

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended September 30, 2024  
OR  
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File number 1-4982  
**PARKER-HANNIFIN CORPORATION**  
(Exact name of registrant as specified in its charter)

|   |   |
|---|---|
| Ohio  | 34-0451060                              |
| (State or other jurisdiction of<br>Incorporation or Organization) | (I.R.S. Employer<br>Identification No.) |
| 6035 Parkland      Cleveland, Ohio                                | 44124-4141                              |
| Boulevard,  |   |
| (Address of Principal Executive Offices)                          | (Zip Code)                              |

Registrant's telephone number, including area code: **( 216 ) 896-3000**

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class            | Trading Symbol | Name of Each Exchange on which Registered |
|--------------------------------|----------------|---|
| Common Shares, \$.50 par value | PH             | New York Stock Exchange                   |

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.    Yes ☒    No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files).    Yes ☒    No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

|                         |                                     |                           |                          |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer         | <input type="checkbox"/> |
| Non-accelerated filer   | <input type="checkbox"/>            | Smaller reporting company | <input type="checkbox"/> |
|                         |                                     | Emerging growth company   | <input type="checkbox"/> |

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes ☐    No ☒

Number of Common Shares outstanding at September 30, 2024: 128,720,433

---

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PARKER-HANNIFIN CORPORATION  
CONSOLIDATED STATEMENT OF INCOME  
(Dollars in thousands, except per share amounts)  
(Unaudited)

|   | Three Months Ended |              |
|---|--------------------|--------------|
|   | September 30,      |              |
|   | 2024               | 2023         |
| Net sales   | \$ 4,903,984       | \$ 4,847,488 |
| Cost of sales   | 3,097,719          | 3,097,349    |
| Selling, general and administrative expenses            | 848,789            | 873,691      |
| Interest expense  | 113,091            | 134,468      |
| Other income, net                                       | ( 30,801 )         | ( 78,455 )   |
| Income before income taxes                              | 875,186            | 820,435      |
| Income taxes  | 176,658            | 169,363      |
| Net income  | 698,528            | 651,072      |
| Less: Noncontrolling interest in subsidiaries' earnings | 108                | 245          |
| Net income attributable to common shareholders          | \$ 698,420         | \$ 650,827   |
| Earnings per share attributable to common shareholders: |                    |              |
| Basic   | \$ 5.43            | \$ 5.07      |
| Diluted   | \$ 5.34            | \$ 4.99      |

See accompanying notes to consolidated financial statements.

**PARKER-HANNIFIN CORPORATION**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
(Dollars in thousands)  
(Unaudited)

|   | Three Months Ended  |                   |
|---|---------------------|-------------------|
|   | September 30,       |                   |
|   | 2024                | 2023              |
| Net income  | \$ 698,528          | \$ 651,072        |
| Less: Noncontrolling interests in subsidiaries' earnings              | 108                 | 245               |
| Net income attributable to common shareholders                        | 698,420             | 650,827           |
| Other comprehensive income (loss), net of tax                         |                     |                   |
| Foreign currency translation adjustment                               | 344,546             | ( 222,532 )       |
| Retirement benefits plan activity                                     | 3,451               | 818               |
| Other comprehensive income (loss)                                     | 347,997             | ( 221,714 )       |
| Less: Other comprehensive income for noncontrolling interests         | 420                 | 361               |
| Other comprehensive income (loss) attributable to common shareholders | 347,577             | ( 222,075 )       |
| Total comprehensive income attributable to common shareholders        | <u>\$ 1,045,997</u> | <u>\$ 428,752</u> |

See accompanying notes to consolidated financial statements.

**PARKER-HANNIFIN CORPORATION**  
**CONSOLIDATED BALANCE SHEET**  
(Dollars in thousands)  
(Unaudited)

|  | September 30,<br>2024 | June 30,<br>2024 |
|--|-----------------------|------------------|
| <b>ASSETS</b>  |                       |                  |
| Current assets:  |                       |                  |
| Cash and cash equivalents  | \$ 371,068            | \$ 422,027       |
| Trade accounts receivable, net   | 2,712,656             | 2,865,546        |
| Non-trade and notes receivable   | 317,381               | 331,429          |
| Inventories  | 2,872,250             | 2,786,800        |
| Prepaid expenses   | 249,148               | 252,618          |
| Other current assets   | 511,198               | 140,204          |
| Total current assets   | 7,033,701             | 6,798,624        |
| Property, plant and equipment  | 7,111,027             | 7,074,574        |
| Less: Accumulated depreciation   | 4,271,485             | 4,198,906        |
| Property, plant and equipment, net   | 2,839,542             | 2,875,668        |
| Deferred income taxes  | 91,882                | 92,704           |
| Investments and other assets   | 1,263,190             | 1,207,232        |
| Intangible assets, net   | 7,747,233             | 7,816,181        |
| Goodwill   | 10,625,287            | 10,507,433       |
| Total assets   | \$ 29,600,835         | \$ 29,297,842    |
| <b>LIABILITIES</b>   |                       |                  |
| Current liabilities:   |                       |                  |
| Notes payable and long-term debt payable within one year   | \$ 3,515,613          | \$ 3,403,065     |
| Accounts payable, trade  | 1,953,477             | 1,991,639        |
| Accrued payrolls and other compensation  | 407,106               | 581,251          |
| Accrued domestic and foreign taxes   | 457,761               | 354,659          |
| Other accrued liabilities  | 1,004,073             | 982,695          |
| Total current liabilities  | 7,338,030             | 7,313,309        |
| Long-term debt   | 6,673,303             | 7,157,034        |
| Pensions and other postretirement benefits   | 427,702               | 437,490          |
| Deferred income taxes  | 1,544,503             | 1,583,923        |
| Other liabilities  | 715,948               | 725,193          |
| Total liabilities  | 16,699,486            | 17,216,949       |
| <b>EQUITY</b>  |                       |                  |
| Shareholders' equity:  |                       |                  |
| Serial preferred stock, \$ .50 par value; authorized 3,000,000 shares; none issued                                   | —                     | —                |
| Common stock, \$ .50 par value; authorized 600,000,000 shares; issued 181,046,128 shares at September 30 and June 30 | 90,523                | 90,523           |
| Additional paid-in capital   | 275,019               | 264,508          |
| Retained earnings  | 19,593,082            | 19,104,599       |
| Accumulated other comprehensive (loss)   | ( 1,090,435 )         | ( 1,438,012 )    |
| Treasury shares, at cost; 52,325,695 shares at September 30 and 52,442,162 shares at June 30                         | ( 5,976,289 )         | ( 5,949,646 )    |
| Total shareholders' equity   | 12,891,900            | 12,071,972       |
| Noncontrolling interests   | 9,449                 | 8,921            |
| Total equity   | 12,901,349            | 12,080,893       |
| Total liabilities and equity   | \$ 29,600,835         | \$ 29,297,842    |

See accompanying notes to consolidated financial statements.

**PARKER-HANNIFIN CORPORATION**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(Dollars in thousands)  
(Unaudited)

|  | Three Months Ended<br>September 30, |                   |
|--|-------------------------------------|-------------------|
|  | 2024                                | 2023              |
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>                                 |                                     |                   |
| Net income   | \$ 698,528                          | \$ 651,072        |
| Adjustments to reconcile net income to net cash provided by operating activities:  |                                     |                   |
| Depreciation   | 88,925                              | 84,867            |
| Amortization   | 140,121                             | 155,520           |
| Stock incentive plan compensation  | 75,842                              | 77,894            |
| Deferred income taxes  | ( 27,255 )                          | ( 56,027 )        |
| Foreign currency transaction loss (gain)   | 36,670                              | ( 2,011 )         |
| (Gain) loss on property, plant and equipment and intangible assets                 | ( 8,422 )                           | 1,333             |
| Gain on sale of businesses   | ( 313 )                             | ( 13,260 )        |
| Other, net   | 3,894                               | 5,542             |
| Changes in assets and liabilities, net of effect of acquisitions and divestitures: |                                     |                   |
| Accounts receivable, net   | 137,555                             | 63,947            |
| Inventories  | ( 135,649 )                         | ( 137,995 )       |
| Prepaid expenses   | 3,975                               | 5,501             |
| Other current assets   | ( 12,985 )                          | 11,414            |
| Other assets   | ( 51,009 )                          | ( 38,589 )        |
| Accounts payable, trade  | ( 42,336 )                          | 4,768             |
| Accrued payrolls and other compensation  | ( 172,048 )                         | ( 220,336 )       |
| Accrued domestic and foreign taxes   | 92,558                              | 136,916           |
| Other accrued liabilities  | ( 46,384 )                          | 51,443            |
| Pensions and other postretirement benefits   | ( 8,064 )                           | ( 53,086 )        |
| Other liabilities  | ( 29,628 )                          | ( 78,954 )        |
| Net cash provided by operating activities  | 743,975                             | 649,959           |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>                                 |                                     |                   |
| Capital expenditures   | ( 95,302 )                          | ( 97,746 )        |
| Proceeds from sale of property, plant and equipment                                | 13,271                              | 710               |
| Proceeds from sale of businesses   | 884                                 | 36,691            |
| Other, net   | ( 5,461 )                           | 4,351             |
| Net cash used in investing activities  | ( 86,608 )                          | ( 55,994 )        |
| <b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>                                 |                                     |                   |
| Proceeds from exercise of stock options  | 1,697                               | 1,182             |
| Payments for common shares   | ( 93,786 )                          | ( 79,330 )        |
| Acquisition of noncontrolling interests  | —                                   | ( 2,883 )         |
| Payments for notes payable, net  | ( 367,434 )                         | ( 169,785 )       |
| Payments for long-term borrowings  | ( 41,495 )                          | ( 176,626 )       |
| Dividends paid   | ( 209,937 )                         | ( 190,420 )       |
| Net cash used in financing activities  | ( 710,955 )                         | ( 617,862 )       |
| Effect of exchange rate changes on cash  | 2,629                               | ( 2,359 )         |
| Net decrease in cash and cash equivalents  | ( 50,959 )                          | ( 26,256 )        |
| Cash and cash equivalents at beginning of year                                     | 422,027                             | 475,182           |
| Cash and cash equivalents at end of period   | <u>\$ 371,068</u>                   | <u>\$ 448,926</u> |

See accompanying notes to consolidated financial statements.

**PARKER-HANNIFIN CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Dollars in thousands, except per share amounts or as otherwise noted)**

As used in this Quarterly Report on Form 10-Q, unless the context otherwise requires, the terms "Company", "Parker", "we" or "us" refer to Parker-Hannifin Corporation and its subsidiaries.

**1. Management representation**

In the opinion of the management of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the Company's financial position as of September 30, 2024, the results of operations for the three months ended September 30, 2024 and 2023 and cash flows for the three months then ended. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's 2024 Annual Report on Form 10-K.

*Subsequent Events*

The Company has evaluated subsequent events that occurred through the date these financial statements were issued. On November 1, 2024, Parker completed two divestitures. The composites and fuel containment ("CFC") business, which was acquired in the acquisition of Meggitt plc ("Meggitt"), was sold for proceeds of \$ 560 million. Refer to Note 4 for further discussion. Additionally, we divested a non-core filtration business within the North America businesses of the Diversified Industrial Segment for proceeds of \$ 66 million.

**2. New accounting pronouncements**

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures," which enhances the disclosure requirements for income taxes primarily related to the rate reconciliation and income taxes paid information. The amendments are effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendment should be applied on a prospective basis. Retrospective application is permitted. The Company is currently evaluating the impact this guidance will have on the Company's disclosures.

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," which updates reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The amendments in this ASU are effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. The amendments should be applied retrospectively to all prior periods presented in the financial statements. We plan to adopt the standard beginning with our fiscal 2025 Form 10-K. We expect this ASU to result in expanded disclosure of segment financial information with no impact on our financial position and results of operations.

In September 2022, the FASB issued ASU 2022-04, "Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations," which requires a buyer in a supplier finance program to disclose information about the program's nature, activity during the period, changes from period to period, and potential magnitude. To achieve that objective, the buyer should disclose qualitative and quantitative information about its supplier finance programs, including the outstanding amount under the program, the balance sheet presentation of the outstanding amount, and a rollforward of the obligations in the program. This ASU should be adopted retrospectively for each balance sheet period presented; however, the rollforward information should be provided prospectively. The Company adopted the guidance on July 1, 2023, except for the annual rollforward requirement, which was adopted on July 1, 2024, and will be presented in the Company's Annual Report on Form 10-K for fiscal 2025. The adoption did not have a material impact on the Company's condensed consolidated financial statements. Refer to Note 10 for further discussion.

### 3. Revenue recognition

Revenue is derived primarily from the sale of products in the aerospace and defense, in-plant and industrial equipment, transportation, off-highway, energy, and HVAC and refrigeration markets. A majority of the Company's revenues are recognized at a point in time. However, a portion of the Company's revenues are recognized over time.

Diversified Industrial Segment revenues by technology platform:

|                                     | Three Months Ended<br>September 30, |                     |
|-------------------------------------|-------------------------------------|---------------------|
|                                     | 2024                                | 2023                |
| Motion Systems                      | \$ 848,549                          | \$ 942,314          |
| Flow and Process Control            | 1,125,634                           | 1,181,461           |
| Filtration and Engineered Materials | 1,481,975                           | 1,494,753           |
| Total                               | <u>\$ 3,456,158</u>                 | <u>\$ 3,618,528</u> |

Aerospace Systems Segment revenues by market segment:

|  | Three Months Ended<br>September 30, |                     |
|--|-------------------------------------|---------------------|
|  | 2024                                | 2023                |
| Commercial original equipment manufacturer ("OEM") | \$ 433,235                          | \$ 418,616          |
| Commercial aftermarket                             | 520,829                             | 391,206             |
| Defense OEM  | 262,291                             | 263,065             |
| Defense aftermarket                                | 231,471                             | 156,073             |
| Total  | <u>\$ 1,447,826</u>                 | <u>\$ 1,228,960</u> |

Total Company revenues by geographic region based on the Company's selling operation's location:

|               | Three Months Ended<br>September 30, |                     |
|---------------|-------------------------------------|---------------------|
|               | 2024                                | 2023                |
| North America | \$ 3,333,660                        | \$ 3,293,091        |
| Europe        | 934,580                             | 941,715             |
| Asia Pacific  | 579,911                             | 554,405             |
| Latin America | 55,833                              | 58,277              |
| Total         | <u>\$ 4,903,984</u>                 | <u>\$ 4,847,488</u> |

The majority of revenues from the Aerospace Systems Segment are generated from sales within North America.

#### *Contract balances*

Contract assets and contract liabilities are reported on a contract-by-contract basis. Contract assets reflect revenue recognized and performance obligations satisfied in advance of customer billing. Contract liabilities relate to payments received in advance of the satisfaction of performance under the contract. Payments from customers are received based on the terms established in the contract with the customer.

Total contract assets and contract liabilities are as follows:

|  | September 30,<br>2024 | June 30,<br>2024 |
|--|-----------------------|------------------|
| Contract assets, current (included within Other current assets)            | \$ 150,052            | \$ 136,814       |
| Contract assets, noncurrent (included within Investments and other assets) | 19,353                | 21,063           |
| Total contract assets  | 169,405               | 157,877          |
| Contract liabilities, current (included within Other accrued liabilities)  | ( 179,333 )           | ( 183,868 )      |
| Contract liabilities, noncurrent (included within Other liabilities)       | ( 89,633 )            | ( 77,957 )       |
| Total contract liabilities   | ( 268,966 )           | ( 261,825 )      |
| Net contract liabilities   | \$ ( 99,561 )         | \$ ( 103,948 )   |

Net contract liabilities at September 30, 2024 decreased from the June 30, 2024 amount primarily due to timing differences between when revenue was recognized and the receipt of advance payments. During the three months ended September 30, 2024, approximately \$ 81 million of revenue was recognized that was included in the contract liabilities at June 30, 2024.

#### Remaining performance obligations

Our backlog represents written firm orders from a customer to deliver products and, in the case of blanket purchase orders, only includes the portion of the order for which a schedule or release has been agreed to with the customer. We believe our backlog represents our unsatisfied or partially unsatisfied performance obligations. Backlog at September 30, 2024 was \$ 11.0 billion, of which approximately 73 percent is expected to be recognized as revenue within the next 12 months and the balance thereafter.

#### 4. Divestitures

On July 28, 2024, the Company signed an agreement to divest its CFC business from within the North America businesses of the Diversified Industrial Segment. This divestiture closed on November 1, 2024. As of September 30, 2024, the aggregate carrying amount of the assets and liabilities held for sale was \$ 356 million and \$ 65 million, respectively.

Assets held for sale are recorded within other current assets in the Consolidated Balance Sheet. These assets primarily consist of \$ 85 million of inventory, \$ 76 million of property, plant and equipment, net, \$ 67 million of goodwill and \$ 65 million of trade accounts receivable, net.

Liabilities held for sale are recorded within other accrued liabilities in the Consolidated Balance Sheet. These liabilities primarily include \$ 21 million of account payable, trade, \$ 12 million of other accrued liabilities, \$ 11 million of deferred income taxes and \$ 11 million of other liabilities.

During September 2023, we divested the MicroStrain sensing systems business, which was part of the Diversified Industrial Segment, for proceeds of \$ 37 million. The resulting pre-tax gain of \$ 13 million is included in other income, net in the Consolidated Statement of Income. The operating results and net assets of the MicroStrain sensing systems business were immaterial to the Company's consolidated results of operations and financial position.

#### 5. Earnings per share

The following table presents a reconciliation of the numerator and denominator of basic and diluted earnings per share for the three months ended September 30, 2024 and 2023.

|  | Three Months Ended<br>September 30, |             |
|--|-------------------------------------|-------------|
|  | 2024                                | 2023        |
| <b>Numerator:</b>  |                                     |             |
| Net income attributable to common shareholders   | \$ 698,420                          | \$ 650,827  |
| <b>Denominator:</b>  |                                     |             |
| Basic - weighted average common shares   | 128,663,088                         | 128,472,550 |
| Increase in weighted average common shares from dilutive effect of equity-based awards | 2,017,154                           | 1,890,891   |
| Diluted - weighted average common shares, assuming exercise of equity-based awards     | 130,680,242                         | 130,363,441 |
| Basic earnings per share   | \$ 5.43                             | \$ 5.07     |
| Diluted earnings per share   | \$ 5.34                             | \$ 4.99     |



For the three months ended September 30, 2024 and 2023, 181,051 and 172,255 common shares subject to equity-based awards, respectively, were excluded from the computation of diluted earnings per share because the effect of their exercise would be anti-dilutive.

## 6. Share repurchase program

The Company has a program to repurchase its common shares. On October 22, 2014, the Board of Directors of the Company approved an increase in the overall number of shares authorized for repurchase under the program so that, beginning on such date, the aggregate number of shares authorized for repurchase was 35 million. There is no limitation on the number of shares that can be repurchased in a fiscal year. There is no expiration date for this program. Repurchases may be funded primarily from operating cash flows and commercial paper borrowings and the shares are initially held as treasury shares. During the three months ended September 30, 2024, we repurchased 88,821 shares at an average price, including commissions, of \$ 562.92 per share.

## 7. Trade accounts receivable, net

Trade accounts receivable are initially recorded at their net collectible amount and are generally recorded at the time the revenue from the sales transaction is recorded. We evaluate the collectibility of our receivables based on historical experience and current and forecasted economic conditions based on management's judgment. Additionally, receivables are written off to bad debt when management makes a final determination of uncollectibility. Allowance for credit losses was \$ 14 million and \$ 21 million at September 30, 2024 and June 30, 2024, respectively.

## 8. Non-trade and notes receivable

The non-trade and notes receivable caption in the Consolidated Balance Sheet is comprised of the following components:

|                            | September 30,<br>2024 | June 30,<br>2024  |
|----------------------------|-----------------------|-------------------|
| Notes receivable           | \$ 89,709             | \$ 93,114         |
| Accounts receivable, other | 227,672               | 238,315           |
| Total                      | <u>\$ 317,381</u>     | <u>\$ 331,429</u> |

## 9. Inventories

The inventories caption in the Consolidated Balance Sheet is comprised of the following components:

|                   | September 30,<br>2024 | June 30,<br>2024    |
|-------------------|-----------------------|---------------------|
| Finished products | \$ 796,446            | \$ 777,775          |
| Work in process   | 1,494,512             | 1,421,104           |
| Raw materials     | 581,292               | 587,921             |
| Total             | <u>\$ 2,872,250</u>   | <u>\$ 2,786,800</u> |

## 10. Supply chain financing

We have supply chain financing ("SCF") programs with financial intermediaries, which provide certain suppliers the option to be paid by the financial intermediaries earlier than the due date on the applicable invoice. We are not a party to the agreements between the participating financial intermediaries and the suppliers in connection with the programs. The range of payment terms we negotiate with our suppliers is consistent, irrespective of whether a supplier participates in the SCF programs. We do not reimburse suppliers for any costs they incur for participation in the SCF programs and their participation is voluntary.

Amounts due to our suppliers that elected to participate in the SCF programs are included in accounts payable, trade on the Consolidated Balance Sheet and payments made under the SCF programs are included within operating activities on the Consolidated Statement of Cash Flows. Accounts payable, trade included approximately \$ 125 million and \$ 116 million payable to suppliers who have elected to participate in the SCF programs as of September 30, 2024 and June 30, 2024, respectively. The amounts settled through the SCF programs and paid to the participating financial intermediaries totaled \$ 107 million and \$ 72 million during the first three months of fiscal 2025 and 2024, respectively.

## 11. Business realignment and acquisition integration charges

We incurred business realignment and acquisition integration charges in the first three months of fiscal 2025 and 2024, which included severance costs related to actions taken under the Company's simplification initiative aimed at reducing organizational and process complexity, as well as plant closures. In both fiscal 2025 and 2024, a majority of the business realignment charges were incurred in Europe. We believe the realignment actions will positively impact future results of operations, but will not have a material effect on liquidity and sources and uses of capital.

Business realignment charges by business segment are as follows:

|                        | Three Months Ended |           |
|------------------------|--------------------|-----------|
|                        | September 30,      |           |
|                        | 2024               | 2023      |
| Diversified Industrial | \$ 8,900           | \$ 12,639 |
| Aerospace Systems      | 8                  | 453       |
| Other expense, net     | 598                | —         |

Reductions to our workforce made in connection with such business realignment charges by business segment are as follows:

|                        | Three Months Ended |      |
|------------------------|--------------------|------|
|                        | September 30,      |      |
|                        | 2024               | 2023 |
| Diversified Industrial | 327                | 325  |
| Aerospace Systems      | —                  | 2    |

The business realignment charges are presented in the Consolidated Statement of Income as follows:

|  | Three Months Ended |          |
|--|--------------------|----------|
|  | September 30,      |          |
|  | 2024               | 2023     |
| Cost of sales                                | \$ 5,440           | \$ 6,984 |
| Selling, general and administrative expenses | 3,468              | 6,108    |
| Other income, net                            | 598                | —        |

During the first three months of fiscal 2025, approximately \$ 9 million in payments were made relating to business realignment charges. Remaining payments related to business realignment actions of approximately \$ 15 million, a majority of which are expected to be paid by March 31, 2025, are primarily reflected within the accrued payrolls and other compensation and other accrued liabilities captions in the Consolidated Balance Sheet. Additional charges may be recognized in future periods related to the business realignment actions described above, the timing and amount of which are not known at this time.

We also incurred the following acquisition integration charges:

|                        | Three Months Ended |          |
|------------------------|--------------------|----------|
|                        | September 30,      |          |
|                        | 2024               | 2023     |
| Diversified Industrial | \$ 778             | \$ 1,139 |
| Aerospace Systems      | 5,633              | 5,267    |

Charges incurred in fiscal 2025 and 2024 relate to the acquisition of Meggitt. In both fiscal 2025 and 2024, these charges were primarily included in selling, general and administrative expenses ("SG&A") within the Consolidated Statement of Income.

## 12. Equity

Changes in equity for the three months ended September 30, 2024 and 2023 are as follows:

|                                    | Common<br>Stock  | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>(Loss) | Treasury<br>Shares      | Noncontrolling<br>Interests | Total Equity         |
|------------------------------------|------------------|----------------------------------|----------------------|---|-------------------------|-----------------------------|----------------------|
| Balance at June 30, 2024           | \$ 90,523        | \$ 264,508                       | \$ 19,104,599        | \$ ( 1,438,012 )                                | \$ ( 5,949,646 )        | \$ 8,921                    | \$ 12,080,893        |
| Net income                         |                  |                                  | 698,420              |   |                         | 108                         | 698,528              |
| Other comprehensive income         |                  |                                  |                      | 347,577   |                         | 420                         | 347,997              |
| Dividends paid (\$ 1.63 per share) |                  |                                  | ( 209,937 )          |   |                         |                             | ( 209,937 )          |
| Stock incentive plan activity      |                  | 10,511                           |                      |   | 23,357                  |                             | 33,868               |
| Shares purchased at cost           |                  |                                  |                      |   | ( 50,000 )              |                             | ( 50,000 )           |
| Balance at September 30, 2024      | <u>\$ 90,523</u> | <u>\$ 275,019</u>                | <u>\$ 19,593,082</u> | <u>\$ ( 1,090,435 )</u>                         | <u>\$ ( 5,976,289 )</u> | <u>\$ 9,449</u>             | <u>\$ 12,901,349</u> |

|                                    | Common<br>Stock  | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>(Loss) | Treasury<br>Shares      | Noncontrolling<br>Interests | Total Equity         |
|------------------------------------|------------------|----------------------------------|----------------------|---|-------------------------|-----------------------------|----------------------|
| Balance at June 30, 2023           | \$ 90,523        | \$ 305,522                       | \$ 17,041,502        | \$ ( 1,292,872 )                                | \$ ( 5,817,787 )        | \$ 11,391                   | \$ 10,338,279        |
| Net income                         |                  |                                  | 650,827              |   |                         | 245                         | 651,072              |
| Other comprehensive (loss) income  |                  |                                  |                      | ( 222,075 )                                     |                         | 361                         | ( 221,714 )          |
| Dividends paid (\$ 1.48 per share) |                  |                                  | ( 190,420 )          |   |                         |                             | ( 190,420 )          |
| Stock incentive plan activity      |                  | 31,225                           |                      |   | 18,522                  |                             | 49,747               |
| Acquisition activity               |                  | 415                              |                      |   |                         | ( 2,429 )                   | ( 2,014 )            |
| Shares purchased at cost           |                  |                                  |                      |   | ( 50,000 )              |                             | ( 50,000 )           |
| Balance at September 30, 2023      | <u>\$ 90,523</u> | <u>\$ 337,162</u>                | <u>\$ 17,501,909</u> | <u>\$ ( 1,514,947 )</u>                         | <u>\$ ( 5,849,265 )</u> | <u>\$ 9,568</u>             | <u>\$ 10,574,950</u> |

Changes in accumulated other comprehensive (loss) in shareholders' equity by component for the three months ended September 30, 2024 and 2023 are as follows:

|  | Foreign Currency<br>Translation Adjustment | Retirement Benefit<br>Plans | Total                   |
|--|--|-----------------------------|-------------------------|
| Balance at June 30, 2024   | \$ ( 1,129,997 )                           | \$ ( 308,015 )              | \$ ( 1,438,012 )        |
| Other comprehensive income before reclassifications              | 344,126                                    | —                           | 344,126                 |
| Amounts reclassified from accumulated other comprehensive (loss) | —  | 3,451                       | 3,451                   |
| Balance at September 30, 2024                                    | <u>\$ ( 785,871 )</u>                      | <u>\$ ( 304,564 )</u>       | <u>\$ ( 1,090,435 )</u> |

|  | Foreign Currency<br>Translation Adjustment | Retirement Benefit<br>Plans | Total                   |
|--|--|-----------------------------|-------------------------|
| Balance at June 30, 2023   | \$ ( 962,044 )                             | \$ ( 330,828 )              | \$ ( 1,292,872 )        |
| Other comprehensive (loss) before reclassifications              | ( 222,893 )                                | —                           | ( 222,893 )             |
| Amounts reclassified from accumulated other comprehensive (loss) | —  | 818                         | 818                     |
| Balance at September 30, 2023                                    | <u>\$ ( 1,184,937 )</u>                    | <u>\$ ( 330,010 )</u>       | <u>\$ ( 1,514,947 )</u> |

Significant reclassifications out of accumulated other comprehensive (loss) in shareholders' equity for the three months ended September 30, 2024 and 2023 are as follows:

| Details about Accumulated Other Comprehensive (Loss) Components | Income (Expense)<br>Reclassified from<br>Accumulated Other<br>Comprehensive (Loss) | Consolidated Statement of Income<br>Classification |
|---|--|--|
|   | Three Months Ended   |  |
|   | September 30, 2024   |  |
| Retirement benefit plans  |  |  |
| Amortization of prior service cost and initial net obligation   | \$ ( 827 )   | Other income, net                                  |
| Recognized actuarial loss                                       | ( 3,804 )  | Other income, net                                  |
| Total before tax  | ( 4,631 )  |  |
| Tax benefit   | 1,180  |  |
| Net of tax  | <u>\$ ( 3,451 )</u>  |  |

| Details about Accumulated Other Comprehensive (Loss) Components | Income (Expense)<br>Reclassified from<br>Accumulated Other<br>Comprehensive (Loss) | Consolidated Statement of Income<br>Classification |
|---|--|--|
|   | Three Months Ended   |  |
|   | September 30, 2023   |  |
| Retirement benefit plans  |  |  |
| Amortization of prior service cost and initial net obligation   | \$ ( 302 )   | Other income, net                                  |
| Recognized actuarial loss                                       | ( 792 )  | Other income, net                                  |
| Total before tax  | ( 1,094 )  |  |
| Tax benefit   | 276  |  |
| Net of tax  | <u>\$ ( 818 )</u>  |  |

### 13. Goodwill and intangible assets

The changes in the carrying amount of goodwill for the three months ended September 30, 2024 are as follows:

|  | Diversified<br>Industrial<br>Segment | Aerospace<br>Systems<br>Segment | Total                |
|--|--------------------------------------|---------------------------------|----------------------|
| Balance at June 30, 2024               | \$ 7,607,429                         | \$ 2,900,004                    | \$ 10,507,433        |
| Goodwill reclassified to held for sale | ( 66,504 )                           | —                               | ( 66,504 )           |
| Foreign currency translation           | 147,908                              | 36,450                          | 184,358              |
| Balance at September 30, 2024          | <u>\$ 7,688,833</u>                  | <u>\$ 2,936,454</u>             | <u>\$ 10,625,287</u> |

Goodwill reclassified to held for sale relates to the CFC business. Refer to Note 4 for further discussion.

Intangible assets are amortized using the straight-line method over their legal or estimated useful lives. The following summarizes the gross carrying value and accumulated amortization for each major category of intangible assets:

|                                  | September 30, 2024       |                             | June 30, 2024            |                             |
|----------------------------------|--------------------------|-----------------------------|--------------------------|-----------------------------|
|                                  | Gross Carrying<br>Amount | Accumulated<br>Amortization | Gross Carrying<br>Amount | Accumulated<br>Amortization |
| Patents and technology           | \$ 2,119,691             | \$ 479,655                  | \$ 2,116,999             | \$ 451,908                  |
| Trade names                      | 1,036,737                | 459,978                     | 1,041,633                | 441,382                     |
| Customer relationships and other | 8,162,707                | 2,632,269                   | 8,044,208                | 2,493,369                   |
| Total                            | <u>\$ 11,319,135</u>     | <u>\$ 3,571,902</u>         | <u>\$ 11,202,840</u>     | <u>\$ 3,386,659</u>         |

Total intangible asset amortization expense for the three months ended September 30, 2024 and 2023 was \$ 140 million and \$ 156 million, respectively. The estimated amortization expense for the five years ending June 30, 2025 through 2029 is \$ 550 million, \$ 550 million, \$ 547 million, \$ 540 million and \$ 511 million, respectively.

Intangible assets are evaluated for impairment whenever events or circumstances indicate that the undiscounted net cash flows to be generated by their use over their expected useful lives and eventual disposition may be less than their net carrying value. No material intangible asset impairments occurred during the three months ended September 30, 2024 and 2023.

#### 14. Retirement benefits

Net pension (benefit) expense recognized included the following components:

|   | U.S. Pension Benefits |              | Non-U.S. Pension Benefits |            |
|---|-----------------------|--------------|---------------------------|------------|
|   | Three Months Ended    |              | Three Months Ended        |            |
|   | September 30,         |              | September 30,             |            |
|   | 2024                  | 2023         | 2024                      | 2023       |
| Service cost                              | \$ 6,973              | \$ 7,904     | \$ 5,641                  | \$ 5,623   |
| Interest cost                             | 46,013                | 47,026       | 19,202                    | 19,855     |
| Expected return on plan assets            | ( 61,243 )            | ( 64,382 )   | ( 21,929 )                | ( 23,866 ) |
| Amortization of prior service cost        | 763                   | 211          | 64                        | 91         |
| Amortization of net actuarial loss (gain) | 2,577                 | ( 404 )      | 1,672                     | 1,586      |
| Net pension (benefit) expense             | \$ ( 4,917 )          | \$ ( 9,645 ) | \$ 4,650                  | \$ 3,289   |

We recognized \$ 0.5 million and \$ 0.6 million in expense related to other postretirement benefits during the three months ended September 30, 2024 and 2023, respectively. Components of retirement benefits expense, other than service cost, are included in other income, net in the Consolidated Statement of Income.

#### 15. Debt

Our debt portfolio includes a term loan facility (the "Term Loan Facility"). Interest rates reset every one, three or six months at the discretion of the Company. At September 30, 2024, the Term Loan Facility had an interest rate of Secured Overnight Financing Rate plus 122.5 bps. Additionally, the provisions of the Term Loan Facility allow for prepayments at the Company's discretion. During the three months ended September 30, 2024, we made principal payments totaling \$ 40 million related to the Term Loan Facility. Refer to the Company's 2024 Annual Report on Form 10-K for further discussion.

Commercial paper notes outstanding at September 30, 2024 and June 30, 2024 were \$ 1.8 billion and \$ 2.1 billion, respectively.

Based on the Company's rating level at September 30, 2024, the most restrictive financial covenant provides that the ratio of debt to debt-shareholders' equity cannot exceed 0.65 to 1.0. At September 30, 2024, our debt to debt-shareholders' equity ratio was 0.44 to 1.0. We are in compliance, and expect to remain in compliance, with all covenants set forth in the credit agreement and indentures governing certain debt securities.

#### 16. Income taxes

In December 2021, the Organization for Economic Cooperation and Development (OECD) published a framework, known as Pillar Two, defining a global minimum tax of 15 percent on large corporations. The OECD has since issued administrative guidance providing transition and safe harbor rules around the implementation of the Pillar Two global minimum tax. Several countries have proposed or enacted legislation to implement core elements of the Pillar Two proposal effective for years beginning after December 31, 2023, which for us is fiscal year 2025. Pillar Two does not currently have a significant impact on our consolidated financial statements. Future legislation and guidance may result in a change to our assessment.

Unrecognized tax benefits reflect the difference between positions taken or expected to be taken on income tax returns and the amounts reflected in the financial statements. As of September 30, 2024, we had gross unrecognized tax benefits of \$ 99 million, all of which, if recognized, would impact the effective tax rate. The accrued interest and accrued penalties related to the gross unrecognized tax benefits, excluded from the amount above, is \$ 26 million and \$ 2 million, respectively. It is reasonably possible that within the next 12 months the amount of gross unrecognized tax benefits could be reduced by up to approximately \$ 40 million as a result of the revaluation of existing uncertain tax positions arising from developments in the examination process or the closure of tax statutes. Any increase in the amount of gross unrecognized tax benefits within the next 12 months is expected to be insignificant.

We file income tax returns in the United States and in various foreign jurisdictions. In the normal course of business, we are subject to examination by taxing authorities throughout the world. We are open to assessment on our U.S. federal income tax returns by the Internal Revenue Service for fiscal years after 2013, and our state and local returns for fiscal years after 2016. We are also open to assessment for significant foreign jurisdictions for fiscal years after 2011.

## 17. Financial instruments

Our financial instruments consist primarily of cash and cash equivalents, accounts receivable and long-term investments, as well as obligations under accounts payable, trade, notes payable and long-term debt. Due to their short-term nature, the carrying values for cash and cash equivalents, accounts receivable, accounts payable, trade and notes payable approximate fair value.

The carrying value of long-term debt, which excludes the impact of net unamortized debt issuance costs, and estimated fair value of long-term debt are as follows:

|  | September 30,<br>2024 | June 30,<br>2024 |
|--|-----------------------|------------------|
| Carrying value of long-term debt       | \$ 8,463,238          | \$ 8,469,739     |
| Estimated fair value of long-term debt | 8,205,622             | 7,884,556        |

The fair value of long-term debt is classified within level 2 of the fair value hierarchy.

We utilize derivative and non-derivative financial instruments, including forward exchange contracts, cross-currency swap contracts and certain foreign currency denominated debt designated as net investment hedges, to manage foreign currency transaction and translation risk. The derivative financial instrument contracts are with major investment grade financial institutions, and we do not anticipate any material non-performance by any of the counterparties. We do not hold or issue derivative financial instruments for trading purposes.

The Company's € 700 million aggregate principal amount of Senior Notes due 2025 have been designated as a hedge of the Company's net investment in certain foreign subsidiaries. The effect of translating the Senior Notes due 2025 into U.S. dollars is recorded in accumulated other comprehensive (loss) and remains there until the underlying net investment is sold or substantially liquidated.

Derivative financial instruments are recognized on the Consolidated Balance Sheet as either assets or liabilities and are measured at fair value.

The location and fair value of derivative financial instruments reported in the Consolidated Balance Sheet are as follows:

| Balance Sheet Caption                                      | September 30,<br>2024 | June 30,<br>2024 |
|--|-----------------------|------------------|
| <b>Net investment hedges</b>                               |                       |                  |
| Cross-currency swap contracts Investments and other assets | \$ 7,049              | \$ 16,325        |
| Cross-currency swap contracts Other liabilities            | 2,089                 | 208              |
| <b>Other derivative contracts</b>                          |                       |                  |
| Forward exchange contracts Non-trade and notes receivable  | 66                    | 7,625            |
| Forward exchange contracts Other accrued liabilities       | 6,065                 | 72               |

The cross-currency swap and forward exchange contracts are reflected on a gross basis in the Consolidated Balance Sheet. We have not entered into any master netting arrangements.

The € 69 million, € 290 million and ¥ 2.1 billion of cross-currency swap contracts have been designated as hedging instruments. The forward exchange contracts have not been designated as hedging instruments and are considered to be economic hedges of forecasted transactions.

The forward exchange contracts are adjusted to fair value by recording gains and losses in other income, net in the Consolidated Statement of Income.

Derivatives designated as hedges are adjusted to fair value by recording gains and losses through accumulated other comprehensive (loss) on the Consolidated Balance Sheet until the hedged item is recognized in earnings. We assess the effectiveness of the € 69 million, € 290 million and ¥ 2.1 billion of cross-currency swap contracts designated as hedging instruments using the spot method. Under this method, the periodic interest settlements are recognized directly in earnings through interest expense.

Gains (losses) on derivative financial instruments that were recorded in the Consolidated Statement of Income are as follows:

|                            | Three Months Ended |        |
|----------------------------|--------------------|--------|
|                            | September 30,      |        |
|                            | 2024               | 2023   |
| Forward exchange contracts | \$ ( 12,890 )      | \$ 436 |

Gains (losses) on derivative and non-derivative financial instruments that were recorded in accumulated other comprehensive (loss) on the Consolidated Balance Sheet are as follows:

|                                   | Three Months Ended |          |
|-----------------------------------|--------------------|----------|
|                                   | September 30,      |          |
|                                   | 2024               | 2023     |
| Cross-currency swap contracts     | \$ ( 9,761 )       | \$ 2,583 |
| Foreign currency denominated debt | ( 22,303 )         | 17,879   |

During the three months ended September 30, 2024 and 2023, the periodic interest settlements related to the cross-currency swap contracts were not material.

A summary of financial assets and liabilities that were measured at fair value on a recurring basis at September 30, 2024 and June 30, 2024 are as follows:

|                     | Fair Value at September 30, 2024 | Quoted Prices In Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---------------------|----------------------------------|---|---|---|
| <b>Assets:</b>      |                                  |   |   |   |
| Derivatives         | \$ 7,115                         | \$ —                                      | \$ 7,115                                      | \$ —                                      |
| <b>Liabilities:</b> |                                  |   |   |   |
| Derivatives         | 8,154                            | —   | 8,154   | —   |

  

|                     | Fair Value at June 30, 2024 | Quoted Prices In Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---------------------|-----------------------------|---|---|---|
| <b>Assets:</b>      |                             |   |   |   |
| Derivatives         | \$ 23,950                   | \$ —                                      | \$ 23,950                                     | \$ —                                      |
| <b>Liabilities:</b> |                             |   |   |   |
| Derivatives         | 280                         | —   | 280   | —   |

Derivatives consist of forward exchange and cross-currency swap contracts, the fair values of which are calculated using market observable inputs including both spot and forward prices for the same underlying currencies. The calculation of the fair value of the cross-currency swap contracts also utilizes a present value cash flow model.

The primary investment objective for all derivatives is to manage foreign currency transaction and translation risk.

There are no other financial assets or financial liabilities that are marked to market on a recurring basis.

## 18. Business segment information

The Company operates in two reportable business segments: Diversified Industrial and Aerospace Systems. Both segments utilize eight core technologies, including hydraulics, pneumatics, electromechanical, filtration, fluid and gas handling, process control, engineered materials and climate control, to drive superior customer problem solving and value creation.

Diversified Industrial - This segment is an aggregation of several business units that design, manufacture, and provide aftermarket support for highly engineered solutions that create value for customers primarily in aerospace and defense, in-plant and industrial equipment, transportation, off-highway, energy, and HVAC and refrigeration markets around the world. Diversified Industrial Segment products are marketed direct to OEMs and independent distributors through field sales employees.

Aerospace Systems - This segment designs, manufactures, and provides aftermarket support for highly engineered airframe and engine solutions for both OEMs and end users. Our components and systems are utilized across commercial transport, defense fixed wing, business jets, regional transport, helicopter and energy applications. Aerospace Systems Segment products are marketed by field sales employees and are sold directly to manufacturers and end users.

|   | Three Months Ended |              |
|---|--------------------|--------------|
|   | September 30,      |              |
|   | 2024               | 2023         |
| Net sales   |                    |              |
| Diversified Industrial                                | \$ 3,456,158       | \$ 3,618,528 |
| Aerospace Systems                                     | 1,447,826          | 1,228,960    |
| Total net sales                                       | \$ 4,903,984       | \$ 4,847,488 |
| Segment operating income                              |                    |              |
| Diversified Industrial                                | \$ 783,546         | \$ 806,754   |
| Aerospace Systems                                     | 322,986            | 226,260      |
| Total segment operating income                        | 1,106,532          | 1,033,014    |
| Corporate general and administrative expenses         | 48,794             | 55,656       |
| Income before interest expense and other expense, net | 1,057,738          | 977,358      |
| Interest expense                                      | 113,091            | 134,468      |
| Other expense, net                                    | 69,461             | 22,455       |
| Income before income taxes                            | \$ 875,186         | \$ 820,435   |

#### 19. Other income, net

The table below includes the components of other income, net in the Consolidated Statement of Income:

|   | Three Months Ended |               |
|---|--------------------|---------------|
|   | September 30,      |               |
|   | 2024               | 2023          |
| Expense (income)                                  |                    |               |
| Foreign currency transaction (gain) loss          | \$ 36,670          | \$ ( 2,011 )  |
| Income related to equity method investments       | ( 38,117 )         | ( 38,111 )    |
| Non-service components of retirement benefit cost | ( 12,212 )         | ( 18,486 )    |
| Gain on disposal of assets and divestitures       | ( 8,735 )          | ( 11,926 )    |
| Interest income                                   | ( 2,817 )          | ( 3,660 )     |
| Other items, net                                  | ( 5,590 )          | ( 4,261 )     |
|   | \$ ( 30,801 )      | \$ ( 78,455 ) |

Equity method investments consist of investments in joint-venture companies in which ownership is 50 percent or less and in which the Company does not have operating control. During the three months ended September 30, 2024 and 2023, we received cash dividends from equity method investments of \$ 32 million and \$ 40 million, respectively. Sales to and services performed for equity method investments totaled \$ 20 million and \$ 16 million during the three months ended September 30, 2024 and 2023, respectively.

For further discussion of gain on disposal of assets and divestitures and non-service components of retirement benefit cost refer to Notes 4 and 14, respectively.



**PARKER-HANNIFIN CORPORATION**  
**FORM 10-Q**  
**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF**  
**FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2024**  
**AND COMPARABLE PERIOD ENDED SEPTEMBER 30, 2023**

**OVERVIEW**

The Company is a global leader in motion and control technologies. Leveraging a unique combination of interconnected technologies, we design, manufacture, and provide aftermarket support for highly engineered solutions that create value for customers primarily in aerospace and defense, in-plant and industrial equipment, transportation, off-highway, energy, and HVAC and refrigeration markets around the world.

By aligning around our purpose, Enabling Engineering Breakthroughs that Lead to a Better Tomorrow, Parker is better positioned for the challenges and opportunities of tomorrow.

The Win Strategy 3.0 is Parker's business system that defines the goals and initiatives that create responsible, sustainable growth and enable Parker's long-term success. It works with our purpose, which is a foundational element of The Win Strategy, to engage team members and create responsible and sustainable growth. Our shared values shape our culture and our interactions with stakeholders and the communities in which we operate and live.

We believe many opportunities for profitable growth are available. The Company intends to focus primarily on business opportunities in the areas of aerospace and defense, in-plant and industrial equipment, transportation, off-highway, energy, and HVAC and refrigeration. We believe we can meet our strategic objectives by:

- serving the customer and continuously enhancing its experience with the Company;
- successfully executing The Win Strategy initiatives relating to engaged people, premier customer experience, profitable growth and financial performance;
- maintaining a decentralized division and sales company structure;
- fostering a safety-first and entrepreneurial culture;
- engineering innovative systems and products to provide superior customer value through improved service, efficiency and productivity;
- delivering products, systems and services that have demonstrable savings to customers and are priced by the value they deliver;
- enabling a sustainable future by providing innovative technology solutions that offer a positive global environmental impact and operating responsibly by reducing our energy use and emissions;
- acquiring strategic businesses;
- organizing around targeted regions, technologies and markets;
- driving efficiency by implementing lean enterprise principles; and
- creating a culture of empowerment through our values, inclusion and diversity, accountability and teamwork.

Our order rates provide a near-term perspective of the Company's outlook particularly when viewed in the context of prior and future order rates. The Company publishes its order rates on a quarterly basis. The lead time between the time an order is received and revenue is realized generally ranges from one day to 12 weeks for mobile and industrial orders and from one day to 18 months for aerospace orders.

We manage our supply chain through our "local for local" manufacturing strategy, ongoing supplier management process, and broadened supply base. We are monitoring inflation and manage its impact through a variety of cost and pricing measures, including continuous improvement and lean initiatives. Additionally, we strategically manage our workforce and discretionary spending. At the same time, we are appropriately addressing the ongoing needs of our business so that we continue to serve our customers.

Over the long term, the extent to which our business and results of operations will be impacted by economic and political uncertainty, geopolitical risks and public health crises depends on future developments that remain uncertain. We will continue to monitor the global environment and manage our business with the goal to minimize unfavorable impacts on operations and financial results.

The discussion below is structured to separately discuss the Consolidated Statement of Income, Business Segments, and Liquidity and Capital Resources. As used in this Quarterly Report on Form 10-Q, unless the context otherwise requires, the terms "Company", "Parker", "we" or "us" refer to Parker-Hannifin Corporation and its subsidiaries. Dollars are presented in millions (except per share amounts or as otherwise noted) and computed based on the amounts in thousands; therefore, totals may not sum due to rounding.

## CONSOLIDATED STATEMENT OF INCOME

| (dollars in millions)   | Three Months Ended |          |
|---|--------------------|----------|
|   | September 30,      |          |
|   | 2024               | 2023     |
| Net sales   | \$ 4,904           | \$ 4,847 |
| Gross profit margin   | 36.8 %             | 36.1 %   |
| Selling, general and administrative expenses                        | \$ 849             | \$ 874   |
| Selling, general and administrative expenses, as a percent of sales | 17.3 %             | 18.0 %   |
| Interest expense  | \$ 113             | \$ 134   |
| Other income, net   | \$ (31)            | \$ (78)  |
| Effective tax rate  | 20.2 %             | 20.6 %   |
| Net income  | \$ 699             | \$ 651   |
| Net income, as a percent of sales                                   | 14.2 %             | 13.4 %   |

**Net sales** increased in the current-year quarter due to higher sales in the Aerospace Systems Segment, partially offset by lower sales in the Diversified Industrial Segment. The effect of currency exchange rate changes decreased net sales during the current-year quarter by approximately \$3 million. The change was driven by a decrease of approximately \$9 million in the Diversified Industrial Segment, partially offset by an increase of approximately \$7 million within the Aerospace Systems Segment. The impact of divestiture activity decreased net sales by approximately \$7 million during the current-year quarter.

**Gross profit margin** (calculated as net sales minus cost of sales, divided by net sales) increased in the current-year quarter due to higher margins in both segments primarily resulting from price increases and favorable product mix, partially offset by decreased volume.

Cost of sales also included business realignment and acquisition integration charges of \$6 million and \$8 million for the current and prior-year quarter, respectively.

**Selling, general and administrative expenses** ("SG&A") decreased in the current-year quarter primarily due to lower intangible asset amortization, stock-based compensation expense and research and development expense.

SG&A also included business realignment and acquisition integration charges of \$10 million and \$11 million for the current and prior-year quarter, respectively.

**Interest expense** decreased during the current-year quarter primarily due to lower average debt outstanding.

**Other income, net** included the following:

| (dollars in millions)                             | Three Months Ended |                |
|---|--------------------|----------------|
|   | September 30,      |                |
|   | 2024               | 2023           |
| Expense (income)                                  |                    |                |
| Foreign currency transaction (gain) loss          | \$ 37              | \$ (2)         |
| Income related to equity method investments       | (38)               | (38)           |
| Non-service components of retirement benefit cost | (12)               | (18)           |
| Gain on disposal of assets and divestitures       | (9)                | (12)           |
| Interest income                                   | (3)                | (4)            |
| Other items, net                                  | (6)                | (4)            |
|   | <u>\$ (31)</u>     | <u>\$ (78)</u> |

Foreign currency transaction (gain) loss primarily relates to the impact of exchange rates on cash, forward contracts and intercompany transactions.

**Effective tax rate** for the current-year quarter was lower than the U.S. Federal statutory rate of 21 percent due to tax benefits from share-based compensation and foreign-derived intangible income, which were partially offset by U.S. state and local taxes and taxes on international activities.

The effective tax rate for the comparable prior-year period was lower than the U.S. Federal statutory rate of 21 percent due to tax benefits from share-based compensation and foreign-derived intangible income, which were partially offset by taxes on international activities.

The fiscal 2025 effective tax rate is expected to be approximately 22.5 percent.

#### BUSINESS SEGMENT INFORMATION

The Business Segment information presents sales and operating income on a basis that is consistent with the manner in which the Company's various businesses are managed for internal review and decision-making.

##### Diversified Industrial Segment

| (dollars in millions)          | Three Months Ended |          |
|--------------------------------|--------------------|----------|
|                                | September 30,      |          |
|                                | 2024               | 2023     |
| Net sales                      |                    |          |
| North America businesses       | \$ 2,100           | \$ 2,230 |
| International businesses       | 1,356              | 1,389    |
| Diversified Industrial Segment | 3,456              | 3,619    |
| Operating income               |                    |          |
| North America businesses       | 485                | 506      |
| International businesses       | 299                | 301      |
| Diversified Industrial Segment | \$ 784             | \$ 807   |
| Operating margin               |                    |          |
| North America businesses       | 23.1 %             | 22.7 %   |
| International businesses       | 22.1 %             | 21.7 %   |
| Diversified Industrial Segment | 22.7 %             | 22.3 %   |
| Backlog                        | \$ 4,197           | \$ 4,538 |

The Diversified Industrial Segment operations experienced the following percentage changes in net sales in the current-year period versus the comparable prior-year period:

|   | Period Ending September<br>30, 2024 |
|---|-------------------------------------|
|   | Three Months                        |
| North America businesses – as reported  | (5.8) %                             |
| Divestitures  | (0.3) %                             |
| Currency  | (0.5) %                             |
| North America businesses – without divestitures and currency <sup>1</sup>       | (5.0) %                             |
| International businesses– as reported   | (2.4) %                             |
| Currency  | — %                                 |
| International businesses – without currency <sup>1</sup>                        | (2.4) %                             |
| Diversified Industrial Segment – as reported                                    | (4.5) %                             |
| Divestitures  | (0.2) %                             |
| Currency  | (0.3) %                             |
| Diversified Industrial Segment – without divestitures and currency <sup>1</sup> | (4.0) %                             |

<sup>1</sup>This table reconciles the percentage changes in net sales of the Diversified Industrial Segment reported in accordance with accounting principles generally accepted in the United States of America ("GAAP") to percentage changes in net sales adjusted to remove the effects of divestitures for 12 months after their completion as well as changes in currency exchange rates (a non-GAAP measure). The effects of divestitures and changes in currency exchange rates are removed to allow investors and the Company to meaningfully evaluate the percentage changes in net sales on a comparable basis from period to period.

#### **Net Sales**

Diversified Industrial Segment sales in the current-year quarter decreased \$162 million from the prior-year quarter. The effect of changes in currency exchange rates decreased sales by approximately \$9 million. The impact of divestiture activity decreased sales by approximately \$7 million. Excluding the effects of the changes in currency exchange rates and divestiture activity, sales decreased \$146 million from prior-year levels.

*North America businesses* - Sales decreased \$130 million during the current-year quarter. The effect of changes in currency exchange rates decreased sales by approximately \$10 million in the current-year quarter. The effects of divestiture activity decreased sales by approximately \$7 million in the current-year quarter. Excluding the effects of changes in currency exchange rates and divestiture activity, sales in the North America businesses decreased \$112 million in the current-year quarter primarily due to lower demand from end users in the energy, in-plant and industrial equipment, off-highway and transportation markets, partially offset by an increase in end-user demand in the aerospace and defense and HVAC and refrigeration markets.

*International businesses* - Sales decreased \$33 million from the prior-year quarter. The effect of changes in currency exchange rates increased sales by approximately \$1 million in the current-year quarter. Excluding the effects of changes in currency exchange rates, sales in the International businesses decreased \$34 million in the current-year quarter. In the current-year quarter, the decrease in sales was due to lower sales in Europe, partially offset by an increase in sales in the Asia Pacific region and Latin America.

Within Europe, sales in the current-year quarter decreased primarily due to lower demand from end users across the in-plant and industrial equipment, off-highway, and transportation markets.

Within the Asia Pacific region, sales in the current-year quarter increased primarily due to higher end-user demand in the electronics and semiconductor, in-plant and industrial equipment and transportation markets.

Within Latin America, sales in the current-year quarter increased primarily due to higher end-user demand in the in-plant and industrial equipment, off-highway and transportation markets, partially offset by lower demand from end users in the energy market.

### Operating Margin

Diversified Industrial Segment operating margin increased in both the North America and International businesses due to price increases, favorable product mix and benefits from prior-year business realignment activities as well as cost containment initiatives, partially offset by a decrease in volume.

### Business Realignment

The following business realignment and acquisition integration charges are included in the Diversified Industrial Segment operating income:

| (dollars in millions)          | Three Months Ended |       |
|--------------------------------|--------------------|-------|
|                                | September 30,      |       |
|                                | 2024               | 2023  |
| North America businesses       | \$ 4               | \$ 4  |
| International businesses       | 6                  | 10    |
| Diversified Industrial Segment | \$ 10              | \$ 14 |

The business realignment charges primarily consist of severance costs related to actions taken under the Company's simplification initiative aimed at reducing organizational and process complexity, as well as plant closures. Acquisition integration charges relate to the acquisition of Meggitt plc ("Meggitt"). Business realignment and acquisition integration charges within the International businesses were primarily incurred in Europe.

We anticipate that cost savings realized from the workforce reduction measures taken in the first three months of fiscal 2025 will not materially impact operating income in fiscal 2025 and 2026. We expect to continue to take actions necessary to integrate acquisitions and appropriately structure the operations of the Diversified Industrial Segment. We currently anticipate incurring approximately \$41 million of additional business realignment and acquisition integration charges in the remainder of fiscal 2025. However, continually changing business conditions could impact the ultimate costs we incur.

### Backlog

Diversified Industrial Segment backlog, as of September 30, 2024, decreased from the prior-year quarter due to shipments exceeding orders in both the North America and International businesses. The decrease in backlog was split evenly between the North America and International businesses. Within the International businesses, Europe and the Asia Pacific region accounted for approximately 90 percent and 10 percent, respectively, of the decrease from the prior-year quarter.

Diversified Industrial Segment backlog increased from the June 30, 2024 amount of \$4.2 billion due to orders exceeding shipments in the International businesses, partially offset by shipments exceeding orders in the North America businesses. Within the International businesses, the increase in backlog from the June 30, 2024 amount was primarily attributable to both the Asia Pacific region and Latin America, partially offset by a decrease in backlog in Europe.

Backlog consists of written firm orders from a customer to deliver products and, in the case of blanket purchase orders, only includes the portion of the order for which a schedule or release date has been agreed to with the customer. The dollar value of backlog is equal to the amount that is expected to be billed to the customer and reported as a sale.

### Aerospace Systems Segment

| (dollars in millions) | Three Months Ended |          |
|-----------------------|--------------------|----------|
|                       | September 30,      |          |
|                       | 2024               | 2023     |
| Net sales             | \$ 1,448           | \$ 1,229 |
| Operating income      | \$ 323             | \$ 226   |
| Operating margin      | 22.3 %             | 18.4 %   |
| Backlog               | \$ 6,852           | \$ 6,270 |

### **Net Sales**

Aerospace Systems Segment sales increased \$219 million in the current-year quarter. The effect of currency exchange rates increased sales by approximately \$7 million. Excluding the effects of changes in currency exchange rates, sales during the current-year quarter increased \$212 million from prior-year levels. The increase in sales is primarily due to higher volume in the commercial and defense aftermarket, as well as the commercial original equipment manufacturer ("OEM") market segment.

### **Operating Margin**

Aerospace Systems Segment operating margin increased during the current-year quarter due to higher sales volume and favorable aftermarket mix, as well as benefits of cost containment initiatives and prior-year business realignment and acquisition integration activities, partially offset by higher material costs.

### **Business Realignment**

Within the Aerospace Systems Segment, we incurred acquisition integration and business realignment charges of \$6 million in both the current and prior-year quarter, respectively. We do not expect to incur material business realignment and acquisition integration charges in the remainder of fiscal 2025. However, continually changing business conditions could impact the ultimate costs we incur.

### **Backlog**

Aerospace Systems Segment backlog, as of September 30, 2024, increased from the prior-year quarter due to orders exceeding shipments in all market segments, especially the commercial and defense OEM market segments.

The increase in backlog from the June 30, 2024 amount of \$6.7 billion was due to orders exceeding shipments in the commercial and defense OEM market segments, partially offset by shipments exceeding orders within the commercial and defense aftermarket market segments.

Backlog consists of written firm orders from a customer to deliver products and, in the case of blanket purchase orders, only includes the portion of the order for which a schedule or release date has been agreed to with the customer. The dollar value of backlog is equal to the amount that is expected to be billed to the customer and reported as a sale.

### **Corporate general & administrative expenses**

| (dollars in millions)   | Three Months Ended |       |
|---|--------------------|-------|
|   | September 30,      |       |
|   | 2024               | 2023  |
| Expense   |                    |       |
| Corporate general and administrative expense                        | \$ 49              | \$ 56 |
| Corporate general and administrative expense, as a percent of sales | 1.0 %              | 1.1 % |

Corporate general and administrative expenses decreased in the current-year quarter primarily due to lower net expense associated with the Company's deferred compensation plan and related investments, partially offset by an increase in professional service fees and salaries and benefits.

**Other expense, net**

| (dollars in millions)                             | Three Months Ended |              |
|---|--------------------|--------------|
|   | September 30,      |              |
|   | 2024               | 2023         |
| Expense (income)                                  |                    |              |
| Foreign currency transaction (gain) loss          | \$ 37              | \$ (2)       |
| Stock-based compensation                          | 58                 | 62           |
| Non-service components of retirement benefit cost | (12)               | (18)         |
| Gain on disposal of assets and divestitures       | (9)                | (12)         |
| Interest income                                   | (3)                | (4)          |
| Other items, net                                  | (2)                | (4)          |
|   | <u>\$ 69</u>       | <u>\$ 22</u> |

Foreign currency transaction (gain) loss primarily relates to the impact of exchange rates on cash, forward contracts and intercompany transactions.

**LIQUIDITY AND CAPITAL RESOURCES**

We believe that we are great generators and deployers of cash. We assess our liquidity in terms of our ability to generate cash to fund our operations and meet our strategic capital deployment objectives, which include the following:

- Continuing our record annual dividend increases
- Investing in organic growth and productivity
- Strategic acquisitions that strengthen our portfolio
- Offset share dilution through 10b5-1 share repurchase program

**Cash Flows**

A summary of cash flows follows:

| (dollars in millions)                     | Three Months Ended |                |
|---|--------------------|----------------|
|   | September 30,      |                |
|   | 2024               | 2023           |
| Cash provided by (used in):               |                    |                |
| Operating activities                      | \$ 744             | \$ 650         |
| Investing activities                      | (87)               | (56)           |
| Financing activities                      | (711)              | (618)          |
| Effect of exchange rates                  | 3                  | (2)            |
| Net decrease in cash and cash equivalents | <u>\$ (51)</u>     | <u>\$ (26)</u> |

**Cash flows from operating activities** for the first three months of fiscal 2025 were \$744 million compared to \$650 million for the first three months of fiscal 2024. This increase of \$94 million was primarily related to an increase in earnings combined with strong management of working capital items. We continue to focus on managing inventory and other working capital requirements.

- Days sales outstanding relating to trade accounts receivable was 52 days at September 30, 2024, 51 days at June 30, 2024 and 52 days at September 30, 2023.
- Days supply of inventory on hand was 91 days at September 30, 2024, 80 days at June 30, 2024 and 96 days at September 30, 2023.

**Cash flows from investing activities** for the first three months of fiscal 2025 and 2024 were impacted by the following factors:

- Capital expenditures of \$95 million in fiscal 2025 compared to \$98 million in fiscal 2024.
- Net proceeds from the sale of the MicroStrain sensing systems business of approximately \$37 million in fiscal 2024.

**Cash flows from financing activities** for the first three months of fiscal 2025 and 2024 were impacted by the following factors:

- Net commercial paper repayments of \$377 million in fiscal 2025 compared to net commercial paper repayments of \$170 million in fiscal 2024.
- Principal payments totaling \$40 million related to borrowings under the term loan facility ("Term Loan Facility") in fiscal 2025 compared to principal payments totaling \$175 million related to the Term Loan Facility in fiscal 2024.

#### **Cash Requirements**

We are actively monitoring our liquidity position and remain focused on managing our inventory and other working capital requirements. We are continuing to target two percent of sales for capital expenditures and are prioritizing those related to safety, strategic investments and sustainability initiatives. We believe that cash generated from operations and our commercial paper program will satisfy our operating needs for the foreseeable future.

#### **Dividends**

We declared a quarterly cash dividend of \$1.63 per share on August 15, 2024, which was paid on September 13, 2024. Dividends have been paid for 297 consecutive quarters, including a yearly increase in dividends for the last 68 years. Additionally, we declared a quarterly cash dividend of \$1.63 per share on October 23, 2024, payable on December 6, 2024.

#### **Share Repurchases**

The Company has a program to repurchase its common shares. On October 22, 2014, the Board of Directors of the Company approved an increase in the overall number of shares authorized to repurchase under the program so that, beginning on such date, the aggregate number of shares authorized for repurchase was 35 million. There is no limitation on the number of shares that can be repurchased in a year. Repurchases may be funded primarily from operating cash flows and commercial paper borrowings and the shares are initially held as treasury shares. Refer to Note 6 to the Consolidated Financial Statements for further discussion of share repurchases.

#### **Liquidity**

Cash, comprised of cash and cash equivalents and marketable securities and other investments, includes \$327 million and \$311 million held by the Company's foreign subsidiaries at September 30, 2024 and June 30, 2024, respectively. The Company does not permanently reinvest certain foreign earnings. The distribution of these earnings could result in non-federal U.S. or foreign taxes. All other undistributed foreign earnings remain permanently reinvested.

We are currently authorized to sell up to \$3.0 billion of short-term commercial paper notes. As of September 30, 2024, \$1.8 billion of commercial paper notes were outstanding, and the largest amount of commercial paper notes outstanding during the current-year quarter was \$2.1 billion.

The Company has a line of credit totaling \$3.0 billion through a multi-currency revolving credit agreement with a group of banks, of which \$1.2 billion was available as of September 30, 2024. Advances from the credit agreement can be used for general corporate purposes, including acquisitions, and for the refinancing of existing indebtedness. The credit agreement supports our commercial paper program, and issuances of commercial paper reduce the amount of credit available under the credit agreement. The credit agreement expires in June 2028; however, the Company has the right to request a one-year extension of the expiration date on an annual basis, which may result in changes to the current terms and conditions of the credit agreement. The credit agreement requires the payment of an annual facility fee, the amount of which is dependent upon the Company's credit ratings. Although a lowering of the Company's credit ratings would increase the cost of future debt, it would not limit the Company's ability to use the credit agreement, nor would it accelerate the repayment of any outstanding borrowings.

We primarily utilize unsecured medium-term notes and senior notes to meet our financing needs and we expect to continue to borrow funds at reasonable rates over the long term. Refer to the Cash flows from financing activities section above and Note 15 to the Consolidated Financial Statements for further discussion.

Our debt portfolio includes the Term Loan Facility. During the three months ended September 30, 2024, we made principal payments totaling \$40 million related to the Term Loan Facility. Refer to Note 15 to the Consolidated Financial Statements for further discussion.

The Company's credit agreement and indentures governing certain debt securities contain various covenants, the violation of which would limit or preclude the use of the credit agreements for future borrowings, or might accelerate the maturity of the related outstanding borrowings covered by the indentures. Based on the Company's rating level at September 30, 2024, the



most restrictive financial covenant provides that the ratio of debt to debt-shareholders' equity cannot exceed 0.65 to 1.0. At September 30, 2024, the Company's debt to debt-shareholders' equity ratio was 0.44 to 1.0. We are in compliance and expect to remain in compliance with all covenants set forth in the credit agreement and indentures.

Our goal is to maintain an investment-grade credit profile. At September 30, 2024, the long-term credit ratings assigned to the Company's senior debt securities by the credit rating agencies engaged by the Company were as follows:

|                                  |      |
|----------------------------------|------|
| Fitch Ratings                    | BBB+ |
| Moody's Investors Services, Inc. | Baa1 |
| Standard & Poor's                | BBB+ |

The rating agencies periodically update the Company's credit ratings as events occur. On October 21, 2024, Fitch Ratings upgraded the Company's credit rating to A- from BBB+.

#### ***Supply Chain Financing***

We continue to identify opportunities to improve our liquidity and working capital efficiency, which includes the extension of payment terms with our suppliers. We have supply chain financing programs with financial intermediaries, which provide certain suppliers the option to be paid by the financial intermediaries earlier than the due date on the applicable invoice. We do not believe that changes in the availability of supply chain financing will have a significant impact on our liquidity. Refer to Note 10 to the Consolidated Financial Statements for further discussion.

#### ***Strategic Acquisitions and Divestitures***

Acquisitions will be considered from time to time to the extent there is a strong strategic fit, while at the same time maintaining the Company's strong financial position. In addition, we will continue to assess our existing businesses and initiate efforts to divest businesses that are not considered to be a good long-term strategic fit for the Company. On July 28, 2024, the Company signed an agreement to divest its composites and fuel containment ("CFC") business within the North America businesses of the Diversified Industrial Segment. CFC was acquired as part of the Meggitt acquisition. This divestiture closed on November 1, 2024 for proceeds of \$560 million. Refer to Note 4 to the Consolidated Financial Statements for further discussion. Additionally, we divested a non-core filtration business within the North America businesses of the Diversified Industrial Segment for proceeds of \$66 million on November 1, 2024.

## 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. Often but not always, these statements may be identified from the use of forward-looking terminology such as “anticipates,” “believes,” “may,” “should,” “could,” “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. Neither Parker nor any of its respective associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements will actually occur. 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 past performance or current expectations. 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 orders by or from major customers, suppliers or distributors, including delays or cancellations in shipments;
- disputes regarding contract terms, changes in contract costs and revenue estimates for new development programs;
- changes in product mix;
- ability to identify acceptable strategic acquisition targets;
- uncertainties surrounding timing, successful completion or integration of acquisitions and similar transactions;
- ability to successfully divest businesses planned for divestiture and realize the anticipated benefits of such divestitures;
- the determination and ability to successfully undertake business realignment activities and the expected costs, including cost savings, thereof;
- ability to implement successfully business and operating initiatives, including the timing, price and execution of share repurchases and other capital initiatives;
- availability, cost increases of or other limitations on our access to raw materials, component products and/or commodities if associated costs cannot be recovered in product pricing;
- ability to manage costs related to insurance and employee retirement and health care benefits;
- legal and regulatory developments and other government actions, including related to environmental protection, and associated compliance costs; supply chain and labor disruptions, including as a result of labor shortages;
- threats associated with international conflicts and cybersecurity risks and risks associated with protecting our intellectual property;
- uncertainties surrounding the ultimate resolution of outstanding legal proceedings, including the outcome of any appeals;
- effects on market conditions, including sales and pricing, resulting from global reactions to U.S. trade policies;
- manufacturing activity, air travel trends, currency exchange rates, difficulties entering new markets and economic conditions such as inflation, deflation, interest rates and credit availability; inability to obtain, or meet conditions imposed for, required governmental and regulatory approvals;
- changes in the tax laws in the United States and foreign jurisdictions and judicial or regulatory interpretations thereof; and
- large scale disasters, such as floods, earthquakes, hurricanes, industrial accidents and pandemics.

Readers should consider these forward-looking statements in light of risk factors discussed in Parker's Annual Report on Form 10-K for the fiscal year ended June 30, 2024 and other periodic filings made with the Securities and Exchange Commission.

The Company makes these statements as of the date of the filing of this Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, and undertakes no obligation to update them unless otherwise required by law.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

A substantial portion of our operations are conducted by our subsidiaries outside of the U.S. in currencies other than the U.S. dollar. Most of our non-U.S. subsidiaries conduct their business primarily in their local currencies, which are also their functional currencies. Foreign currency exposures arise from translation of foreign-denominated assets and liabilities into U.S. dollars and from transactions denominated in a currency other than the subsidiary's functional currency. We continue to manage the associated foreign currency transaction and translation risk using existing processes.

The Company manages foreign currency transaction and translation risk by utilizing derivative and non-derivative financial instruments, including forward exchange contracts, cross-currency swap contracts and certain foreign currency denominated debt designated as net investment hedges. The derivative financial instrument contracts are with major investment grade financial institutions and we do not anticipate any material non-performance by any of the counterparties. We do not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognized on the Consolidated Balance Sheet as either assets or liabilities and are measured at fair value. Further information on the fair value of these contracts is provided in Note 17 to the Consolidated Financial Statements. Derivatives that are not designated as hedges are adjusted to fair value by recording gains and losses through the Consolidated Statement of Income. Derivatives that are designated as hedges are adjusted to fair value by recording gains and losses through accumulated other comprehensive income (loss) in the Consolidated Balance Sheet until the hedged item is recognized in earnings. For cross-currency swap contracts measured using the spot method, the periodic interest settlements are recognized directly in earnings through interest expense. The translation of the foreign currency denominated debt that has been designated as a net investment hedge is recorded in accumulated other comprehensive income (loss) and remains there until the underlying net investment is sold or substantially liquidated.

The Company's debt portfolio contains variable rate debt, inherently exposing the Company to interest rate risk. Our objective is to maintain a 60/40 mix between fixed rate and variable rate debt thereby limiting our exposure to changes in near-term interest rates. At September 30, 2024, our debt portfolio included \$450 million of variable rate debt, exclusive of commercial paper borrowings. A 100 basis point increase in near-term interest rates would increase annual interest expense on variable rate debt, including weighted-average commercial paper borrowings for the three months ended September 30, 2024, by approximately \$23 million.

#### **ITEM 4. CONTROLS AND PROCEDURES**

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, of the effectiveness of the Company's disclosure controls and procedures as of September 30, 2024. Based on this evaluation, the Company's principal executive officer and principal financial officer concluded that, as of September 30, 2024, the Company's disclosure controls and procedures were effective.

There was no change to our internal control over financial reporting during the first quarter of fiscal 2025 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PARKER-HANNIFIN CORPORATION

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings.

From time to time we are involved in matters that involve governmental authorities as a party under federal, state and local laws that have been enacted or adopted regulating the discharge of materials into the environment or primarily for the purpose of protecting the environment. We will report such matters that exceed, or that we reasonably believe may exceed, \$1.0 million or more in monetary sanctions.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(a) **Unregistered Sales of Equity Securities.** Not applicable.

(b) **Use of Proceeds.** Not applicable.

(c) **Issuer Purchases of Equity Securities.**

| Period                                       | (a) Total<br>Number of<br>Shares<br>Purchased | (b) Average<br>Price Paid<br>Per Share | (c) Total Number of<br>Shares Purchased<br>as Part of Publicly<br>Announced Plans<br>or Programs (1) | (d) Maximum Number<br>(or Approximate Dollar<br>Value) of Shares that<br>May Yet Be Purchased<br>Under the Plans or<br>Programs (1) |
|--|---|--|--|---|
| July 1, 2024 through July 31, 2024           | 32,900  | \$ 533.31                              | 32,900   | 7,280,434   |
| August 1, 2024 through August 31, 2024       | 31,600  | \$ 565.86                              | 31,600   | 7,248,834   |
| September 1, 2024 through September 30, 2024 | 24,321  | \$ 599.10                              | 24,321   | 7,224,513   |
| Total:                                       | <u>88,821</u>                                 |  | <u>88,821</u>  |   |

- (1) On October 22, 2014, the Company publicly announced that the Board of Directors increased the overall maximum number of shares authorized for repurchase under the Company's share repurchase program, first announced on August 16, 1990, so that, beginning on October 22, 2014, the maximum aggregate number of shares authorized for repurchase was 35 million shares. There is no limitation on the amount of shares that can be repurchased in a fiscal year. There is no expiration date for this program.

ITEM 5. Other Information

None of the Company's directors or officers adopted , modified or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the Company's fiscal quarter ended September 30, 2024.

**ITEM 6. Exhibits.**

The following documents are furnished as exhibits and are numbered pursuant to Item 601 of Regulation S-K:

| <b>Exhibit<br/>No.</b> | <b>Description of Exhibit</b>   |
|------------------------|---|
| 10(a)                  | <a href="#">Form of 2024 Parker-Hannifin Corporation Stock Appreciation Rights Award Agreement.</a> *   |
| 10(b)                  | <a href="#">2024 Parker-Hannifin Corporation Stock Appreciation Rights Terms and Conditions.</a> *  |
| 31(a)                  | <a href="#">Certification of the Principal Executive Officer Pursuant to 17 CFR 240.13a-14(a), as Adopted Pursuant to §302 of the Sarbanes-Oxley Act of 2002.</a> * |
| 31(b)                  | <a href="#">Certification of the Principal Financial Officer Pursuant to 17 CFR 240.13a-14(a), as Adopted Pursuant to §302 of the Sarbanes-Oxley Act of 2002.</a> * |
| 32                     | <a href="#">Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to §906 of the Sarbanes-Oxley Act of 2002.</a> *                                  |
| 101.INS                | Inline XBRL Instance Document.*   |
| 101.SCH                | Inline XBRL Taxonomy Extension Schema Document.*  |
| 101.CAL                | Inline XBRL Taxonomy Extension Calculation Linkbase Document.*  |
| 101.DEF                | Inline XBRL Taxonomy Extension Definition Linkbase Document. *  |
| 101.LAB                | Inline XBRL Taxonomy Extension Label Linkbase Document.*  |
| 101.PRE                | Inline XBRL Taxonomy Extension Presentation Linkbase Document.*   |
| 104                    | Cover page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).                               |

\* Submitted electronically herewith.

Attached as Exhibit 101 to this report are the following formatted in Inline XBRL (Extensible Business Reporting Language): (i) Consolidated Statement of Income for the three months ended September 30, 2024 and 2023, (ii) Consolidated Statement of Comprehensive Income for the three months ended September 30, 2024 and 2023, (iii) Consolidated Balance Sheet at September 30, 2024 and June 30, 2024, (iv) Consolidated Statement of Cash Flows for the three months ended September 30, 2024 and 2023, and (v) Notes to Consolidated Financial Statements for the three months ended September 30, 2024.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PARKER-HANNIFIN CORPORATION

(Registrant)

/s/ Todd M. Leombruno

\_\_\_\_\_  
Todd M. Leombruno

Executive Vice President and Chief Financial Officer

Date: November 5, 2024



TO: [PARTICIPANT NAME]

**PARKER-HANNIFIN CORPORATION  
STOCK APPRECIATION RIGHTS AWARD AGREEMENT (SAR-OS33)**

The Human Resources and Compensation Committee of the Board of Directors (the "Committee") of Parker-Hannifin Corporation (the "Company") has awarded to you the following number of Stock Appreciation Rights ("SARs") under the Parker-Hannifin Corporation 2023 Omnibus Stock Incentive Plan (the "Plan") and subject to the Parker-Hannifin Corporation Stock Appreciation Right Terms and Conditions (SAR-OS33) (the "Terms and Conditions"):

**Grant Date:** [Grant Date]

**Number of SARs:** [Number Granted]

**Grant Price:** US \$[Grant Price] per Common Share

**Expiration Date:** August 13, 2034 at 4:00 PM U.S. Eastern Time

Each SAR granted under this award entitles you upon exercise to receive the increase in value between the Grant Price and the Fair Market Value of one Common Share at exercise, subject to the Terms and Conditions and the Plan.

**Vesting Dates.** Except as otherwise provided in the Terms and Conditions, while you are an active full-time employee, one-third (1/3) of the SARs will vest and become exercisable on each of the first, second, and third anniversaries of the Grant Date. Once SARs become vested and exercisable, you may exercise those SARs at any time prior to the Expiration Date, except as otherwise provided in the Terms and Conditions. Scheduled vesting dates and amounts for this award are viewable by clicking on the Grant Date hyperlink on your Stock Appreciation Rights Grant Information page on the Stock Incentive Plan Administrator's web site.

**Your Action Items.** Please take the following actions:

**Accept your Award by clicking on "Accept".** In relation to your award acceptance, attached below for your review and incorporated into this Award Agreement are the Terms and Conditions.

**Inform the Company of any change in address or contact information, as necessary.** Refer to Section 21 of the Terms and Conditions for instructions on how to provide notification to the Company.

Also available through your UBS One Source account are the following documents pertinent to your award

2023 Omnibus Stock Incentive Plan  
2023 Omnibus Stock Incentive Plan Prospectus  
Annual Report and Proxy Statement



**PARKER-HANNIFIN CORPORATION**  
**STOCK APPRECIATION RIGHTS TERMS AND CONDITIONS (SAR-OS33)**

Pursuant to the Stock Appreciation Rights Award Agreement (the "Award Agreement") available on the website of the third party Plan administrator for Parker-Hannifin Corporation (the "Company"), the Human Resources and Compensation Committee (the "Committee") of the Board of Directors (the "Board") of the Company has awarded you a number of Stock Appreciation Rights ("SARs"). The SARs have been awarded to you as of the grant date specified in the Award Agreement (the "Grant Date"), and the SARs are subject to the terms, conditions, and restrictions set forth in the Parker-Hannifin Corporation 2023 Omnibus Stock Incentive Plan, as amended from time to time (the "Plan") and these Stock Appreciation Rights Terms and Conditions (SAR-OS33) (the "Terms and Conditions"). To the extent that, in accordance with the terms of the Plan, the Committee has delegated to any persons any of the Committee's authority with respect to these Terms and Conditions, references to the Committee in these Terms and Conditions shall be deemed to be references to those persons with respect to authority so delegated.

**1. Description of SARs.** Your SARs award entitles you to receive the increase in value between the Grant Price set forth in your Award Agreement and the Fair Market Value at exercise (the "Appreciation") of the number of Common Shares to which your award applies, subject to these Terms and Conditions. Upon exercise, the Appreciation will be paid to you in Common Shares having a value equal to the amount of the Appreciation. The calculation of Appreciation is described in more detail below. Your unexercised SARs will expire and cease to be exercisable without further action or notice on the Expiration Date set forth in your Award Agreement or such earlier date (a "Lapse Date") as may be applicable pursuant to Section 3(d) of these Terms and Conditions. Solely for purposes of this Agreement, "Fair Market Value" means the price of a Common Share at the time of exercise as reasonably determined by the Company in compliance with Section 409A of the Code (to the extent applicable), unless otherwise determined by the Committee.

**2. Calculation of Appreciation.** Appreciation shall be determined by the Company (or its third party Plan administrator) by subtracting the Grant Price from the Fair Market Value of a Common Share at the time of your exercise of SARs, and multiplying the result by the number of SARs exercised. The number of Common Shares issued upon exercise of SARs will be the number derived from dividing the Appreciation by the Fair Market Value at exercise of a Common Share, rounded down to the nearest whole share. You will not receive cash for any fractional share eliminated by rounding.

**3. Vesting and Exercisability of SARs.**

(a) Subject to these Terms and Conditions, all or a portion of the SARs will vest and become exercisable on the vesting date(s) described in the Award Agreement (each a "Vesting Date"), provided that you have remained in the continuous full-time employment of the Company and its Subsidiaries (collectively referred to herein as the "Parker Companies") through the applicable Vesting Date(s).



(b) Notwithstanding anything to the contrary in these Terms and Conditions, if your continuous full-time employment with the Parker Companies is terminated prior to the applicable Vesting Date, your awards shall be treated as follows:

| <b>If your Termination is due to:</b> | <b>SARs that have not yet vested and become exercisable shall:</b>   |
|---------------------------------------|--|
| Death or Disability                   | Immediately vest and become exercisable as of the date of such termination of employment.                      |
| Retirement                            | Immediately vest as of the date of your Retirement and become exercisable upon the applicable Vesting Date(s). |
| Qualifying Termination                | Immediately vest and become exercisable as of the date of your termination of employment.                      |
| Any other reason                      | Immediately be forfeited.  |

For purposes of these Terms and Conditions "Retirement" shall have the meaning set out in the applicable retirement plan or policy of the Parker Companies in which you participate or, if Retirement is not defined in an applicable retirement plan or policy, Retirement shall mean your termination of employment with the Parker Companies after the attainment of age 55 and ten years of service.

(c) Except as otherwise provided in Section 3(d), any SARs that have vested and become exercisable in accordance with this Section 3 may be exercised only while you are a full-time employee of the Parker Companies at any time until the earlier of the Expiration Date or the applicable Lapse Date.

(d) If your continuous full-time employment with the Parker Companies is terminated prior to the Expiration Date for any reason, any vested and exercisable SARs shall remain exercisable until the Lapse Date set forth below:

| <b>Termination Reason</b>   | <b>End of Exercise Period</b>   |
|---|---|
| <b>If your continuous full-time employment terminates due to:</b> | <b>Then your vested and exercisable SARs will lapse and cease to be exercisable on:</b>   |
| Disability  | The Expiration Date.  |
| Retirement  | The Expiration Date.  |
| Death   | If you are Retirement-eligible at the time of death, the Expiration Date.<br>Otherwise, the <u>earlier</u> of (i) two (2) years after the date of death or (ii) the Expiration Date.                |
| Qualifying Termination  | If you are Retirement-eligible at the time of termination, the Expiration Date.<br>Otherwise, the <u>earlier</u> of: (i) three (3) months from the date of termination or (ii) the Expiration Date. |
| Any other reason  | The <u>earlier</u> of: (i) three (3) months from the date of termination or (ii) the Expiration Date.   |

(e) For purposes of this Section 3, your continuous full-time employment with the Parker Companies shall not be deemed to have been interrupted, and you shall not be deemed to have

---

ceased to be an employee of the Parker Companies, by reason of (1) the transfer of your employment among the Parker Companies, or (2) the transfer of your employment to an entity that is 50% owned (directly or indirectly) by the Company provided that you remain actively and continuously employed by such entity.

**4. Forfeiture of SARs.** Any SARs that have not yet vested and become exercisable pursuant to Section 3 shall be forfeited automatically without further action or notice if you cease to be employed by the Parker Companies prior to a Vesting Date other than as provided in Section 3(b).

**5. Exercise and Settlement Procedures.**

(a) Exercise of all or any portion of your vested and exercisable SARs shall be subject to such exercise procedures of the Company and its third party Plan administrator, as the same shall be in effect from time to time. Upon your exercise of SARs in accordance with such procedures and these Terms and Conditions, the Company will instruct its stock transfer agent to issue the net number of Common Shares you are entitled to receive.

(b) Any vested and exercisable SARs granted under your Award Agreement that have not lapsed and have net Appreciation (after all applicable withholding taxes) but that remain unexercised on the business day preceding the Expiration Date shall automatically be self-exercised on the Expiration Date. **NOTE: AWARDS THAT LAPSE PRIOR TO THE ORIGINAL EXPIRATION DATE AND AWARDS THAT HAVE NOT BEEN ACCEPTED BY THE PARTICIPANT ARE NOT ELIGIBLE FOR SELF-EXERCISE. ANY AWARDS THAT HAVE NOT BEEN EXERCISED ON OR BEFORE THE EXPIRATION DATE SHALL EXPIRE WITH NO VALUE.**

(c) The Company's obligations with respect to the SARs shall be satisfied in full upon the delivery of the Common Shares underlying vested SARs that are exercised in accordance with these Terms and Conditions.

**6. Transferability.** Neither the SARs nor any interest therein or in the Common Shares underlying the SARs may be transferred, assigned, pledged or hypothecated in any manner, or be subject to execution, attachment or similar process, by operation of law or otherwise, except by will or the laws of descent and distribution or pursuant to a beneficiary designation made in accordance with Section 11, unless otherwise provided herein or under the Plan. Your SARs are not transferable or assignable during your life except to (a) your spouse, children or their lineal descendants ("Immediate Family Members"); (b) one or more trusts for the benefit of you and/or one or more of your Immediate Family Members; or (c) a partnership or limited liability company in which you or your Immediate Family Members are the only partners or members; provided, however, in each case that you (i) submit a completed SAR Assignment Form to the Plan Administrator or comply with other procedures in effect at the time of the transfer and (ii) do not receive any consideration for the transfer. All transferred SARs remain subject to the terms, conditions and restrictions of the Plan and these Terms and Conditions (except that such transferred SARs are not transferable by the transferee during life). Any purported transfer or encumbrance in violation of the provisions of this Section 6 shall be null and void, and the other party to any such purported transaction shall not obtain any rights to or interest in such SARs.

**7. No Rights to Future Awards.** By voluntarily acknowledging and accepting your award of SARs, you acknowledge and understand that the SARs shall not form part of any contract of employment between you and the Company. Nothing in these Terms and Conditions, your Award

---

Agreement, the Plan or the plan summary and prospectus which describes the Plan (the "Prospectus") shall confer upon you any right to continue to receive stock incentive awards in the future. You further acknowledge that your award of SARs is for future services and is not under any circumstances to be considered compensation for past services.

**8. Detrimental Activity; Clawback Policies.**

(a) If the Committee finds in its discretion that you have engaged in any Detrimental Activity (as defined in the Plan), the Committee may at any time and in its sole discretion cancel and revoke all or any unexercised portion of your SARs. In addition, if the Committee finds that you have engaged in any Detrimental Activity, either during your employment with the Company or within twelve months thereafter, then you shall be required to (a) return to the Company, in exchange for payment by the Company of any amount actually paid therefor by you, all Common Shares that you have not disposed of that were issued pursuant to these Terms and Conditions within twelve months prior to the commencement of such Detrimental Activity, and (b) pay to the Company in cash, within ten days after demand therefor, the difference between any amount actually paid therefor by you and the Fair Market Value at exercise of all Common Shares that you have disposed of that were issued pursuant to these Terms and Conditions. The Plan defines "Detrimental Activity" as any conduct or activity, whether or not related to the business of the Company or a Subsidiary, that is determined in individual cases, by the Committee or its express delegate, to be detrimental to the interests of the Company or a Subsidiary, including without limitation (i) the rendering of services to an organization, or engaging in a business, that is, in the judgment of the Committee or its express delegate, in competition with the Company; (ii) the disclosure to anyone outside of the Company, or the use for any purpose other than the Company's business, of confidential information or material related to the Company, whether acquired by the Participant during or after employment with the Company; (iii) fraud, embezzlement, theft-in-office or other illegal activity; or (iv) a violation of the Company's Code of Ethics or other policies.

(b) By accepting your award of SARs, you acknowledge that the SARs and the Common Shares underlying such SARs shall be subject to the terms and conditions of the Claw-back Policy of Parker-Hannifin Corporation that applies to compensation granted or paid on or after July 1, 2009 (as may be amended and restated from time to time) and the Parker-Hannifin Corporation Section 16 Officer Clawback Policy (as may be amended and restated from time to time), to the extent provided under the terms of each such policy.

**9. Relation to Other Benefits.** Any economic or other benefit to you under these Terms and Conditions or the Plan shall not be taken into account in determining any benefits to which you may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by the Parker Companies and shall not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of the Parker Companies. Without limiting the foregoing, by voluntarily acknowledging and accepting your award of SARs, you agree that no benefits accruing under your Award Agreement, these Terms and Conditions or the Plan will be reflected in any severance or indemnity payments that the Parker Companies may make or be required to make to you in the future, regardless of the jurisdiction in which you may be located.

**10. Taxes and Withholding.** The Parker Companies have the right to deduct or cause to be deducted, or collect or cause to be collected, with respect to the taxation of the SARs, any federal, state or local taxes, social taxes or other taxes required to be withheld or paid with respect to the SARs, and you will be required to pay any such amounts or such amounts will be deducted from any amount payable to you. To the extent the Parker Companies are required to withhold any federal, state, local, foreign or

---

other taxes in connection with the delivery of Common Shares under these Terms and Conditions, then the Company or Subsidiary (as applicable) will retain a number of Common Shares otherwise deliverable hereunder with a value equal to the required withholding (based on the fair market value of the Common Shares on the date of delivery); provided that in no event shall the value of the Common Shares retained exceed the minimum amount of taxes required to be withheld or such other amount that will not result in a negative accounting impact.

**11. Beneficiary Designation.** To the extent permitted by the Committee, in its sole discretion, you shall have the right to designate one or more beneficiaries to receive all or part of any Common Shares underlying the SARs in the event of your death. Any beneficiary designation permitted by the Committee shall be effective when it is submitted in writing to the Committee during your lifetime on a form prescribed by the Committee. The submission of a new beneficiary designation shall cancel all prior beneficiary designations. Any finalized divorce or marriage subsequent to the date of a beneficiary designation shall revoke such designation, unless in the case of divorce your previous spouse was not designated as beneficiary and unless in the case of marriage your new spouse was previously designated as beneficiary. If you are married, your spouse shall consent to any designation of a beneficiary other than the spouse, and the spouse's consent shall be witnessed by a notary public. If you fail to designate a beneficiary as may be permitted by the Committee, or if such beneficiary designation is revoked by marriage, divorce, or otherwise without execution of a new designation, or if every person designated as beneficiary predeceases you or dies prior to the exercise of your SARs, then the Company shall issue any Common Shares payable under your SARs to the estate of the last to die of you and any beneficiaries.

**12. Adjustments.** The SARs and the number of Common Shares deliverable pursuant to exercise of the SARs, and the other terms and conditions of the grant evidenced by these Terms and Conditions, are subject to adjustment, including as provided in Sections 4.3 and 12 of the Plan.

**13. Compliance with Law.** The Company shall make reasonable efforts to comply with all applicable federal and state securities laws and listing requirements with respect to the SARs; provided, however, notwithstanding any other provision of these Terms and Conditions, and only to the extent permitted under Section 409A of the Code, the Company shall not be obligated to deliver any Common Shares pursuant to these Terms and Conditions if the delivery thereof would result in a violation of any such law or listing requirement. The Company intends that the Award Agreement and these Terms and Conditions be exempt from the requirements of Section 409A of the Code and they will be interpreted, construed and administered accordingly.

**14. Amendments.** Subject to the terms of the Plan, the Committee may amend these Terms and Conditions upon written notice to you. Any amendment to the Plan shall be deemed to be an amendment to these Terms and Conditions to the extent that the amendment is applicable hereto. Notwithstanding the foregoing, no amendment of the Plan or these Terms and Conditions shall adversely affect your rights under these Terms and Conditions without your consent unless the Committee determines that such amendment is necessary or advisable to conform the Plan or these Terms and Conditions to any present or future law, regulation or rule applicable to the Plan.

**15. Severability.** In the event that one or more of the provisions of these Terms and Conditions shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

---

**16. Relation to Plan.** These Terms and Conditions and all rights under your Award Agreement and these Terms and Conditions are at all times subject to all other terms, conditions and provisions of the Plan (and any rules or procedures adopted under the Plan by the Committee). All capitalized terms not defined in these Terms and Conditions shall have the meaning ascribed to such terms in the Plan. In the event of a conflict between the terms of the Plan and these Terms and Conditions, your Award Agreement or the Prospectus, the terms of the Plan shall control. These Terms and Conditions, the Plan and the Award Agreement contain the entire agreement and understanding of the parties with respect to the subject matter contained in these Terms and Conditions, and supersede all prior written or oral communications, representations and negotiations in respect thereto.

**17. Successors and Assigns.** Without limiting Section 6, the provisions of these Terms and Conditions shall inure to the benefit of, and be binding upon, your successors, administrators, heirs, legal representatives and assigns, and the successors and assigns of the Company.

**18. Governing Law.** The interpretation, performance, and enforcement of these Terms and Conditions shall be governed by the laws of the State of Ohio, without regard to its conflict of law rules. Any dispute, disagreement or question which arises under or as a result of, or in any way relates to, the interpretation, construction or application of the terms of the Plan, the Award Agreement or these Terms and Conditions will be determined and resolved by the Committee. Such determination and resolution by the Committee will be final, binding and conclusive for all purposes.

**19. Non-U.S. Employees.** Notwithstanding any provision of these Terms and Conditions, if your employment with the Parker Companies is subject to the rules and regulations of one or more non-United States jurisdictions, then your SARs shall be subject to any special terms and conditions as set forth in any appendix for your country (an "Appendix"). Moreover, if you relocate to one of the countries included in an Appendix, the special terms and conditions for such country will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of these Terms and Conditions or the Plan. An Appendix shall constitute part of these Terms and Conditions.

**20. Consent to Transfer Personal Data.** By accepting your award of SARs, you voluntarily acknowledge and consent to the collection, use, processing and transfer of personal data as described in this Section 20. You are not obliged to consent to such collection, use, processing and transfer of personal data. However, failure to provide the consent may affect your ability to participate in the Plan. The Parker Companies hold certain personal information about you, that may include your name, home address and telephone number, fax number, email address, family size, marital status, sex, beneficiary information, emergency contacts, passport / visa information, age, language skills, drivers license information, date of birth, birth certificate, social security number or other employee identification number, nationality, C.V. (or resume), wage history, employment references, job title, employment or severance contract, current wage and benefit information, personal bank account number, tax related information, plan or benefit enrollment forms and elections, option or benefit statements, any shares of stock or directorships in the Company, details of all options or any other entitlements to Common Shares awarded, canceled, purchased, vested, unvested or outstanding in your favor, for the purpose of managing and administering the Plan ("Data"). The Parker Companies will transfer Data amongst themselves as necessary for the purpose of implementation, administration and management of your participation in the Plan, and the Parker Companies may further transfer Data to any third parties assisting the Parker Companies in the implementation, administration and management of the Plan. These recipients may be located throughout the world, including the United States. You authorize them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering

---

and managing your participation in the Plan, including any requisite transfer of such Data as may be required for the administration of the Plan and/or the subsequent holding of shares of stock on your behalf to a broker or other third party with whom you may elect to deposit any shares of stock acquired pursuant to the Plan. You may, at any time, review Data, require any necessary amendments to it or withdraw the consents herein in writing by contacting the Company; however, withdrawing your consent may affect your ability to participate in the Plan.

**21. Notification of Change in Personal Data** If your address or contact information changes while any portion of your SARs remains unexercised, the Company must be notified in order to administer this award. Notification of such changes should be provided to the Company as follows:

**(a) U.S. and Canada Participants** (employees who are on the U.S. or Canadian payroll system):

- Active employees: Update your address and contact information directly through your Personal Profile section in the Employee Self-Service site.
- Retired, terminated or family member of deceased participant: Contact the Benefits Service Center at 1-800-992-5564.

**(b) Rest of World Participants** (employees who are not on the U.S. or Canadian payroll system): Contact your country Human Resources Manager.

**22. Electronic Delivery.** You hereby consent and agree to electronic delivery of any documents that the Company may elect to deliver (including, but not limited to, prospectuses, prospectus supplements, grant or award notifications and agreements, account statements, annual and quarterly reports, and all other forms of communications) in connection with this and any other award made or offered under the Plan. You also understand that you shall have the right at any time to request that the Company deliver written copies of any and all materials referred to above at no charge. You hereby consent to any and all procedures the Company has established or may establish for an electronic signature system for delivery and acceptance of any such documents that the Company may elect to deliver, and you agree that your electronic signature is the same as, and shall have the same force and effect as, your manual signature. You consent and agree that any such procedures and delivery may be effected by a third party engaged by the Company to provide administrative services related to the Plan.

**23. Prospectus Notification.** Copies of the Prospectus and the most recent Annual Report on Form 10-K and Proxy Statement issued by the Company are available for your review on the UBS One Source Web site. You have the right to receive a printed copy of the Prospectus upon request by either calling the third party Plan Administrator at 888-751-0295 or by sending your written request to the Company's Total Rewards Department.

CERTIFICATIONS

I, Jennifer A. Parmentier, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Parker-Hannifin Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 5, 2024

/s/ Jennifer A. Parmentier

Jennifer A. Parmentier

Chief Executive Officer

## CERTIFICATIONS

I, Todd M. Leombruno, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Parker-Hannifin Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 5, 2024

/s/ Todd M. Leombruno

Todd M. Leombruno

Executive Vice President and Chief Financial Officer



Certification Pursuant to  
18 U.S.C. Section 1350,  
As Adopted Pursuant to  
§ 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Quarterly Report on Form 10-Q of Parker-Hannifin Corporation (the "Company") for the quarterly period ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, that, to such officer's knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Dated: November 5, 2024

/s/ Jennifer A. Parmentier

Name: Jennifer A. Parmentier

Title: Chief Executive Officer

/s/ Todd M. Leombruno

Name: Todd M. Leombruno

Title: Executive Vice President and Chief Financial Officer