diversified Industrial International	15.3% - 15.7%	15.6% - 16.0%
Aerospace Systems	17.2% - 17.6%	17.2% - 17.6%
Total Parker	16.1% - 16.7%	16.3% - 16.9%

Below the Line Items	
Corporate General & Administrative Expense, Interest and Other	\$483M

Tax Rate	
Full Year	23%

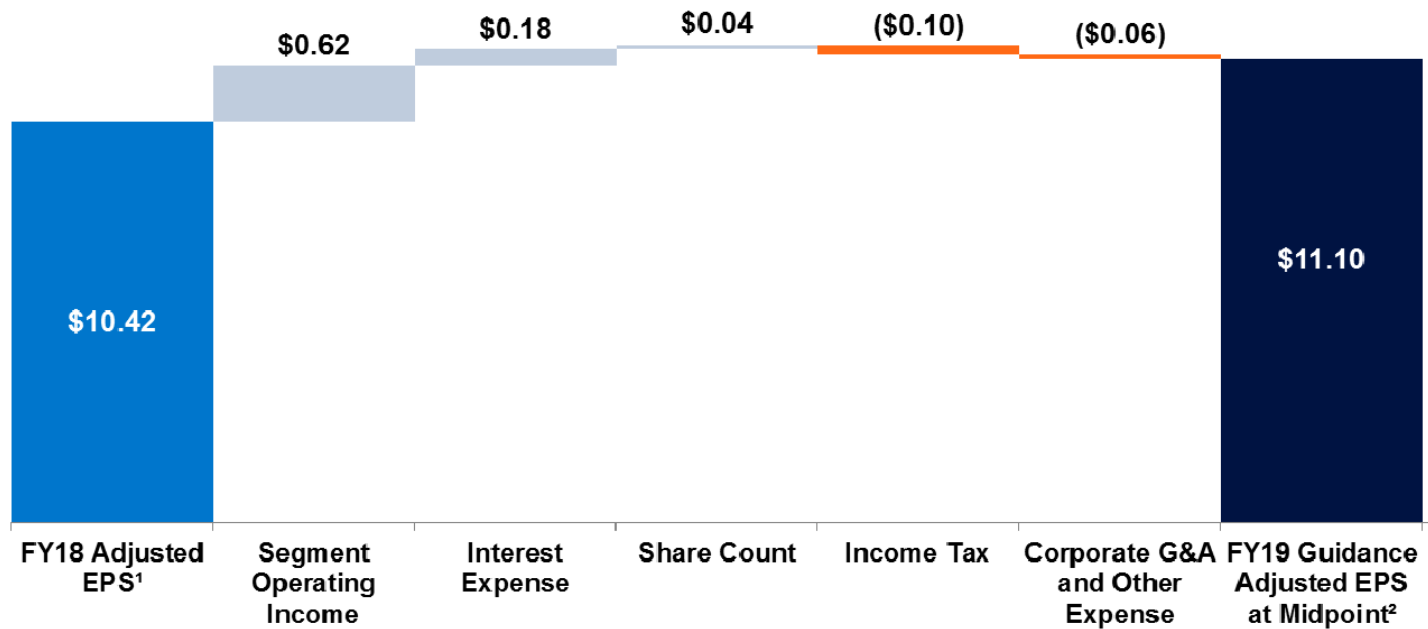
Shares	
Diluted Shares Outstanding	135.1 M

Earnings Per Share	As Reported	Adjusted ¹
Range	\$10.50 - \$11.30	\$10.70 - \$11.50

¹Expected FY19 Adjusted Segment Operating Margins and Adjusted Earnings Per Share exclude:
 \$22M Business Realignment Charges
 \$13M Clarcor Costs to Achieve
 \$35M Total Realignment

FY2019 Guidance

FY19 Guidance vs FY18 Actual



¹Adjusted for Business Realignment Charges, CLARCOR Costs to Achieve, Net Loss on the Sale and Write Down of Assets, and U.S. Tax Reform Impact

²Adjusted for Business Realignment Charges, CLARCOR Costs to Achieve

Key Takeaways

- Anticipating another record year
- The Win Strategy is working well
- Two overarching themes:
 - Top quartile performance
 - Great generators/deployers of cash
- Bright future ahead – Unique competitive advantages

Parker among the best diversified industrial companies



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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
- Reconciliation of Organic Growth
- Reconciliation of EPS
- Supplemental Sales Information – Global Technology Platforms

Consolidated Statement of Income

(Dollars in thousands except per share amounts)	Three Months Ended June 30,		Twelve Months Ended June 30,	
	2018	2017	2018	2017
Net sales	\$ 3,817,477	\$ 3,496,238	\$ 14,302,392	\$ 12,029,312
Cost of sales	2,835,885	2,654,682	10,762,841	9,188,962
Selling, general and administrative expenses	422,423	402,352	1,657,152	1,453,935
Interest expense	53,040	52,787	213,873	162,436
Other expense (income), net	8,202	(14,194)	(33,751)	(104,662)
Income before income taxes	497,927	400,611	1,702,277	1,328,641
Income taxes	144,599	107,252	640,962	344,797
Net income	353,328	293,359	1,061,315	983,844
Less: Noncontrolling interests	72	54	514	432
Net income attributable to common shareholders	\$ 353,256	\$ 293,305	\$ 1,060,801	\$ 983,412
Earnings per share attributable to common shareholders:				
Basic earnings per share	\$ 2.66	\$ 2.20	\$ 7.98	\$ 7.37
Diluted earnings per share	\$ 2.62	\$ 2.15	\$ 7.83	\$ 7.25
Average shares outstanding during period - Basic	132,696,489	133,278,324	133,004,613	133,377,547
Average shares outstanding during period - Diluted	135,001,851	136,154,741	135,426,834	135,559,764
Cash dividends per common share	\$.76	\$.66	\$ 2.74	\$ 2.58

Adjusted Amounts Reconciliation

FOURTH QUARTER FY 2018

	As Reported Jun-18	Business Realignment	Costs to Achieve	Loss on Sale of Business/ Investment W/D	Tax Act Impact	Adjusted Jun-18
Net sales	3,817,477					3,817,477
Cost of sales	2,835,885	7,873	4,793			2,823,219
Selling, general and administrative expenses	422,423	9,970	2,490			409,963
Interest expense	53,040	-				53,040
Other expense (income), net	8,202	-	1,009	26,513		(19,320)
Income before income taxes	497,927	(17,843)	(8,292)	(26,513)	-	550,575
Income taxes	144,599	4,961	2,305	(26,315)	(8,574)	116,976
Net income	353,328	(12,882)	(5,987)	(52,828)	(8,574)	433,599
Less: Noncontrolling interests	72	-				72
Net income attributable to common shareholders	353,256	(12,882)	(5,987)	(52,828)	(8,574)	433,527
EPS attributable to common shareholders:						
Diluted earnings per share	2.62	(0.10)	(0.04)	(0.39)	(0.07)	3.22

FOURTH QUARTER FY 2018

	As Reported Jun-18	Business Realignment	Costs to Achieve	Loss on Sale of Business/ Investment W/D	Adjusted Jun-18
Segment Operating Income					
Diversified Industrial:					
North America	313,493	2,359	5,998	-	321,850
International	203,340	15,326	2,294	-	220,960
Aerospace Systems	126,735	158	-	-	126,893
Total segment operating income	643,568	(17,843)	(8,292)	-	669,703
Corporate administration	58,471	-	-	-	58,471
Income before interest expense and other	585,097	(17,843)	(8,292)	-	611,232
Interest expense	53,040	-	-	-	53,040
Other expense	34,130	-	-	26,513	7,617
Income before income taxes	497,927	(17,843)	(8,292)	(26,513)	550,575



Reconciliation of EPS

(Unaudited) (Amounts in dollars)	Three Months Ended June 30,		Twelve Months Ended June 30,	
	2018	2017	2018	2017
Earnings per diluted share	\$ 2.62	\$ 2.15	\$ 7.83	\$ 7.25
Adjustments:				
Business realignment charges	0.10	0.11	0.26	0.30
Clarcor costs to achieve	0.04	-	0.20	-
Net loss on sale and write-down of assets	0.39	-	0.41	-
U.S. Tax Reform one-time impact, net	0.07	-	1.72	-
Acquisition-related expenses	-	0.19	-	0.56
Adjusted earnings per diluted share	\$ 3.22	\$ 2.45	\$ 10.42	\$ 8.11

Business Segment Information

(Dollars in thousands)	Three Months Ended June 30,		Twelve Months Ended June 30,	
	2018	2017	2018	2017
Net sales				
Diversified Industrial:				
North America	\$ 1,804,948	\$ 1,665,483	\$ 6,726,900	\$ 5,366,809
International	1,376,118	1,227,999	5,259,793	4,377,776
Aerospace Systems	636,411	602,756	2,315,699	2,284,727
Total	\$ 3,817,477	\$ 3,496,238	\$ 14,302,392	\$ 12,029,312
Segment operating income				
Diversified Industrial:				
North America	\$ 313,493	\$ 261,509	\$ 1,076,021	\$ 873,552
International	203,340	161,499	765,188	579,207
Aerospace Systems	126,735	111,732	397,970	337,496
Total segment operating income	643,568	534,740	2,239,179	1,790,255
Corporate general and administrative expenses	58,471	51,925	200,901	172,632
Income before interest and other expense	585,097	482,815	2,038,278	1,617,623
Interest expense	53,040	52,787	213,873	162,436
Other expense	34,130	29,417	122,128	126,546
Income before income taxes	\$ 497,927	\$ 400,611	\$ 1,702,277	\$ 1,328,641

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

(Unaudited) (Dollars in thousands)	Three Months Ended June 30, 2018		Three Months Ended June 30, 2017	
	Operating income	Operating margin	Operating income	Operating margin
Total segment operating income	643,568	16.9%	534,740	15.3%
Adjustments:				
Business realignment charges	17,843		20,653	
Clarcor costs to achieve	8,292		-	
Acquisition-related expenses	-		32,182	
Adjusted total segment operating income	\$ 669,703	17.5%	\$ 587,575	16.8%

Reconciliation of EBITDA to Adjusted EBITDA

(Unaudited) (Dollars in thousands)	Three Months Ended June 30,	
	2018	2017
Net sales	\$ 3,817,477	\$ 3,496,238
Earnings before income taxes	\$ 497,927	\$ 400,611
Depreciation and amortization	114,769	118,686
Interest expense	53,040	52,787
EBITDA	665,736	572,084
Adjustments:		
Business realignment charges	17,843	21,437
Clarcor costs to achieve	8,292	-
Loss on sale and write-down of assets	26,513	-
Acquisition-related expenses	-	36,303
Adjusted EBITDA	\$ 718,384	\$ 629,824
EBITDA margin	17.4%	16.4%
Adjusted EBITDA margin	18.8%	18.0%

Consolidated Balance Sheet

(Dollars in thousands)	June 30, 2018	June 30, 2017
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 822,137	\$ 884,886
Marketable securities and other investments	32,995	39,318
Trade accounts receivable, net	2,145,517	1,930,751
Non-trade and notes receivable	328,399	254,987
Inventories	1,621,304	1,549,494
Prepaid expenses	134,886	120,282
Total current assets	5,085,238	4,779,718
Plant and equipment, net	1,856,237	1,937,292
Deferred income taxes	57,623	36,057
Goodwill	5,504,420	5,586,878
Intangible assets, net	2,015,520	2,307,484
Other assets	801,049	842,475
Total assets	\$ 15,320,087	\$ 15,489,904
<u>Liabilities and equity</u>		
Current liabilities:		
Notes payable	\$ 638,466	\$ 1,008,465
Accounts payable	1,430,306	1,300,496
Accrued liabilities	929,833	933,762
Accrued domestic and foreign taxes	198,878	153,137
Total current liabilities	3,197,483	3,395,860
Long-term debt	4,318,559	4,861,895
Pensions and other postretirement benefits	1,177,605	1,406,082
Deferred income taxes	234,858	221,790
Other liabilities	526,089	336,931
Shareholders' equity	5,859,866	5,261,649
Noncontrolling interests	5,627	5,697
Total liabilities and equity	\$ 15,320,087	\$ 15,489,904

Consolidated Statement of Cash Flows

Twelve Months Ended June 30,

(Dollars in thousands)	2018	2017
Cash flows from operating activities:		
Net income	\$ 1,061,315	\$ 983,844
Depreciation and amortization	466,085	355,229
Stock incentive plan compensation	118,831	80,339
Loss (Gain) on sale of businesses	19,666	(41,285)
(Gain) loss on disposal of assets	(24,422)	1,494
(Gain) on sale of marketable securities	(2)	(1,032)
Loss on sale and impairment of investments	33,759	-
Net change in receivables, inventories and trade payables	(268,280)	5,741
Net change in other assets and liabilities	227,463	(126,943)
Other, net	(34,128)	45,084
Net cash provided by operating activities	1,600,287	1,302,471
Cash flows from investing activities:		
Acquisitions (net of cash of \$157,426 in 2017)	-	(4,069,197)
Capital expenditures	(247,667)	(203,748)
Proceeds from sale of plant and equipment	81,881	14,648
Proceeds from sale of businesses	177,741	85,610
Purchases of marketable securities and other investments	(80,607)	(465,666)
Maturities and sales of marketable securities and other investments	83,905	1,279,318
Other, net	4,837	(6,113)
Net cash provided by (used in) investing activities	20,090	(3,365,148)
Cash flows from financing activities:		
Net payments for common stock activity	(377,359)	(335,876)
Net (payments for) proceeds from debt	(939,325)	2,463,884
Dividends	(365,288)	(345,380)
Net cash (used in) provided by financing activities	(1,681,972)	1,782,628
Effect of exchange rate changes on cash	(1,154)	(56,718)
Net (decrease) in cash and cash equivalents	(62,749)	(336,767)
Cash and cash equivalents at beginning of period	884,886	1,221,653
Cash and cash equivalents at end of period	\$ 822,137	\$ 884,886



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

(Unaudited)

(Amounts in thousands)

	<u>Twelve Months Ended June 30, 2018</u>	<u>Percent of sales</u>	<u>Twelve Months Ended June 30, 2017</u>	<u>Percent of sales</u>
As reported cash flow from operations	\$ 1,600,287	11.2%	\$ 1,302,471	10.8%
Discretionary pension contribution	-		220,000	
Adjusted cash flow from operations	\$ 1,600,287	11.2%	\$ 1,522,471	12.7%

Reconciliation of Free Cash Flow Conversion

(Unaudited)

	Twelve Months Ended June 30, 2018	
Net income	\$	1,061,315
Cash flow from operations		1,600,287
Capital expenditures		(247,667)
Free cash flow	\$	1,352,620
Free cash flow conversion (free cash flow/net income)		127%

Reconciliation of Organic Growth

Fiscal Year 2019 Guidance

	Sales Growth Range	Divestitures	Currency	Organic Growth Range
Industrial North America	2.6% - 5.6%	-0.3%	-0.2%	3.1% - 6.1%
Industrial International	(2.5)% - 0.5%	-0.6%	-3.0%	1.1% - 4.1%
Aerospace Systems	2.5% - 4.5%	0.0%	0.0%	2.5% - 4.5%
Total Parker	0.7% - 3.5%	-0.4%	-1.2%	2.3% - 5.1%

Reconciliation of EPS

Fiscal Year 2019 Guidance

(Unaudited)

(Amounts in dollars)

	Fiscal Year 2019
Forecasted earnings per diluted share	\$10.50 - \$11.30
Adjustments:	
Business realignment charges	0.13
Clarcor costs to achieve	0.07
Adjusted forecasted earnings per diluted share	\$10.70 - \$11.50

Supplemental Sales Information

Global Technology Platforms

(Unaudited)

(Dollars in thousands)

	Three Months Ending				Fiscal Year-to-Date			
	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018
Net sales								
Diversified Industrial:								
Motion Systems	\$ 809,747	\$ 825,695	\$ 928,012	\$ 938,881	\$ 809,747	\$ 1,635,442	\$ 2,563,454	\$ 3,502,335
Flow and Process Control	995,347	997,837	1,154,468	1,173,988	995,347	1,993,184	3,147,652	4,321,640
Filtration and Engineered Materials	1,028,371	997,453	1,068,697	1,068,197	1,028,371	2,025,824	3,094,521	4,162,718
Aerospace Systems	531,186	549,688	598,414	636,411	531,186	1,080,874	1,679,288	2,315,699
Total	\$ 3,364,651	\$ 3,370,673	\$ 3,749,591	\$ 3,817,477	\$ 3,364,651	\$ 6,735,324	\$ 10,484,915	\$ 14,302,392