

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

---

**FORM 8-K**

**CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

Date of report (Date of earliest event reported): July 29, 2003

**PARKER-HANNIFIN CORPORATION**

(Exact Name of Registrant as Specified in Charter)

**Ohio**  
(State or Other Jurisdiction  
of Incorporation)

**6035 Parkland Blvd  
Cleveland, Ohio**

**1-4982**  
(Commission  
File Number)

**34-0451060**  
(IRS Employer  
Identification No.)

**44124-4141**  
(Zip Code)

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

---

**Item 9. Regulation FD Disclosure**

The following information is furnished pursuant to Item 9, "Regulation FD Disclosure" and Item 12, "Disclosure of Results of Operations and Financial Conditions".

On July 29, 2003, Parker-Hannifin Corporation issued a press release and presented a Webcast announcing earnings for the quarter ended June 30, 2003. A copy of the press release is filed as Exhibit 99.1 to this report. A copy of the Webcast presentation is filed as Exhibit 99.2 to this report.

EXHIBIT INDEX

- 99.1 Press release issued by Parker-Hannifin Corporation, dated June 30, 2003.
- 99.2 Webcast presentation by Parker-Hannifin Corporation, dated June 30, 2003.





**For Release:** Immediately

**Contact:** Media— 216/896-2750 After hours: 330/666-4196  
 Lorrie Paul Crum, VP—Corp. Communications  
[lcrum@parker.com](mailto:lcrum@parker.com)

Financial Analysts— 216/896-2240  
 Pamela Huggins, VP & Treasurer  
[phuggins@parker.com](mailto:phuggins@parker.com)

**Stock Symbol:** PH—NYSE

## **PARKER PROFIT IMPROVES DESPITE FLAT SALES; CASH FLOW REMAINS STRONG**

Cleveland, Ohio: July 29, 2003—Parker Hannifin Corporation (NYSE: PH) today reported fourth-quarter net income for the period ended June 30, 2003 of \$49.1 million, or 42 cents per diluted share, on sales of \$1.66 billion. Net income during the quarter was reduced by six cents per share in realignment costs, partially offset by a gain of four cents per share on the sale of a non-core business. For the same period last year, the company reported a quarterly net loss of \$11.9 million—10 cents per diluted share—on sales of \$1.66 billion. Last year's fourth-quarter net loss included 44 cents per diluted share in business-realignment costs and asset impairments.

Net income for the full year were up 51 percent, at \$196.3 million, or \$1.68 per diluted share, including the four-cent per share divestiture gain and 16 cents per share in realignment costs. The company posted record revenues of \$6.41 billion for the full year, although without acquisitions, divestitures made in fiscal-year 2002 and a favorable currency effect from business outside the United States, sales would have been down by one percent. In fiscal-year 2002, net income was \$130.2 million, or \$1.12 per diluted share, including a reduction of 25 cents per share in realignment costs and 32 cents per share in goodwill impairment.

"It was another difficult year in our industrial and aerospace markets, and we again absorbed a substantial increase in pension, insurance and medical costs," said Parker CEO Don Washkewicz. "Yet we still achieved margin improvement this year in all segments except aerospace. Clearly, execution of our Win Strategy is beginning to pay off, and we expect it to make another positive contribution to profitability in the coming year."

The company again had strong cash flow from operations, running at a rate of 10 percent of sales, and used a portion of cash generated during the year to contribute \$108 million to its pension plans, consistent with its commitment to maintaining well funded plans for employees. Robust cash flow also enabled the company to pay down \$146 million of debt and continue its 47-year record of returning higher dividends to shareholders. As of year end, the company

---

had \$246 million in cash, and is well positioned to invest in growth.

“We’re managing our cash-to-cash cycle very well, and with our lean enterprise initiatives, we further reduced the number of days’ inventory and capital expenditures this year,” Washkewicz said. “In terms of realigning the business during the recession, we’ve closed more than 80 facilities in the past three years.”

### **Operating Results**

Industrial, mobile and aerospace demand remained severely depressed, with recent weakening in agriculture and air-conditioning markets. In aerospace, the company noted that JetBlue’s recent order for 100 Embraer-190 jets is a positive for the company, as was another order by US Airways in May for regional jets. “In the aerospace business, we’re concentrating on taking care of our customers, and engineering the best systems,” said Washkewicz. “We continue to enjoy success by first positioning ourselves as a global engineering partner and systems integrator, and serving our customers well in the aftermarket, evidenced by Parker’s recent top-five ranking among 35 different Airbus suppliers.”

In the North American Industrial units, fourth-quarter operating income of \$34.6 million was 11.6 percent lower than last year, while sales were 6.8 percent lower, at \$716 million, consistent with the decline since March in North American order trends. Full-year operating income in this segment was up 10 percent, at \$155.3 million on marginally higher revenues of \$2.84 billion, for an operating margin of 5.5 percent.

In the International Industrial businesses, fourth-quarter operating income was \$23.5 million on sales of \$428.4 million, for an operating margin of 5.5 percent. For the year, the international businesses recorded sales of \$1.58 billion, with operating income of \$96.3 million, a 6.1-percent operating margin.

In the company’s Climate & Industrial Controls business, which previously was included in the “Other” segment, fourth-quarter operating income was \$19.1 million on sales of \$181.4 million, a 10.5 percent return on sales. The business generated full-year operating income of \$63.4 million on sales of \$665.6 million, a return on sales of 9.5 percent.

Parker Aerospace saw a 3.5-percent drop in fourth-quarter sales to \$276.8 million, while operating income fell nine percent to \$34 million, for a return on sales of 12.3 percent. For the year, operating income for the aerospace business was \$157.3 million on sales of \$1.11 billion, a 14.2-percent return on sales.

In the “Other” segment, comprised of the Wynn Specialty Chemical and Astron metal buildings units, quarterly operating income was \$4.6 million on \$58 million in sales, for an operating margin of 8.0 percent. Full-year sales were \$210.3 million, and operating income was \$11.6 million, for a return on sales of 5.5 percent.

---

## Outlook

In the future, the company will provide guidance using a range of expected rate-of-change percentages (up or down from the prior year) for revenue and operating income by segment, in addition to assumptions for non-operating items such as administrative costs, interest expense and tax rates. The aim is for investors to supplement this information with real-time economic data, including the company's monthly disclosure of order rates, to factor into analytical models.

For fiscal-year 2004, the company said it expects sales to grow marginally, while further improvement in operating margins is expected for every segment except aerospace. A new table entitled "Outlook" is attached to provide detail on sales and operating-margin expectations by business segment, in addition to assumptions regarding non-operating items.

Washkewicz said the company has assumed no economic recovery in its plans for the new fiscal year. "So far, the only bright spots are the strong growth rates we're seeing in Asia and Latin America. Going forward, now that the financial performance initiatives of our Win Strategy are in place throughout our business worldwide, we will be placing additional emphasis on the growth goal of the Win Strategy." He noted that the company has established new funding priorities and incentive measures to stimulate investment in and increase its yield from organic growth, with a stronger focus on innovation.

In addition to the information provided herein, Parker advises shareholders to note order trends, for which the company makes a disclosure several business days after the conclusion of each month. This information is available on the company's investor information web site, at [www.phstock.com](http://www.phstock.com).

With annual sales exceeding \$6 billion, Parker Hannifin is the world's leading diversified manufacturer of motion and control technologies and systems, providing precision-engineered solutions for a wide variety of commercial, mobile, industrial and aerospace markets. The company employs more than 45,000 people in 44 countries around the world. For more information, visit the company's web site at [www.parker.com](http://www.parker.com), or its investor information site at [www.phstock.com](http://www.phstock.com).

Forward-looking statements contained in this and other written and oral reports are made based on known events and circumstances at the time of release, and as such, are subject in the future to unforeseen uncertainties and risks. All statements regarding future performance, earnings projections, events or developments are forward-looking statements. It is possible that the future performance and earnings projections of the company and individual segments may differ materially from current expectations, depending on economic conditions within both its industrial and aerospace markets, and the company's ability to achieve anticipated benefits associated with announced realignment activities, strategic initiatives to improve operating margins, and growth initiatives. A change in economic conditions in individual markets may have a particularly volatile effect on segment projections. Among the other factors which may affect future performance are: changes in business relationships with and purchases by or from major customers or suppliers, including delays or cancellations in shipments; uncertainties surrounding timing, successful completion or integration of acquisitions; threats associated with and efforts to combat terrorism; competitive market conditions and resulting effects on sales and pricing; increases in raw-material costs that cannot be recovered in product pricing; and global economic factors, including currency exchange rates, difficulties entering new markets and general economic conditions such as interest rates. The company makes these statements as of the date of this disclosure, and undertakes no obligation to update them.

# # #

**PARKER HANNIFIN CORPORATION—JUNE 30, 2003**  
**CONSOLIDATED STATEMENT OF INCOME**

(Dollars in thousands except per share amounts)	Three Months Ended June 30,		Year Ended June 30,	
	2003	2002	2003	2002
<b>Net sales</b>	\$ 1,660,661	\$ 1,657,593	\$ 6,410,610	\$ 6,149,122
Cost of sales	1,382,628	1,405,807	5,309,775	5,116,570
<b>Gross profit</b>	<b>278,033</b>	251,786	<b>1,100,835</b>	1,032,552
Selling, general and administrative expenses	185,290	223,939	721,065	726,001
<b>Income from operations</b>	<b>92,743</b>	27,847	<b>379,770</b>	306,551
Other income (deductions):				
Interest expense	(22,162)	(19,551)	(81,561)	(82,484)
Interest and other (expense), net	3,108	(6,298)	(827)	(6,031)
	(19,054)	(25,849)	(82,388)	(88,515)
Income before income taxes	73,689	1,998	297,382	218,036
Income taxes	24,607	13,848	101,110	87,886
<b>Net income</b>	<b>\$ 49,082</b>	\$ (11,850)	<b>\$ 196,272</b>	\$ 130,150
<b>Earnings per share:</b>				
Basic earnings per share	\$ .42	\$ (.10)	\$ 1.69	\$ 1.13
Diluted earnings per share	\$ .42	\$ (.10)	\$ 1.68	\$ 1.12
Average shares outstanding during period—Basic	116,509,222	115,954,864	116,381,880	115,408,872
Average shares outstanding during period—Diluted	116,961,265	116,589,133	116,894,506	116,060,719
Cash dividends per common share	\$ .19	\$ .18	\$ .74	\$ .72

**BUSINESS SEGMENT INFORMATION BY INDUSTRY**

(Dollars in thousands)	Three Months Ended June 30,		Year Ended June 30,	
	2003	2002	2003	2002
<b>Net sales</b>				
Industrial:				
North America	\$ 716,086	\$ 768,368	\$ 2,840,628	\$ 2,792,315
International	428,429	366,203	1,584,443	1,278,694
Aerospace	276,825	286,807	1,109,566	1,172,608
Climate & Industrial Controls	181,356	185,408	665,629	612,533
Other	57,965	50,807	210,344	292,972
<b>Total</b>	<b>\$1,660,661</b>	\$1,657,593	<b>\$6,410,610</b>	\$6,149,122
<b>Segment operating income</b>				
Industrial:				
North America	\$ 34,624	\$ 39,184	\$ 155,258	\$ 141,315
International	23,482	10,560	96,301	60,721
Aerospace	33,971	37,333	157,295	189,353
Climate & Industrial Controls	19,055	16,912	63,441	47,980
Other	4,642	(7,048)	11,584	6,663
<b>Total segment operating income</b>	<b>\$ 115,774</b>	\$ 96,941	<b>\$ 483,879</b>	\$ 446,032
Corporate general and administrative expenses	17,992	23,172	80,147	73,335
<b>Income from operations before interest expense and other</b>	<b>97,782</b>	73,769	<b>403,732</b>	372,697
Interest expense	22,162	19,551	81,561	82,484
Other expense (income)	1,931	52,220	24,789	72,177
<b>Income before income taxes</b>	<b>\$ 73,689</b>	\$ 1,998	<b>\$ 297,382</b>	\$ 218,036

Note: Certain prior period amounts have been reclassified to conform to the current year presentation.

PARKER HANNIFIN CORPORATION—JUNE 30, 2003

CONSOLIDATED BALANCE SHEET

(Dollars in thousands)	June 30,	2003	2002
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents		\$ 245,850	\$ 46,384
Accounts receivable, net		1,002,060	1,006,313
Inventories		997,167	1,051,968
Prepaid expenses		51,949	48,532
Deferred income taxes		99,781	82,421
<b>Total current assets</b>		<b>2,396,807</b>	<b>2,235,618</b>
Plant and equipment, net		1,657,425	1,696,965
Goodwill		1,108,610	1,083,768
Intangible assets, net		59,444	51,286
Other assets		763,347	684,946
<b>Total assets</b>		<b>\$ 5,985,633</b>	<b>\$ 5,752,583</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities:</b>			
Notes payable		\$ 424,235	\$ 416,693
Accounts payable		437,103	443,525
Accrued liabilities		497,295	451,310
Accrued domestic and foreign taxes		65,094	48,309
<b>Total current liabilities</b>		<b>1,423,727</b>	<b>1,359,837</b>
Long-term debt		966,332	1,088,883
Pensions and other postretirement benefits		920,420	508,313
Deferred income taxes		20,780	76,955
Other liabilities		133,463	135,079
Shareholders' equity		2,520,911	2,583,516
<b>Total liabilities and shareholders' equity</b>		<b>\$ 5,985,633</b>	<b>\$ 5,752,583</b>

CONSOLIDATED STATEMENT OF CASH FLOWS

(Dollars in thousands)	Year Ended June 30,	
	2003	2002
<b>Cash flows from operating activities:</b>		
Net income	\$ 196,272	\$ 130,150
Depreciation and amortization	259,178	281,598
Net change in receivables, inventories, and trade payables	140,625	171,078
Net change in other assets and liabilities	(66,397)	1,371
Other, net	27,811	46,849
<b>Net cash provided by operating activities</b>	<b>557,489</b>	<b>631,046</b>
<b>Cash flows from investing activities:</b>		
Acquisitions (less cash acquired of \$196 in 2003 and \$3,118 in 2002)	(16,648)	(388,315)
Capital expenditures	(158,260)	(206,564)
Other, net	37,723	(13,839)
<b>Net cash (used in) investing activities</b>	<b>(137,185)</b>	<b>(608,718)</b>
<b>Cash flows from financing activities:</b>		
Net proceeds from common share activity	9,386	20,250
Net (payments of) proceeds from debt	(145,764)	61,711
Dividends	(85,833)	(82,838)
<b>Net cash (used in) financing activities</b>	<b>(222,211)</b>	<b>(877)</b>
Effect of exchange rate changes on cash	1,373	1,368
Net increase in cash and cash equivalents	199,466	22,819
Cash and cash equivalents at beginning of period	46,384	23,565
<b>Cash and cash equivalents at end of period</b>	<b>\$ 245,850</b>	<b>\$ 46,384</b>
<b>Non-cash transactions:</b>		
Stock issued for acquisitions		\$ 13,081



# FY 2004 Outlook Business Segment

## ➤ Sales Growth versus FY 2003

➤ Industrial North America	2.0%	to	5.0%
➤ Industrial ROW	5.0%	to	8.0%
➤ Aerospace	-8.0%	to	-5.0%
➤ Climate & Industrial Controls	-3.0%	to	0.0%
➤ Other	2.0%	to	5.0%

anything **Parsons**  
Possible.

# FY 2004 Outlook Business Segment



➤ Operating Income change versus FY 2003

➤ Industrial North America	20.0%	to	30.0%
➤ Industrial ROW	20.0%	to	30.0%
➤ Aerospace	-30.0%	to	-15.0%
➤ Climate & Industrial Controls	0.0%	to	10.0%
➤ Other	10.0%	to	20.0%

anything **Parsons**  
Possible.

# ***FY 2004 Outlook Business Segment***

- Corporate Admin. + or - 5% vs. FY 2003
- Interest Expense + or - 5% vs. FY 2003
- Other same as FY 2003
- Tax Rate 34.5%

---



***FY 2004 Outlook***  
***1<sup>st</sup> Quarter***

- EPS will be 20% to 30% below 1st quarter of FY 2003



PH  
LISTED  
NYSE

# ***Parker Hannifin Corporation***

Quarterly Earnings Release  
4<sup>th</sup> Quarter FY 2003

July 29, 2003

anything  Possible.



# ***Forward Looking Statements***

## ***Forward-Looking Statements:***

Forward-looking statements contained in this and other written and oral reports are made based on known events and circumstances at the time of release, and as such, are subject in the future to unforeseen uncertainties and risks. All statements regarding future performance, earnings projections, events or developments are forward-looking statements. It is possible that the future performance and earnings projections of the company and individual segments may differ materially from current expectations, depending on economic conditions within both its industrial and aerospace markets, and the company's ability to achieve anticipated benefits associated with announced realignment activities, strategic initiatives to improve operating margins, and growth initiatives. A change in economic conditions in individual markets may have a particularly volatile effect on segment projections. Among the other factors which may affect future performance are: changes in business relationships with and purchases by or from major customers or suppliers, including delays or cancellations in shipments; uncertainties surrounding timing, successful completion or integration of acquisitions; threats associated with and efforts to combat terrorism; competitive market conditions and resulting effects on sales and pricing; increases in raw-material costs that cannot be recovered in product pricing; and global economic factors, including currency exchange rates, difficulties entering new markets and general economic conditions such as interest rates. The company makes these statements as of the date of this disclosure, and undertakes no obligation to update them.



# *Today's Agenda*

- EPS
- Acquisition/Divestiture Update
- Financial Results
- Fiscal Year 2004 Outlook
- Questions & Answers

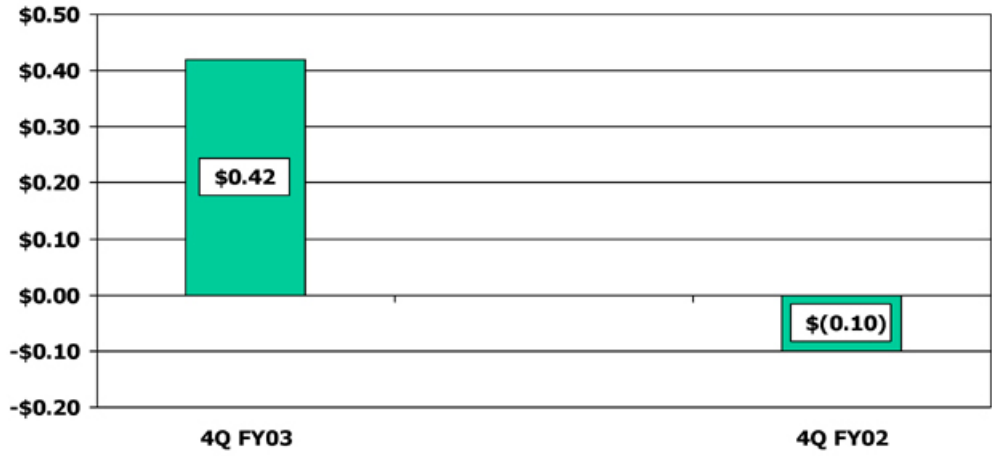


## ***Non-GAAP Financial Measure***

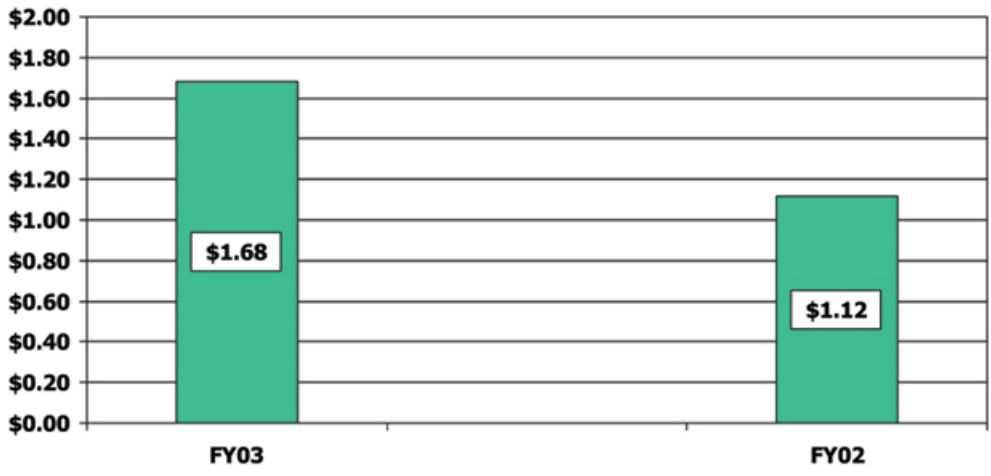
This presentation reconciles sales amounts reported in accordance with U.S. GAAP to sales amounts adjusted to remove the effects of acquisitions and divestitures made within the prior four quarters as well as the effects of currency exchange rates on sales. The effects of acquisitions and divestitures and currency exchange rates are removed to allow investors and the company to meaningfully evaluate changes in sales on a comparable basis from period to period.



# EPS - 4<sup>th</sup> Quarter



*Note: 4Q FY03 EPS was reduced by \$0.06 for business realignment charges, offset by a \$0.04 gain on the sale of a non-core business. 4Q FY02 EPS was reduced by \$0.12 for business realignment charges and \$0.32 for goodwill impairment.*



*Note: FY03 EPS was reduced by \$0.14 for business realignment charges and \$0.02 for an equity investment adjustment, offset by a \$0.04 gain on the sale of a non-core business. FY02 EPS was reduced by \$0.21 for business realignment charges, \$0.04 for an equity investment adjustment, and \$0.32 for goodwill impairment.*



# Acquisitions/Divestitures

<u>Name</u>	<u>Date</u>	<u>Sales</u>	<u>Description</u>
Acquisitions: MTS Automation	Apr 11, 2003	\$25.5M	Custom motor business
Divestitures: UAP Division	Jun 2, 2003	\$20.0 M	sold to Triumph Group

anything  Possible.



# Sales – 4<sup>th</sup> Quarter

	FY 2003	FY 2002
Sales	\$1,660.7	\$1,657.6
% change	0.2%	
Sales from acquisitions & divestitures	\$11.8	\$1.8
Sales without acquisitions & divestitures	\$1,648.9	\$1,655.8
% change	-0.4%	
Currency effects	\$69.4	
Sales without acquisitions, divestitures & currency	\$1,579.5	\$1,655.8
% change	-4.6%	

anything **Darker**  
Possible.

# Income Statement – 4<sup>th</sup> Quarter

FY 2003

FY 2002

	FY 2003				FY 2002			
		% of Sales	Business Realignment & Equity Adj.	Divestiture		% of Sales	Business Realignment & Equity Adj.	
Net sales	\$1,660.7	100.0%			\$1,657.6	100.0%		
Cost of sales	1,382.6	83.3%	\$6.5	\$0.0	1,405.8	84.8%	\$9.5	
Gross profit	278.1	16.7%	(6.5)	0.0	251.8	15.2%	(9.5)	
S, G & A	185.3	11.2%	0.0	0.0	184.4	11.1%	2.2	
Goodwill impairment loss	0.0	0.0%	0.0	0.0	39.5	2.4%	0.0	
Other income (deductions)								
Interest expense	(22.2)	-1.3%	0.0	0.0	(19.6)	-1.2%	0.0	
Interest & other income	3.1	0.2%	(3.5)	7.4	(6.3)	-0.4%	(9.4)	
	(19.1)	-1.2%	(3.5)	7.4	(25.9)	-1.6%	(9.4)	
Income before taxes	73.7	4.4%	(10.0)	7.4	2.0	0.1%	(21.1)	
Income taxes	24.6	1.5%	(3.5)	2.8	13.8	0.8%	(7.3)	
Net income	\$49.1	3.0%	(\$6.5)	\$4.6	(\$11.8)	-0.7%	(\$13.8)	

\* Business realignment primarily includes severance costs and costs related to the consolidation of manufacturing product lines.

anything **Dark**  
Possible.



	<u>FY 2003</u>	<u>FY 2002</u>
Sales	\$6,410.6	\$6,149.1
% change	4.3%	
Sales from acquisitions & divestitures	\$216.8	\$85.8
Sales without acquisitions & divestitures	\$6,193.8	\$6,063.3
% change	2.2%	
Currency effects	\$192.1	
Sales without acquisitions, divestitures & currency	\$6,001.7	\$6,063.3
% change	-1.0%	

anything **Darker**  
Possible.

# Income Statement – YTD

	FY 2003				FY 2002			
		% of Sales	Business Realignment & Equity Adj.	Divestiture		% of Sales	Business Realignment & Equity Adj.	
Net sales	\$6,410.6	100.0%			\$6,149.1	100.0%		
Cost of sales	5,309.8	82.8%	\$20.1	\$0.0	5,116.5	83.2%	\$24.0	
Gross profit	1,100.8	17.2%	(20.1)	0.0	1,032.6	16.8%	(24.0)	
S, G & A	721.1	11.2%	3.6	0.0	686.5	11.2%	9.0	
Goodwill impairment loss	0.0	0.0%	0.0	0.0	39.5	0.6%	0.0	
Other income (deductions)								
Interest expense	(81.5)	-1.3%	0.0	0.0	(82.5)	-1.3%	0.0	
Interest & other income	(0.8)	0.0%	(3.5)	7.4	(6.0)	-0.1%	(9.3)	
	(82.3)	-1.3%	(3.5)	7.4	(88.5)	-1.4%	(9.3)	
Income before taxes	297.4	4.6%	(27.2)	7.4	218.1	3.5%	(42.3)	
Income taxes	101.1	1.6%	(8.4)	2.8	87.9	1.4%	(12.9)	
Net income	\$196.3	3.1%	(\$18.8)	\$4.6	\$130.2	2.1%	(\$29.4)	

\* Business realignment primarily includes severance costs and costs related to the consolidation of manufacturing product lines.

# Industrial North America

	FY 2003		FY 2002	
	4th Qtr	YTD	4th Qtr	YTD
Sales				
As reported	\$716.1	\$2,840.6	\$768.4	\$2,792.3
% change	-6.8%	1.7%		
Acquisitions	\$6.7	\$96.8	\$0.0	\$0.0
without Acquisitions	\$709.4	\$2,743.8	\$768.4	\$2,792.3
% change	-7.7%	-1.7%		
Currency effects	\$2.7	\$0.0	\$0.0	\$0.0
without Acquisitions & Currency	\$706.7	\$2,743.8	\$768.4	\$2,792.3
% change	-8.0%	-1.7%		
Operating margin				
As reported	\$34.6	\$155.3	\$39.2	\$141.3
% of sales	4.8%	5.5%	5.1%	5.1%
Business Realignment	\$3.1	\$8.3	\$2.6	\$8.9

anything **Smarter**  
Possible.

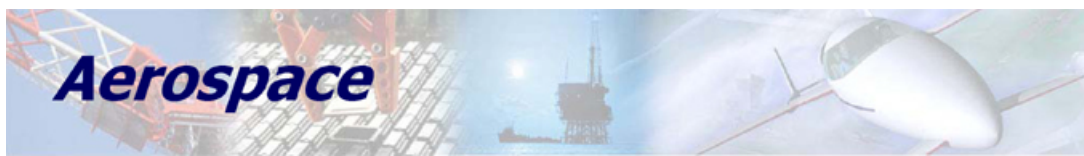


# Industrial R.O.W.



	FY 2003		FY 2002	
	4th Qtr	YTD	4th Qtr	YTD
<b>Sales</b>				
As reported	\$428.4	\$1,584.4	\$366.2	\$1,278.7
% change	17.0%	23.9%		
Acquisitions	\$5.1	\$100.2	\$0.0	\$0.0
without Acquisitions	\$423.3	\$1,484.2	\$366.2	\$1,278.7
% change	15.6%	16.1%		
Currency effects	\$52.7	\$151.9	\$0.0	\$0.0
without Acquisitions & Currency	\$370.6	\$1,332.3	\$366.2	\$1,278.7
% change	1.2%	4.2%		
<b>Operating margin</b>				
As reported	\$23.5	\$96.3	\$10.6	\$60.7
% of sales	5.5%	6.1%	2.9%	4.7%
Business Realignment	\$1.8	\$7.9	\$3.7	\$12.3

anything  Possible.



# Aerospace

	FY 2003		FY 2002	
	4th Qtr	YTD	4th Qtr	YTD
<b>Sales</b>				
As reported	\$276.8	\$1,109.6	\$286.8	\$1,172.6
% change	-3.5%	-5.4%		
Acquisitions	\$0.0	\$0.0	\$0.0	\$0.0
without Acquisitions	\$276.8	\$1,109.6	\$286.8	\$1,172.6
% change	-3.5%	-5.4%		
Currency effects	\$1.9	\$6.4	\$0.0	\$0.0
without Acquisition & Currency	\$274.9	\$1,103.2	\$286.8	\$1,172.6
% change	-4.1%	-5.9%		
<b>Operating margin</b>				
As reported	\$34.0	\$157.3	\$37.3	\$189.4
% of sales	12.3%	14.2%	13.0%	16.2%
Business Realignment	\$1.4	\$2.5	\$1.1	\$4.7

anything  Possible.

# Climate & Industrial Controls

	FY 2003		FY 2002	
	4th Qtr	YTD	4th Qtr	YTD
<b>Sales</b>				
As reported	\$181.4	\$665.6	\$185.4	\$612.5
% change	-2.2%	8.7%		
Acquisitions	\$0.0	\$19.8	\$0.0	\$0.0
without Acquisitions	\$181.4	\$645.8	\$185.4	\$612.5
% change	-2.2%	5.4%		
Currency effects	\$4.0	\$10.9	\$0.0	\$0.0
without Acquisitions & Currency	\$177.4	\$634.9	\$185.4	\$612.5
% change	-4.3%	3.7%		
<b>Operating margin</b>				
As reported	\$19.1	\$63.4	\$16.9	\$48.0
% of sales	10.5%	9.5%	9.1%	7.8%
Business Realignment	\$0.3	\$1.2	\$2.3	\$2.3

anything  Possible.



	FY 2003		FY 2002	
	4th Qtr	YTD	4th Qtr	YTD
<b>Sales</b>				
As reported	\$57.9	\$210.3	\$50.8	\$293.0
% change	14.0%	-28.2%		
Acquisitions & divestitures	\$0.0	\$0.0	\$1.8	\$85.8
without acquisitions & divestitures	\$57.9	\$210.3	\$49.0	\$207.2
% change	18.2%	1.5%		
Currency effects	\$8.0	\$22.7	\$0.0	\$0.0
without acquisitions, divestitures & currency	\$49.9	\$187.6	\$49.0	\$207.2
% change	1.8%	-9.5%		
<b>Operating margin</b>				
As reported	\$4.6	\$11.6	(\$7.0)	\$6.7
% of sales	7.9%	5.5%	-13.9%	2.3%
Business Realignment	\$0.0	\$1.3	\$2.0	\$4.7
Divestitures			(\$0.3)	(\$5.3)

# Business Segment Summary

## Operating Income Margins

	<u>FY 2003</u>	<u>FY 2002</u>
Industrial North America	5.5%	5.1%
Industrial ROW	6.1%	4.7%
Aerospace	14.2%	16.1%
Climate & Industrial Controls	9.5%	7.8%
Other	5.5%	2.3%
Total	7.5%	7.3%

***Increased operating margin 20 bps despite flat sales, Aerospace decline and \$60 million increase in pension, insurance and medical.***

anything **Parisk**  
Possible.

# Balance Sheet Assets

as of June 30

**Assets:**

Current Assets:

Cash and cash equivalents  
 Accounts receivable, net  
 Inventories  
 Prepaid expenses  
 Deferred income taxes

**Total current assets**

Plant & equipment, net  
 Goodwill  
 Intangible assets, net  
 Other assets

**Total assets**

	<u>2003</u>	<u>2002</u>	<u>Change</u>
	\$ 245.8	\$ 46.4	\$ 199.4
	1,002.1	1,006.3	(4.2)
	997.2	1,052.0	(54.8)
	51.9	48.5	3.4
	99.8	82.4	17.4
	<u>\$ 2,396.8</u>	<u>\$ 2,235.6</u>	<u>\$ 161.2</u>
	1,657.4	1,697.0	(39.6)
	1,108.6	1,083.8	24.8
	59.4	51.3	8.1
	763.4	684.9	78.5
	<u>\$ 5,985.6</u>	<u>\$ 5,752.6</u>	<u>\$ 233.0</u>

anything **Parker**  
Possible.

# Balance Sheet

## Liabilities & Shareholders' Equity

as of June 30

	<u>2003</u>	<u>2002</u>	<u>Change</u>
<b>Liabilities and shareholders' equity</b>			
Current liabilities:			
Notes payable	\$ 424.2	\$ 416.7	\$ 7.5
Accounts payable	437.1	443.5	(6.4)
Accrued liabilities	497.3	451.3	46.0
Accrued domestic and foreign taxes	65.1	48.3	16.8
<b>Total current liabilities</b>	<b>\$ 1,423.7</b>	<b>\$ 1,359.8</b>	<b>\$ 63.9</b>
Long-term debt	966.3	1,088.9	(122.6)
Pension and other postretirement benefits	920.4	508.3	412.1
Deferred income taxes	20.8	77.0	(56.2)
Other liabilities	133.5	135.1	(1.6)
Shareholders' equity	2,520.9	2,583.5	(62.6)
<b>Total liabilities and shareholders' equity</b>	<b>\$ 5,985.6</b>	<b>\$ 5,752.6</b>	<b>\$ 233.0</b>

anything **Parisk**  
Possible.

# Statement of Cash Flows

for the years ended June 30

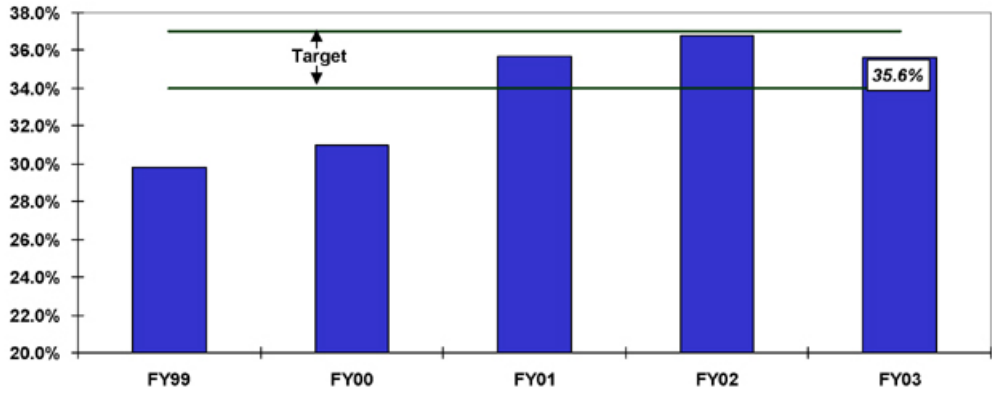
	<b>2003</b>	<b>2002</b>
Net income	\$ 196.3	\$ 130.2
Depreciation & amortization	259.2	281.6
Net change in receivables, inventory & payables	140.5	171.1
Net change in other assets & liabilities	(66.4)	1.4
Other, net	27.9	46.7
<b>Net cash provided by operating activities</b>	<b>\$ 557.5</b>	<b>\$ 631.0</b>
Acquisitions	\$ (16.6)	\$ (388.3)
Capital expenditures	(158.3)	(206.6)
Other	37.7	(13.8)
<b>Net cash used in investing activities</b>	<b>\$ (137.2)</b>	<b>\$ (608.7)</b>
Common share activity	\$ 9.4	\$ 20.2
(Payments of) proceeds from debt, net	(145.8)	61.7
Dividends	(85.8)	(82.8)
<b>Net cash (used in) provided by financing activities</b>	<b>\$ (222.2)</b>	<b>\$ (0.9)</b>
Effect of exchange rate changes on cash	1.4	1.4
<b>Net increase in cash and cash equivalents</b>	<b>\$ 199.5</b>	<b>\$ 22.8</b>

anything **Parker**  
Possible.



# Financial Leverage

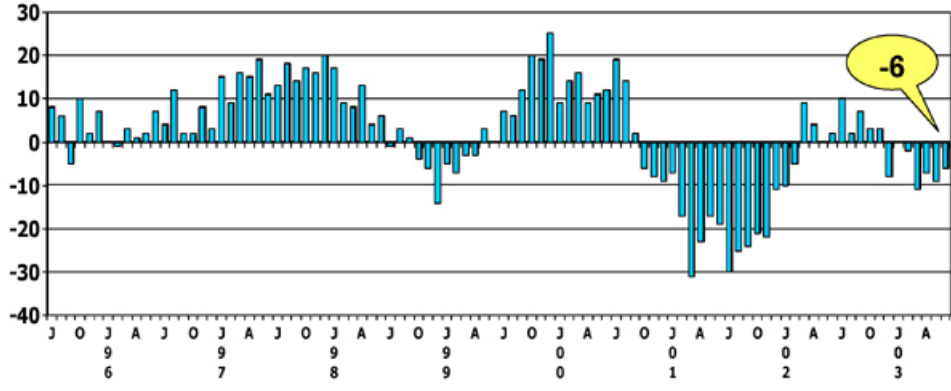
Debt to Debt Equity



anything **Parker** Possible.



North America

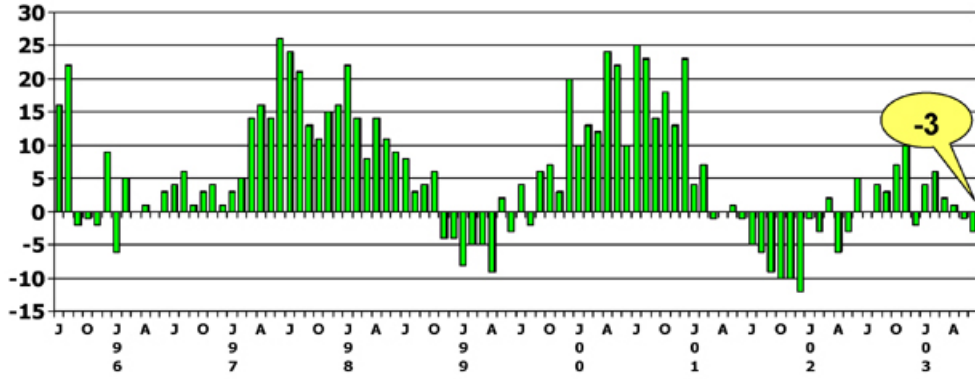


Current month vs. prior year





R.O.W.

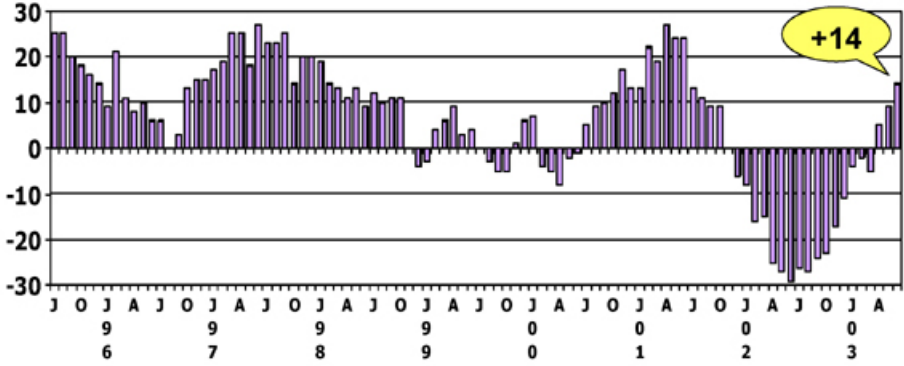


Current month vs. prior year

anything **Parker**  
Possible.



Aerospace



Average last 12 months orders to previous 12 months orders



# FY 2004 Outlook Business Segment



➤ Sales Growth versus FY 2003

➤ Industrial North America	2.0%	to	5.0%
➤ Industrial ROW	5.0%	to	8.0%
➤ Aerospace	-8.0%	to	-5.0%
➤ Climate & Industrial Controls	-3.0%	to	0.0%
➤ Other	2.0%	to	5.0%

anything **Parsons**  
Possible.

# **FY 2004 Outlook Business Segment**



➤ Operating Income change versus FY 2003

➤ Industrial North America	20.0%	to	30.0%
➤ Industrial ROW	20.0%	to	30.0%
➤ Aerospace	-30.0%	to	-15.0%
➤ Climate & Industrial Controls	0.0%	to	10.0%
➤ Other	10.0%	to	20.0%

anything **Dark**  
Possible.

# ***FY 2004 Outlook Business Segment***

- Corporate Admin. + or - 5% vs. FY 2003
- Interest Expense + or - 5% vs. FY 2003
- Other same as FY 2003
- Tax Rate 34.5%

---



# ***FY 2004 Outlook***

## ***1<sup>st</sup> Quarter***

- EPS will be 20% to 30% below 1st quarter of FY 2003





anything  Possible.™

anything  Possible.