


APPLIED® AT A GLANCE

SALES FOR FISCAL YEAR ENDED 6/30/15:
\$2.75 billion

EPS FOR FISCAL 2015:
\$2.80

OPERATING FACILITIES:
More than 560 in the United States,
Puerto Rico, Canada, Mexico, Australia
and New Zealand

DISTRIBUTION CENTERS:
12

INTERNET SITE:
www.Applied.com

CATALOG:
15/16 Applied Industrial Technologies
Product Catalog

**STOCK KEEPING UNITS (SKUs)
AVAILABLE TO CUSTOMERS:**
More than 5 million

**PRODUCT MANUFACTURERS
(SUPPLIERS):**
More than 4,000

ADDRESS:
Applied Industrial Technologies
Corporate Headquarters
1 Applied Plaza
Cleveland, OH 44115
216/426-4000

NYSE:
AIT

Data current as of 2/1/16

ABOUT APPLIED

Applied Industrial Technologies is a leading industrial distributor that offers more than five million parts to serve the needs of MRO and OEM customers in virtually every industry. In addition, Applied provides engineering, design and systems integration for industrial and fluid power applications, as well as customized mechanical, fabricated rubber and fluid power shop services. Applied also offers maintenance training and inventory management solutions that provide added value to our customers.

OVERVIEW

The future we envision for Applied is made possible by our strong foundation and financial position, by our dedicated associates, by our best-in-class suppliers, and, of course, by our strong customer base. At every level of the organization, our associates are committed to our customers' success. Simply stated, we keep industry running – productively. Our success is greatly aided by the partnerships with our suppliers. We represent leading manufacturers with the highest quality brands – delivering innovative solutions for our customers' needs.

Our commitment to realizing our future potential is built upon a proud past of 90+ years of strength in distribution and the dedication of our associates around the globe. We see opportunities to accelerate growth organically across our businesses, via acquisition and through our technology investments. Applied has strong capabilities, great potential and room to grow.

Six Month Financial Data as of December 31,	FY2016	FY2015
Net Sales	\$ 1.25B	\$ 1.39B
Net Income	\$ 48.2M	\$ 58.8M
Earnings Per Share	\$ 1.22	\$ 1.41
Gross Margin	28.3 %	28.0 %
Operating Margin	6.3 %	6.7 %
Debt-to-Total Cap	34.2 %	30.9 %
Cash at December 31	\$ 55.6M	\$ 31.2M
Cash Dividends Per Share/Yield	\$ 0.54/2.7 %	\$ 0.50/2.5 %
Closing Share Price on December 31	\$ 40.49	\$ 40.43
52-Week Range	\$ 46.05-37.00	\$ 52.62-42.92
Market Cap at December 31	\$ 1.6B	\$ 1.7B
Average Daily Volume (6 months)	250,000	164,000
Average Shares Outstanding	39,661,000	41,678,000

OUR BUSINESS MODEL


KEY OFFICERS:

Neil A. Schrimsher
President & Chief Executive Officer

Mark O. Eisele
Vice President – Chief Financial Officer
& Treasurer

INVESTOR CONTACT:

For more information, visit the company's website at Applied.com or contact:

Mark O. Eisele
Vice President – CFO & Treasurer
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Fax: 216/426-4845
Email: meisele@applied.com

SHAREHOLDER INQUIRIES:

Computershare
P.O. Box 30170
College Station, TX 77842-3170

ANALYST COVERAGE:

Avondale Partners, LLC
Lawrence P. Pfeffer 314/218-4965

BB&T Capital Markets
Charles E. Redding 804/782-8853

Cleveland Research Company
Adam Uhlman 216/649-7241

Great Lakes Review - Division of Wellington
Shields & Co.
Elliott Schlang 216/767-1340

KeyBanc Capital Markets
Ryan Cieslak 216/689-0298

Longbow Research
Chris Dankert 216/525-8486

Stephens Inc.
Matt Duncan 501/377-3723

Thompson Research Group
Brent D. Rakers 901/746-9213

Wells Fargo Securities, LLC
Allison Poliniak-Cusic 212/214-5062

INVESTMENT CONSIDERATIONS

HEALTHY BALANCE SHEET:

Applied maintains a strong balance sheet, which provides flexibility in pursuing appropriate opportunities for growth. At December 31, 2015, Applied's current ratio (current assets to current liabilities) was 3.5 to 1. Applied had \$367.0 million in debt outstanding at December 31, 2015.

SOLID CASH FLOW:

Applied continues to generate strong cash flow, which enables us to invest for future growth and create value for shareholders. Cash provided by operations was \$32.9 million for the six months ended December 31, 2015, and working capital at December 31, 2015 was \$559.5 million.

DIVIDEND POLICY:

We are committed to generating increased shareholder value, including paying an attractive dividend. In January 2016, we declared an increase in the quarterly cash dividend to \$0.28 per common share, which correlates to a current annual dividend rate of \$1.12 per common share. This is our seventh dividend increase since 2010, representing a cumulative increase of more than 85% in the quarterly dividend over this six-year period.

CORPORATE GOVERNANCE:

Applied is committed to integrity in corporate governance and transparency in financial reporting. Applied's Board of Directors is a diverse group of seasoned executives who represent shareholders' best interests.

FOUR CORNERSTONES

PROFITABLE SALES GROWTH:

Net sales for the six months ended December 31, 2015 decreased 10.2% over the prior year. Net income was \$48.2 million, or \$1.22 per share.

Applied is well-positioned in this industrial environment to serve our customers and generate shareholder value. We are continuing investments to further strengthen our foundation, including:

- **Expanding** our business capabilities – *investments in products, services and technology solutions, along with operating experience in our ERP systems*
- **Extending** our business reach – *via strategic acquisitions in all served geographies*
- **Enhancing** organizational effectiveness – *streamlining our structure and introducing many exciting talent management initiatives*

We now have enterprise-wide inventory visibility across our service centers and Fluid Power businesses, as well as operational consistency, expanded EDI capability, elevated control of transactions, increased operating speed and service, and improved maintenance and support. We are focused on system proficiency and realizing improved operating efficiencies and profitability.

Acquisitions remain an important part of our growth strategy, and we will remain active pursuing strategic opportunities that extend our business reach, enhance our capabilities and generate value for all stakeholders. In August 2015 we expanded our Applied Maintenance Supplies & SolutionsSM (Applied MSSSM) business with the acquisition of Atlantic Fasteners, a distributor of

industrial fasteners and related C-Class industrial consumables. In October 2015 we acquired S. G. Morris Co., a distributor of fluid power systems -- a strong strategic fit that further enhances our fluid power market leadership. Most recently, on January 4, 2016, we acquired HUB Industrial Supply, a distributor of consumable industrial products to further strengthen and diversify our Applied MSS business.

We recognize our requirements going forward. Our actions are guided by our Core Values and a commitment to win in the marketplace – by focusing on our customers, being accountable for our results, generating operational continuous improvements and working together as a team.

MARGIN ENHANCEMENT:

Applied's gross profit percentage for the six months ended December 31, 2015 was 28.3%, and our operating margin was 6.3%. We greatly enhance our operating capabilities with our new ERP system – standardizing and simplifying processes and enabling continuous improvement throughout our operations for years to come.

ASSET MANAGEMENT:

In the six months ended December 31, 2015, we recorded a return on assets of 6.9% after tax.

COST CONTROL:

SD&A expense as a percentage of sales was 21.9% for the six months ended December 31, 2015 – compared to 21.4% in the prior year period. SD&A expense decreased from the prior year in absolute dollars by \$22.9 million, or 7.7%

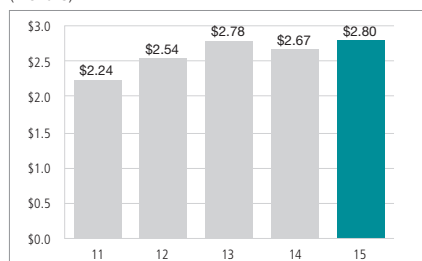
Net Sales - Full Fiscal Year

(Dollars in Billions)



Net Income Per Share - Full Fiscal Year

(Dollars)



Cash Returned to Shareholders - Full Fiscal Year

Dividends + Share Repurchases

(Dollars in Millions)

