
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): January 18, 2006

PARKER-HANNIFIN CORPORATION

(Exact Name of Registrant as Specified in Charter)

Ohio
(State or Other Jurisdiction
of Incorporation)

1-4982
(Commission
File Number)

34-0451060
(IRS Employer
Identification No.)

6035 Parkland Blvd.
Cleveland, Ohio
(Address of Principal Executive Offices)

44124-4141
(Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Item 2.02 Results of Operations and Financial Condition**Item 7.01 Regulation FD Disclosure**

The following information is furnished pursuant to Item 2.02, "Results of Operations and Financial Condition" and Item 7.01, "Regulation FD Disclosure"

On January 18, 2006, Parker-Hannifin Corporation issued a press release and presented a Webcast announcing earnings for the quarter ended December 31, 2005. A copy of the press release is furnished as Exhibit 99.1 to this report. The press release contains references to earnings per share amounts excluding the effect of both the adoption of FAS 123R and a loss recognized on the sale of a division. The removal of both the FAS 123R effect and the loss on the sale of a division allows investors and the company to meaningfully evaluate performance on a comparable basis with the prior period, which was not impacted by FAS 123R or the sale of a division. A copy of the Webcast presentation is furnished as Exhibit 99.2 to this report.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits:

- 99.1 Press release issued by Parker-Hannifin Corporation, dated January 18, 2006.
- 99.2 Webcast presentation by Parker-Hannifin Corporation, dated January 18, 2006.

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, hereunto duly authorized.

PARKER-HANNIFIN CORPORATION

By: /s/ TIMOTHY K. PISTELL
 Timothy K. Pistell
 Executive Vice President - Finance and Administration and Chief Financial
 Officer

Date: January 18, 2006



For Release: Immediately

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Stock Symbol: PH – NYSE

Parker Hannifin Reports Record Sales, Income from Continuing Operations, and Cash Flow From Operations

CLEVELAND, January 18, 2006 – Parker Hannifin Corporation (NYSE: PH) today reported second quarter records in sales, income from continuing operations, and cash flow from operations. For the second quarter of fiscal-year 2006, sales were \$2.2 billion, up 13 percent, as compared to sales of \$1.9 billion from the same period last year.

Income from continuing operations in the second quarter of fiscal 2006 was \$1.07 per diluted share, compared to 91 cents in the prior year. The current quarter includes a loss of 8 cents per diluted share resulting from the divestiture of the Thermoplastics division on December 21, 2005, and an expense of 3 cents per diluted share related to FAS 123R, which requires the expensing of equity-based compensation. Before the impact of the Thermoplastics divestiture and FAS 123R, income from continuing operations in the second quarter was \$1.18 per diluted share.

“The strong sales and income growth over last year’s record second quarter results keeps us solidly on track for another record year in fiscal 2006,” said Chairman and CEO Don

Washkewicz. “Parker employees across the world continue to execute our Win Strategy, which is providing very clear and positive results in premier customer service, improved operating margins, record cash flows, and profitable growth.”

Second Quarter Segment Results

In the North American Industrial segment, second quarter operating income improved 30.4 percent over the prior year to \$130.2 million, on sales of \$929.7 million.

The International Industrial segment second quarter operating income increased 10.5 percent over the prior year to \$68.1 million, on sales of \$676.5 million.

In the company’s Climate & Industrial Controls segment, second quarter operating income increased 11.3 percent over the prior year to \$9.9 million, on sales of \$206.0 million.

The Aerospace segment reported a second quarter decline in operating income of 4.5 percent over the prior year to \$47.3 million, on sales of \$345.3 million.

The expense in the current quarter related to the adoption of FAS 123R, and the loss related to the divestiture of Thermoplastics, are included in “Other Expense” for segment reporting purposes, and are not included in the operating segment results.

Fiscal Year to Date Results

For the first six months of fiscal-year 2006, sales were \$4.27 billion, up 12.9 percent, as compared to sales of \$3.78 billion from the same period last year. Income from continuing operations for the first six months of fiscal 2006 was \$2.27 per diluted share, up 16 percent over the same period in the prior year.

Cash flow from operations reached a first half record \$429.5 million, or 10.1 percent of sales, surpassing \$354.4 million in the same period last year, or 9.4 percent of sales.

“We are especially pleased with our ability to generate record levels of cash, with cash flow from operations as a percentage of sales reaching double digits,” added Washkewicz. “Our focus on improving cash flow was recently recognized by Barron’s magazine, which identified Parker as one of the top 50 companies in North America with a strong record of free-cash flow growth.”

The following is a summary of earnings per diluted share for the second quarter and the first six months:

| | Second Quarter | | First Six Months | |
|--|----------------|---------|------------------|---------|
| | FY 2006 | FY 2005 | FY 2006 | FY 2005 |
| EPS as Reported | \$ 1.07 | \$ 1.41 | \$ 2.51 | \$ 2.52 |
| Discontinued Operations | — | \$ 0.50 | \$ 0.24 | \$ 0.56 |
| EPS from Continuing Operations as Reported | \$ 1.07 | \$ 0.91 | \$ 2.27 | \$ 1.96 |
| Loss on Sale of Thermoplastics | \$ 0.08 | — | \$ 0.08 | — |
| FAS 123R Expense | \$ 0.03 | — | \$ 0.13 | — |
| EPS from Continuing Operations Adjusted | \$ 1.18 | \$ 0.91 | \$ 2.48 | \$ 1.96 |

The company continues to expect total FAS 123R expense for equity-based compensation in fiscal 2006 of approximately 20 cents per diluted share, which includes the 13 cents per diluted share expense already incurred fiscal year to date.

Other Highlights

“As part of our Win Strategy, we have set a goal to grow the company on an organic basis by at least 5 percent each year, and 10 percent overall,” said Washkewicz. “I am very pleased to report that of our 13.2 percent growth in the quarter, more than half came from organic growth. Our focus on serving the customer, providing systems solutions, and getting products to customers where and when they need it through our global network of distributors is helping to drive sales growth with current and new customers.”

Washkewicz continued, “Our growth from acquiring new businesses for the Parker portfolio is the other half of our growth story. Investing in our industry through acquisitions this quarter has added over \$490 million in annual revenues to our company. We’re especially excited over our recent acquisition of Domnick Hunter, headquartered in the UK. The combination creates a powerful array of filtration, separation, and purification solutions, extending our customer reach in Europe and North America through the complementary products, and similar cultures, of our two organizations.”

Outlook

The company has narrowed the range of its annual guidance by raising the lower end of the range. The following table summarizes the company's annual earnings guidance, including the loss of 8 cents per diluted share from the divestiture of the Thermoplastics division:

| | Annual EPS Guidance | |
|--|---------------------|---------|
| | Low | High |
| Previous guidance, income from continuing operations | \$ 4.85 | \$ 5.30 |
| Revised guidance, income from continuing operations, including loss from divestiture | \$ 4.97 | \$ 5.22 |
| Revised guidance, income from continuing operations, excluding loss from divestiture | \$ 5.05 | \$ 5.30 |

“Parker’s current quarter’s results and the strong order increases we have recently seen, reinforce our optimistic outlook for the remainder of the year,” added Washkewicz. “We have effectively raised our guidance for the fiscal year. The diversity of the markets we serve remains a strength, enabling us to mitigate temporary swings in individual business sectors. Our unrivaled distribution network extends our brand of premier customer service to our customers in every region of the world, and our breadth of product continues to provide customers with systems solutions. In addition, we continue to add value through the fast and efficient integration of the companies we have recently acquired, while maintaining the strong balance sheet to invest with purpose and discipline in other motion and control businesses and innovative technologies. The foundation of our success rests upon the diverse talents of the 50,000 Parker employees from around the world.”

In addition to this information, 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.

NOTICE OF CONFERENCE CALL: Parker Hannifin’s conference call and slide presentation to discuss its fiscal second-quarter results is available to all interested parties via live webcast today at 10:00 a.m. ET, on the company’s investor information web site, www.phstock.com. To access the call, click on the “Live Webcast” link. From this

link, users also may complete a pre-call system test and register for e-mail notification of future events and information available from Parker.

With annual sales exceeding \$8 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 50,000 people in 46 countries around the world. Parker has increased its annual dividends paid to shareholders for 49 consecutive years, among the top five longest-running dividend-increase records in the S&P 500 index. For more information, visit the company's web site at www.parker.com, or its investor information site at www.phstock.com.

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 and innovation initiatives. A change in economic conditions in individual markets may have a particularly volatile effect on segment results. 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; the company's ability to manage costs related to employee retirement and health care benefits and insurance; and global economic factors, including manufacturing activity, air travel trends, currency exchange rates, difficulties entering new markets and general economic conditions such as inflation and interest rates. The company makes these statements as of the date of this disclosure, and undertakes no obligation to update them.

PARKER HANNIFIN CORPORATION - DECEMBER 31, 2005

CONSOLIDATED STATEMENT OF INCOME

(Unaudited)

| (Dollars in thousands except per share amounts) | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|------------------------------------|---------------------|----------------------------------|---------------------|
| | 2005 | 2004 | 2005 | 2004 |
| Net sales | \$ 2,157,537 | \$ 1,905,931 | \$ 4,271,088 | \$ 3,783,846 |
| Cost of sales | 1,705,683 | 1,516,905 | 3,361,436 | 2,994,599 |
| Gross profit | 451,854 | 389,026 | 909,652 | 789,247 |
| Selling, general and administrative expenses | 245,845 | 217,856 | 482,859 | 412,252 |
| Interest expense | 19,587 | 17,236 | 36,058 | 33,415 |
| Other expense (income), net | 10,898 | (1,433) | 11,171 | 9,542 |
| Income from continuing operations before income taxes | 175,524 | 155,367 | 379,564 | 334,038 |
| Income taxes | 46,500 | 44,954 | 106,692 | 97,589 |
| Income from continuing operations | 129,024 | 110,413 | 272,872 | 236,449 |
| Discontinued operations | | 60,714 | 28,884 | 67,461 |
| Net income | \$ 129,024 | \$ 171,127 | \$ 301,756 | \$ 303,910 |
| Earnings per share: | | | | |
| Basic earnings per share from continuing operations | \$ 1.09 | \$.93 | \$ 2.30 | \$ 1.99 |
| Discontinued operations | — | .51 | .24 | .57 |
| Basic earnings per share | \$ 1.09 | \$ 1.44 | \$ 2.54 | \$ 2.56 |
| Diluted earnings per share from continuing operations | \$ 1.07 | \$.91 | \$ 2.27 | \$ 1.96 |
| Discontinued operations | | .50 | .24 | .56 |
| Diluted earnings per share | \$ 1.07 | \$ 1.41 | \$ 2.51 | \$ 2.52 |
| Average shares outstanding during period - Basic | 118,821,006 | 118,899,161 | 118,851,843 | 118,593,863 |
| Average shares outstanding during period - Diluted | 120,324,168 | 121,122,955 | 120,385,768 | 120,417,493 |
| Cash dividends per common share | \$.23 | \$.19 | \$.46 | \$.38 |

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

BUSINESS SEGMENT INFORMATION BY INDUSTRY

(Unaudited)

| (Dollars in thousands) | Three Months Ended December 31, | | Six Months Ended December 31, | |
|--|------------------------------------|---------------------|----------------------------------|---------------------|
| | 2005 | 2004 | 2005 | 2004 |
| Net sales | | | | |
| Industrial: | | | | |
| North America | \$ 929,734 | \$ 819,243 | \$ 1,858,965 | \$ 1,651,581 |
| International | 676,526 | 583,221 | 1,297,290 | 1,132,194 |
| Aerospace | 345,274 | 326,961 | 694,081 | 658,095 |
| Climate & Industrial Controls | 206,003 | 176,506 | 420,752 | 341,976 |
| Total | \$ 2,157,537 | \$ 1,905,931 | \$ 4,271,088 | \$ 3,783,846 |
| Segment operating income | | | | |
| Industrial: | | | | |
| North America | \$ 130,230 | \$ 99,862 | \$ 267,360 | \$ 219,671 |
| International | 68,068 | 61,615 | 148,509 | 128,088 |
| Aerospace | 47,322 | 49,540 | 102,105 | 100,834 |
| Climate & Industrial Controls | 9,914 | 8,911 | 28,530 | 24,728 |
| Total segment operating income | \$ 255,534 | \$ 219,928 | \$ 546,504 | \$ 473,321 |
| Corporate general and administrative expenses | 28,489 | 30,563 | 57,316 | 55,869 |
| Income from continuing operations before interest expense and other | 227,045 | 189,365 | 489,188 | 417,452 |
| Interest expense | 19,587 | 17,236 | 36,058 | 33,415 |
| Other expense | 31,934 | 16,762 | 73,566 | 49,999 |
| Income from continuing operations before income taxes | \$ 175,524 | \$ 155,367 | \$ 379,564 | \$ 334,038 |

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

PARKER HANNIFIN CORPORATION - DECEMBER 31, 2005

CONSOLIDATED BALANCE SHEET

(Unaudited)

| (Dollars in thousands) | December 31, | |
|---|---------------------|---------------------|
| | 2005 | 2004 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 313,338 | \$ 116,861 |
| Accounts receivable, net | 1,250,448 | 1,141,327 |
| Inventories | 1,153,521 | 1,100,365 |
| Prepaid expenses | 51,953 | 41,838 |
| Deferred income taxes | 133,508 | 113,225 |
| Total current assets | 2,902,768 | 2,513,616 |
| Plant and equipment, net | 1,643,941 | 1,655,857 |
| Goodwill | 2,012,596 | 1,382,724 |
| Intangible assets, net | 428,632 | 205,085 |
| Other assets | 807,860 | 787,995 |
| Net assets of discontinued operations | | 93,447 |
| Total assets | \$ 7,795,797 | \$ 6,638,724 |
| Liabilities and shareholders' equity | | |
| Current liabilities: | | |
| Notes payable | \$ 534,423 | \$ 81,082 |
| Accounts payable | 584,347 | 471,217 |
| Accrued liabilities | 563,619 | 523,355 |
| Accrued domestic and foreign taxes | 64,496 | 94,375 |
| Total current liabilities | 1,746,885 | 1,170,029 |
| Long-term debt | 1,082,584 | 988,828 |
| Pensions and other postretirement benefits | 1,059,314 | 824,824 |
| Deferred income taxes | 96,894 | 82,514 |
| Other liabilities | 202,748 | 185,127 |
| Shareholders' equity | 3,607,372 | 3,387,402 |
| Total liabilities and shareholders' equity | \$ 7,795,797 | \$ 6,638,724 |

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

| (Dollars in thousands) | Six Months Ended December 31, | |
|---|----------------------------------|------------------|
| | 2005 | 2004 |
| Cash flows from operating activities: | | |
| Net income | \$ 301,756 | \$ 303,910 |
| Net (income) from discontinued operations | (28,884) | (67,461) |
| Depreciation and amortization | 136,678 | 131,108 |
| Stock-based compensation | 22,802 | — |
| Net change in receivables, inventories, and trade payables | 5,259 | 8,812 |
| Net change in other assets and liabilities | 4,778 | (30,314) |
| Other, net | (12,936) | 8,389 |
| Net cash provided by operating activities | 429,453 | 354,444 |
| Cash flows from investing activities: | | |
| Acquisitions (net of cash of \$17,013 in 2005 and \$2,522 in 2004) | (818,036) | (486,980) |
| Capital expenditures | (105,859) | (78,292) |
| Proceeds from sale of businesses | 92,715 | 120,000 |
| Other, net | 6,784 | 20,096 |
| Net cash (used in) investing activities | (824,396) | (425,176) |
| Cash flows from financing activities: | | |
| Net proceeds from common share activity | 1,813 | 20,255 |
| Net proceeds from debt | 434,796 | 42,886 |
| Dividends | (54,669) | (45,065) |
| Net cash provided by financing activities | 381,940 | 18,076 |
| Net cash (used in) operating activities of discontinued operations | (9,366) | (19,081) |
| Effect of exchange rate changes on cash | (373) | 4,751 |

| | | |
|---|--------------------------|--------------------------|
| Net (decrease) in cash and cash equivalents | (22,742) | (66,986) |
| Cash and cash equivalents at beginning of period | <u>336,080</u> | <u>183,847</u> |
| Cash and cash equivalents at end of period | <u>\$ 313,338</u> | <u>\$ 116,861</u> |

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



Parker Hannifin Corporation

Quarterly Earnings Release 2nd Quarter FY 2006

January 18, 2006



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 and innovation initiatives. A change in economic conditions in individual markets may have a particularly volatile effect on segment results. 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; the company's ability to manage costs related to employee retirement and health care benefits and insurance; and global economic factors, including manufacturing activity, air travel trends, currency exchange rates, difficulties entering new markets and general economic conditions such as inflation and interest rates. The company makes these statements as of the date of this disclosure, and undertakes no obligation to update them.

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 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.

This presentation contains references to earnings per share amounts excluding the effect of the adoption of FAS123R and/or a loss recognized on the sale of a division. The removal of both the FAS123R effect and the loss on the sale of a division allows investors and the company to meaningfully evaluate performance on a comparable basis with the prior period, which was not impacted by FAS123R or the sale of a division.

Discussion Agenda

- Financial Highlights
- Outlook
- Questions & Answers
- CEO Comments

Financial Highlights

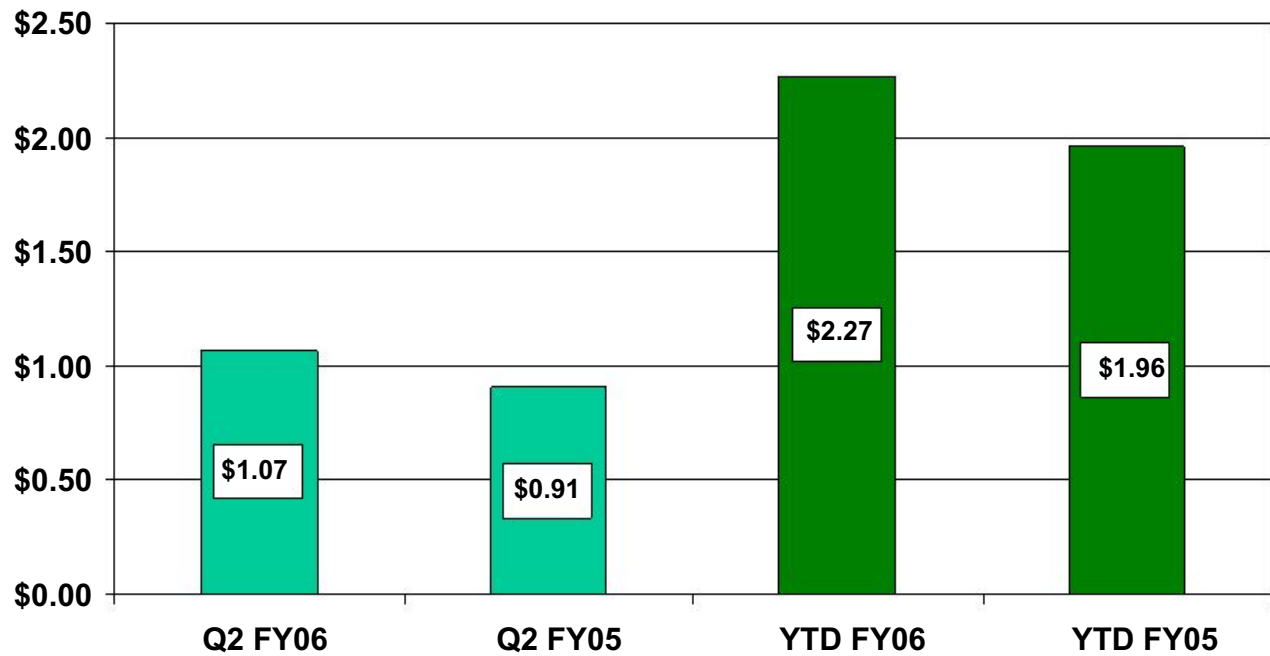
EPS – 2nd Quarter and YTD as of Dec 31st

| | Second Quarter | | First Six Months | |
|--|----------------|----------------|------------------|----------------|
| | <u>FY2006</u> | <u>FY2005</u> | <u>FY 2006</u> | <u>FY 2005</u> |
| EPS as Reported | \$ 1.07 | \$ 1.41 | \$ 2.51 | \$ 2.52 |
| Discontinued Operations | <u>-</u> | <u>0.50</u> | <u>0.24</u> | <u>0.56</u> |
| EPS from Continuing Operations as reported | \$ 1.07 | \$ 0.91 | \$ 2.27 | \$ 1.96 |
| Loss on Sale of Thermoplastics | 0.08 | - | 0.08 | - |
| FAS 123R expense | 0.03 | - | 0.13 | - |
| EPS from Continuing Operations Adjusted | <u>\$ 1.18</u> | <u>\$ 0.91</u> | <u>\$ 2.48</u> | <u>\$ 1.96</u> |

Financial Highlights

EPS from Continuing Operations

2nd Quarter and YTD as of Dec 31st



Influences on Earnings

- ◆ Increased Volume
- ◆ Win Strategy

- ◆ Restructuring/Move to Low Cost Countries
- ◆ Sales Mix – Aerospace

- ◆ Inventory Changes

Financial Highlights

Sales – 2nd Quarter and YTD through December 31

| | 2nd Quarter | | YTD | |
|---|-------------|---------|---------|---------|
| | FY06 | FY05 | FY06 | FY05 |
| Sales | \$2,158 | \$1,906 | \$4,271 | \$3,784 |
| % change | 13% | | 13% | |
| Sales from acquisitions & divestitures | \$162 | | \$298 | |
| Sales without acquisitions & divestitures | \$1,996 | \$1,906 | \$3,973 | \$3,784 |
| % change | 5% | | 5% | |
| Currency effects | (\$46) | | (\$30) | |
| Sales without acquisitions, divestitures & currency | \$2,042 | \$1,906 | \$4,003 | \$3,784 |
| % change | 7% | | 6% | |

Influences on Sales

- ◆ Continued Industrial End Market Strength
- ◆ Aerospace
 - ❖ Commercial OEM
- ◆ Globalization Trends
- ◆ Acquisitions

Segment Reporting

Industrial North America

| | FY2006 | | FY2005 | |
|---------------------------------|---------|---------|---------|---------|
| | 2nd Qtr | YTD | 2nd Qtr | YTD |
| Sales | | | | |
| As reported | \$930 | \$1,859 | \$819 | \$1,652 |
| % change | 13% | 13% | | |
| Acquisitions | \$65 | \$118 | | |
| without Acquisitions | \$865 | \$1,741 | \$819 | \$1,652 |
| % change | 6% | 5% | | |
| Currency effects | \$3 | \$7 | | |
| without Acquisitions & Currency | \$862 | \$1,734 | \$819 | \$1,652 |
| % change | 5% | 5% | | |
| Operating Margin | | | | |
| As reported | \$130 | \$267 | \$100 | \$220 |
| % of sales | 14% | 14% | 12% | 13% |

anything  Possible.

Segment Reporting

Industrial Rest of World

| | FY 2006 | | FY 2005 | |
|---------------------------------|---------|---------|---------|---------|
| | 2nd Qtr | YTD | 2nd Qtr | YTD |
| Sales | | | | |
| As reported | \$677 | \$1,297 | \$583 | \$1,132 |
| % change | 16% | 15% | | |
| Acquisitions | \$95 | \$133 | | |
| without Acquisitions | \$582 | \$1,164 | \$583 | \$1,132 |
| % change | 0% | 3% | | |
| Currency effects | (\$45) | (\$35) | | |
| without Acquisitions & Currency | \$627 | \$1,199 | \$583 | \$1,132 |
| % change | 7% | 6% | | |
| Operating Margin | | | | |
| As reported | \$68 | \$149 | \$62 | \$128 |
| % of sales | 10% | 11% | 11% | 11% |

Segment Reporting

Aerospace

| | FY | | FY | |
|-------------------------|----------|-------|----------|-------|
| | 2nd 2006 | YTD | 2nd 2005 | YTD |
| Sales | | | | |
| As reported | \$345 | \$694 | \$327 | \$658 |
| % change | 6% | 5% | | |
| Acquisitions without | \$345 | \$694 | \$327 | \$658 |
| Acquisitions change | 6% | 5% | | |
| Current effects | (\$3) | (\$3) | | |
| without | \$348 | \$697 | \$327 | \$658 |
| Acquisitions change | 6% | 6% | | |
| Operating Margin | | | | |
| As reported | \$47 | \$102 | \$50 | \$101 |
| % of sales | 14% | 15% | 15% | 15% |

Segment Reporting

Climate & Industrial Controls

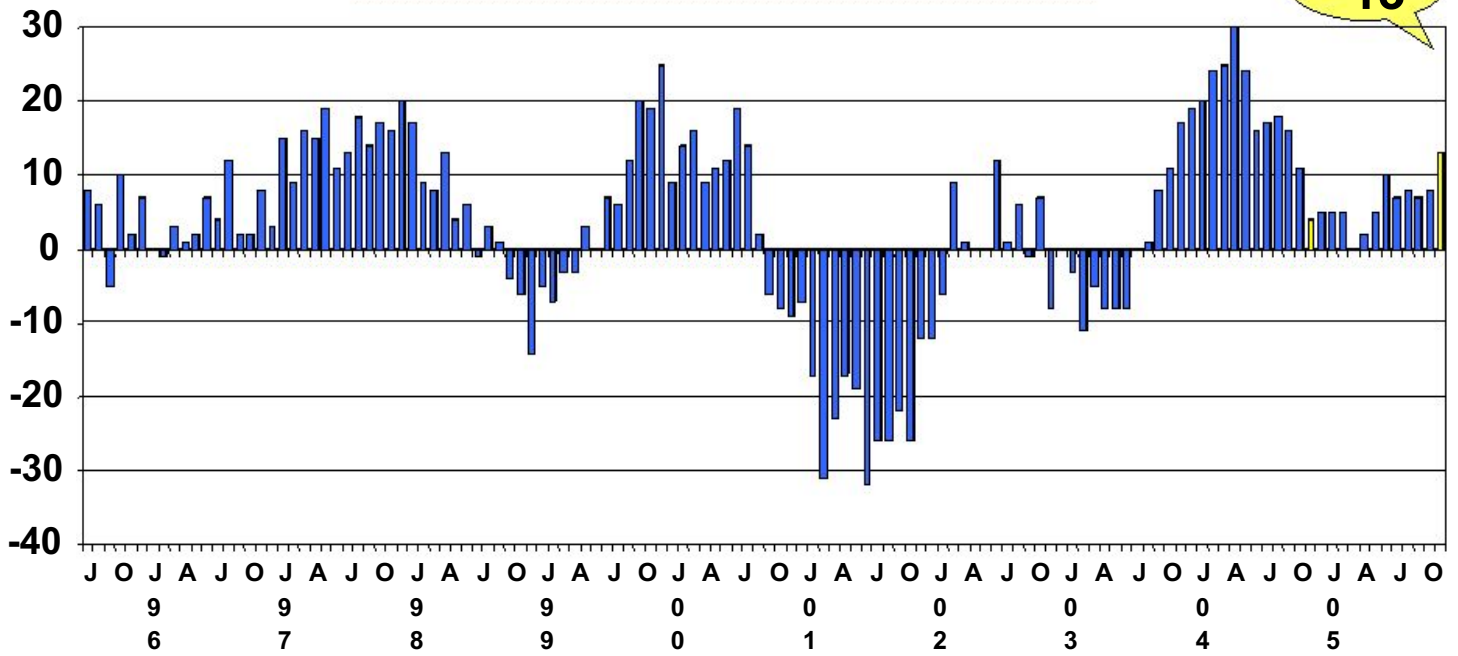
| | FY 2006 | | FY 2005 | |
|---------------------------------|---------|-------|---------|-------|
| | 2nd Qtr | YTD | 2nd Qtr | YTD |
| <u>Sales</u> | | | | |
| As reported | \$206 | \$421 | \$177 | \$342 |
| % change | 17% | 23% | | |
| Acquisitions | \$2 | \$47 | | |
| without Acquisitions | \$204 | \$374 | \$177 | \$342 |
| % change | 15% | 9% | | |
| Currency effects | (\$1) | \$1 | | |
| without Acquisitions & Currency | \$205 | \$373 | \$177 | \$342 |
| % change | 16% | 9% | | |
| <u>Operating Margin</u> | | | | |
| As reported | \$10 | \$29 | \$9 | \$25 |
| % of sales | 5% | 7% | 5% | 7% |

Fiscal YTD Results

- ◆ Sales Increased 12.9%
- ◆ Cash flow from operations - 1st Half record, reaching 10.1% of sales
- ◆ Earnings from continuing operations per diluted share of \$2.27, up 16% from \$1.96 last year

Parker New Order Rates

Industrial North America

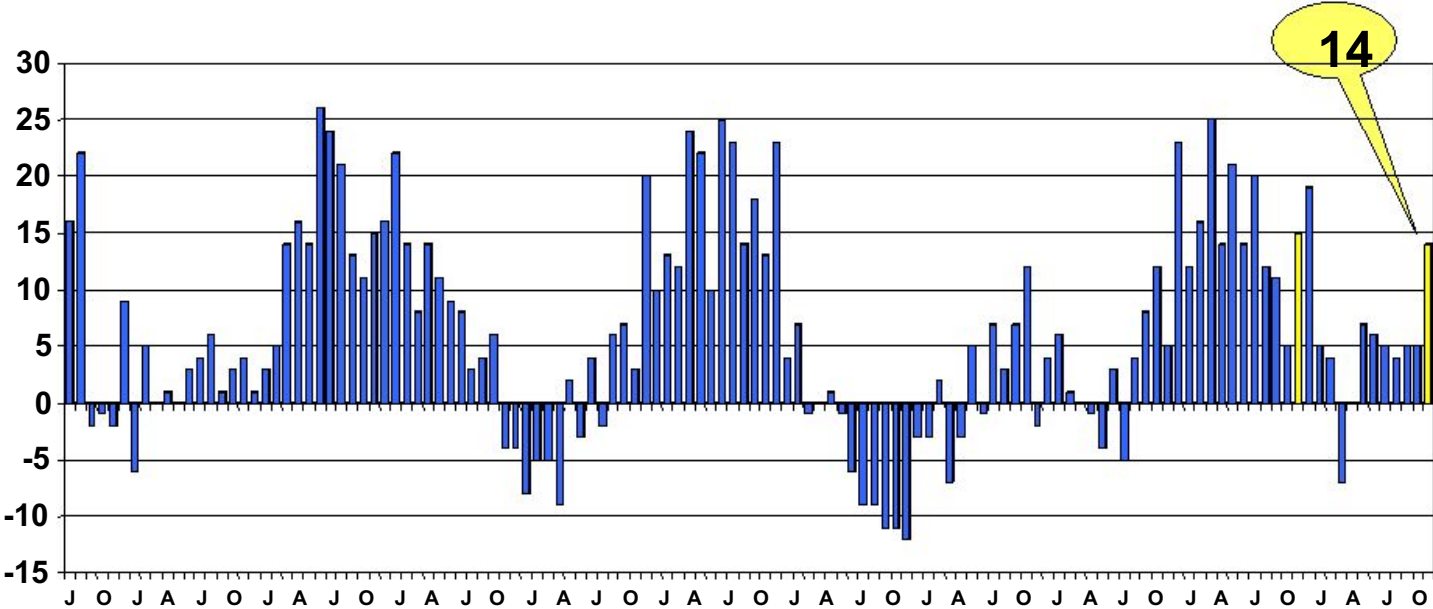


Current month vs. prior year

anything **Parker** Possible.

Parker New Order Rates

Industrial R.O.W.

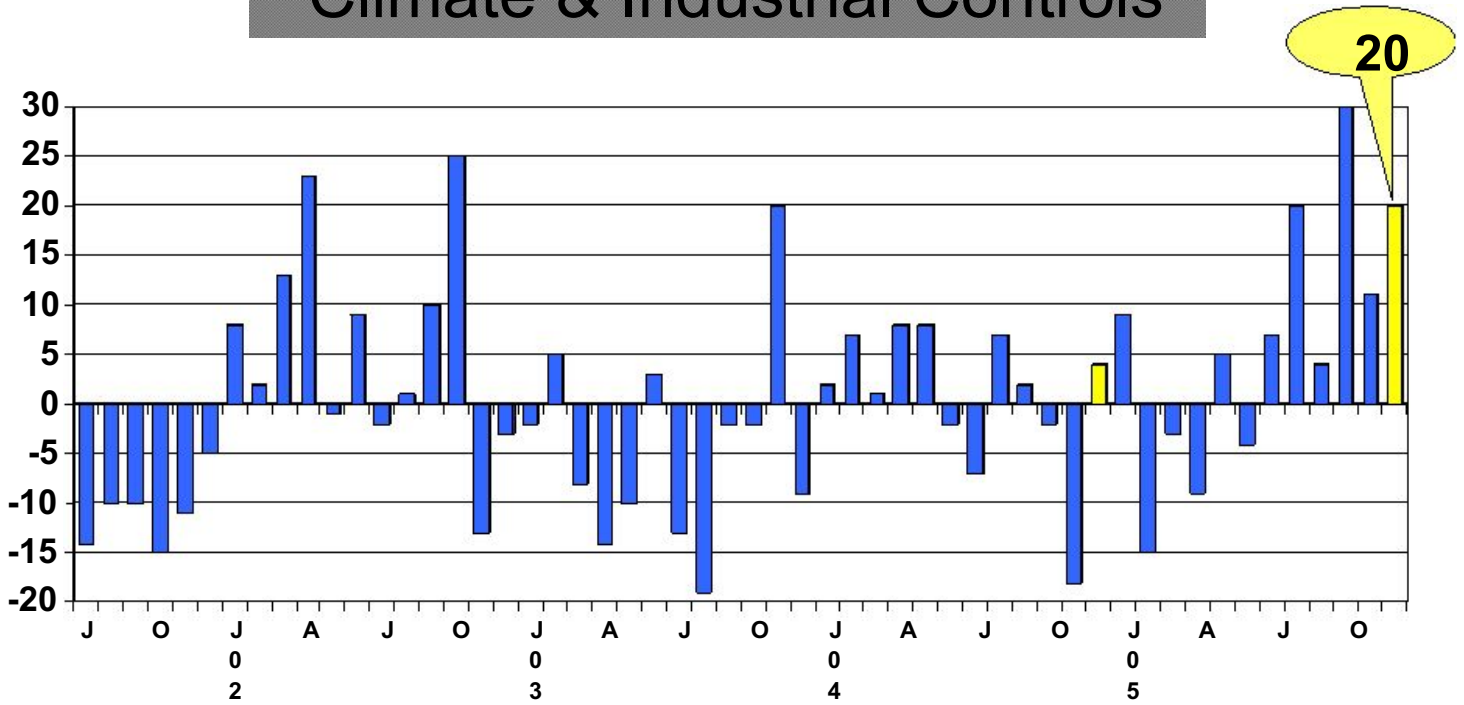


Current month vs. prior year



Parker New Order Rates

Climate & Industrial Controls

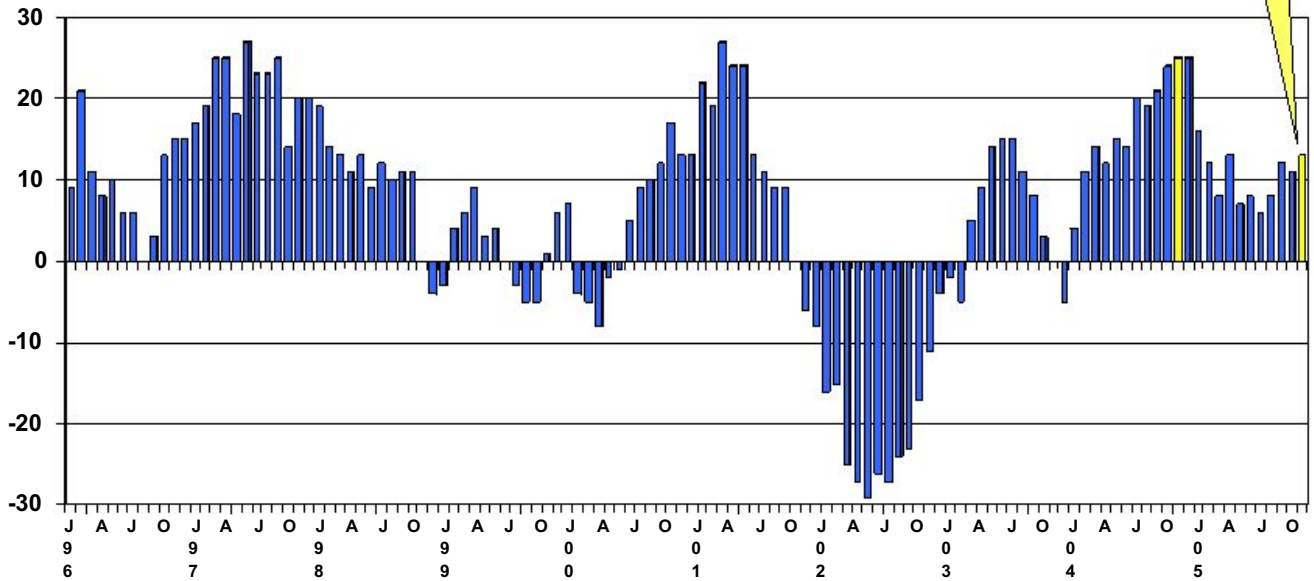


Current month vs. prior year

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Parker New Order Rates

Aerospace



Average last 12 months orders to previous 12 months orders

Balance Sheet Summary

- ◆ Cash

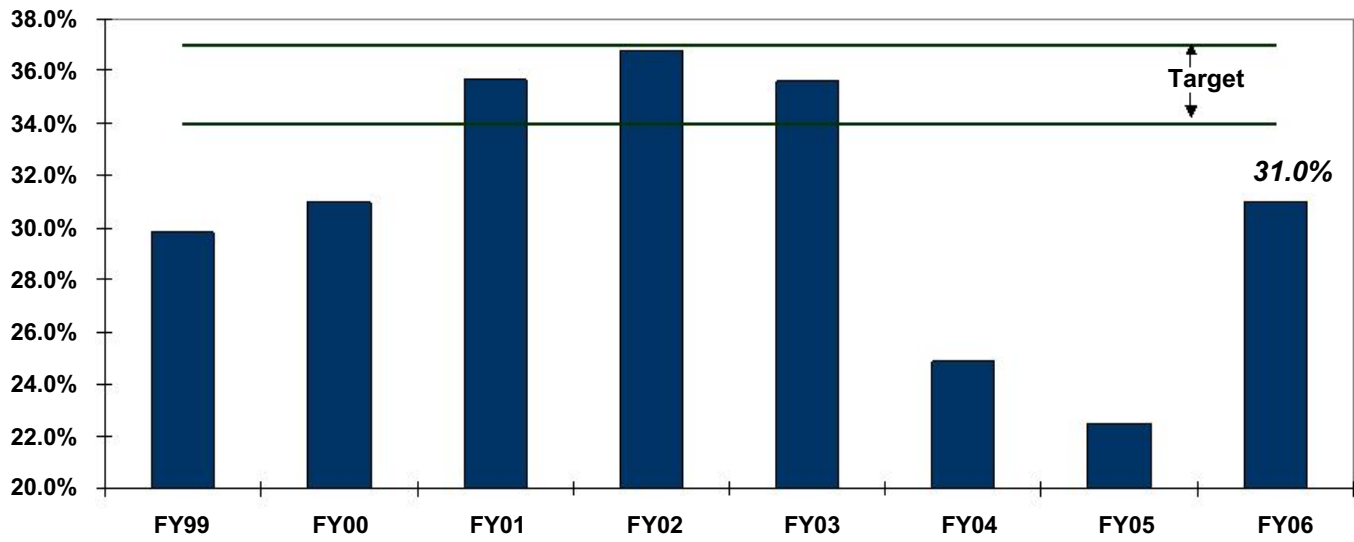
- ◆ Working Capital
 - ❖ Inventory
 - ❖ Accounts Receivable

- ◆ PP & E

- ◆ Shareholders Equity

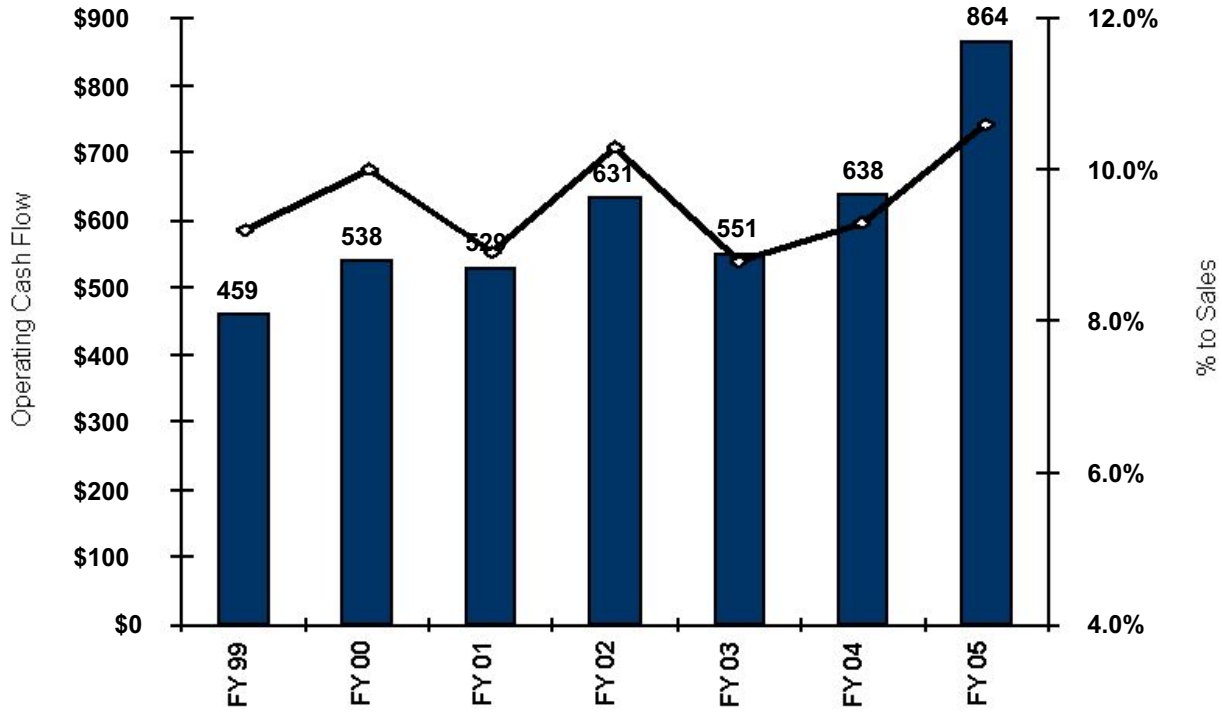
Financial Leverage

Debt to Debt Equity



Strong Cash Flow – Cash From Operations

FY06 YTD \$429



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FY 2006 Earnings Outlook Assumptions Segment Sales & Operating Income

| FY 2006 Sales Change versus FY 2005 | | | |
|--|-------|---|-------|
| NA Industrial | 12.4% | - | 12.8% |
| Industrial ROW | 16.6% | - | 18.0% |
| Aerospace | 7.0% | - | 7.8% |
| CIC | 17.0% | - | 18.5% |

| FY 2006 Operating Margin Percentages | | | |
|---|-------|---|-------|
| NA Industrial | 14.2% | - | 14.6% |
| Industrial ROW | 11.2% | - | 11.8% |
| Aerospace | 14.3% | - | 14.7% |
| CIC | 8.9% | - | 9.1% |

FY 2006 Earnings Outlook assumptions below Operating Margin

- Corporate Admin +11.5% to +12.5% vs. FY 2005
- Interest Expense +11.6% to +12.5% vs. FY 2005
- Other Exp. (Income) * +25% to +35% vs. FY 2005
- Tax Rate 28.5%

*Adoption of FAS 123R by the Company will result in additional expense of approximately \$.20 per diluted share in Fiscal Year 2006 all of which will be reflected in the Other Expense (Income) line. Loss on sale of Thermoplastics is also included in the Other Expense (Income) line.

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Earnings Outlook

| | <u>Low</u> | <u>High</u> |
|---|------------|-------------|
| Previous guidance, income from continuing operations | \$4.85 | \$5.30 |
| Revised guidance, income from continuing operations including loss from divestiture | \$4.97 | \$5.22 |
| Revised guidance, income from continuing operations excluding loss from divestiture | \$5.05 | \$5.30 |

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Questions & Answers...

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Appendix

Income Statements & Quarterly Segment Data

Income Statement – 2nd Quarter

| | FY 2006 | | FY 2005 | |
|-----------------------------------|-----------|------------|-----------|------------|
| | | % of Sales | | % of Sales |
| Net Sales | \$2,157.5 | 100.0% | \$1,905.9 | 100.0% |
| Cost of Sales | 1,705.7 | 79.1% | 1,516.9 | 79.6% |
| Gross profit | 451.8 | 20.9% | 389.0 | 20.4% |
| S, G & A | 245.8 | 11.4% | 217.8 | 11.4% |
| Interest expense | 19.6 | 0.9% | 17.2 | 0.9% |
| Other expense | 10.9 | 0.5% | (1.4) | -0.1% |
| Income from Cont'g Operations b/f | 175.5 | 8.1% | 155.4 | 8.2% |
| Income tax expense | 46.5 | 2.2% | 45.0 | 2.4% |
| Income from Cont'g Operations | \$129.0 | 6.0% | \$110.5 | 5.8% |
| Discontinued Operations | | 0.0% | 60.7 | 3.2% |
| Net Income | \$129.0 | 6.0% | \$171.2 | 9.0% |

Income Statement – 2nd Quarter YTD

| | FY 2006 | | FY 2005 | |
|---|-----------|------------|-----------|------------|
| | | % of Sales | | % of Sales |
| Net Sales | \$4,271.1 | 100.0% | \$3,783.8 | 100.0% |
| Cost of Sales | 3,361.4 | 78.7% | 2,994.6 | 79.1% |
| Gross profit | 909.7 | 21.3% | 789.2 | 20.9% |
| S, G & A | 482.9 | 11.3% | 412.3 | 10.9% |
| Interest expense | 36.1 | 0.8% | 33.4 | 0.9% |
| Interest & other | 11.2 | 0.3% | 9.5 | 0.3% |
| Income from Cont'g Operations b/f taxes | 379.6 | 8.9% | 334.0 | 8.8% |
| Income tax expense | 106.7 | 2.5% | 97.6 | 2.6% |
| Income from Cont'g Operations | \$272.9 | 6.4% | \$236.4 | 6.2% |
| Discontinued Operations | \$28.9 | 0.7% | \$67.5 | 1.8% |
| Net Income | \$301.8 | 7.1% | \$303.9 | 8.0% |

Restated Income Statement

CONSOLIDATED STATEMENT OF INCOME - Restated

Restated to present divestiture of business units as discontinued operations

| (Dollars in thousands, except per share amounts) | Fiscal 2005 | | | | Total |
|---|--------------|--------------|--------------|--------------|--------------|
| | 9/30/2004 | 12/31/2004 | 3/31/2005 | 6/30/2005 | |
| Net sales | \$ 1,877,915 | \$ 1,905,931 | \$ 2,112,462 | \$ 2,172,497 | \$ 8,068,805 |
| Cost of sales | 1,477,694 | 1,516,905 | 1,688,804 | 1,708,074 | 6,391,477 |
| Gross profit | 400,221 | 389,026 | 423,658 | 464,423 | 1,677,328 |
| Selling, general and administrative expenses | 194,396 | 217,856 | 215,231 | 232,795 | 860,278 |
| Interest expense | 16,179 | 17,236 | 17,079 | 16,375 | 66,869 |
| Other expense (income), net | 10,975 | (1,433) | 2,026 | 342 | 11,910 |
| Income from continuing operations before income taxes | 178,671 | 155,367 | 189,322 | 214,911 | 738,271 |
| Income taxes | 52,635 | 44,954 | 48,676 | 58,840 | 205,105 |
| Income from continuing operations | 126,036 | 110,413 | 140,646 | 156,071 | 533,166 |
| Income (loss) from discontinued operations | 6,747 | 60,714 | (1,276) | 5,341 | 71,526 |
| Net income | \$ 132,783 | \$ 171,127 | \$ 139,370 | \$ 161,412 | \$ 604,692 |
| Basic earnings per share: | | | | | |
| Income from continuing operations | \$ 1.06 | \$ 0.93 | \$ 1.18 | \$ 1.32 | \$ 4.49 |
| Income (loss) from discontinued operations | 0.06 | 0.51 | (0.01) | 0.04 | 0.60 |
| Net income per share | \$ 1.12 | \$ 1.44 | \$ 1.17 | \$ 1.36 | \$ 5.09 |
| Diluted earnings per share: | | | | | |
| Income from continuing operations | \$ 1.05 | \$ 0.91 | \$ 1.16 | \$ 1.30 | \$ 4.43 |
| Income (loss) from discontinued operations | 0.06 | 0.50 | (0.01) | 0.04 | 0.59 |
| Net income per share | \$ 1.11 | \$ 1.41 | \$ 1.15 | \$ 1.34 | \$ 5.02 |

Note: Basic and diluted earnings per share amounts are computed independently for each of the quarters presented, therefore, the sum of the quarterly basic and diluted earnings per share amounts may not equal the total computed for the year.



Restated Quarterly Segment Data

BUSINESS SEGMENT INFORMATION BY INDUSTRY -

Elimination of Other Segment due to divestiture of business units

| (Dollars in thousands) | Fiscal 2005 | | | | Total |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 9/30/2004 | 12/31/2004 | 3/31/2005 | 6/30/2005 | |
| Net sales | | | | | |
| Industrial: | | | | | |
| North America | \$ 832,338 | \$ 819,243 | \$ 924,975 | \$ 940,071 | \$ 3,516,627 |
| International | 548,973 | 583,221 | 623,343 | 642,902 | 2,398,439 |
| Aerospace | 331,134 | 326,961 | 337,313 | 364,023 | 1,359,431 |
| Climate & Industrial Controls | 165,470 | 176,506 | 226,831 | 225,501 | 794,308 |
| Total | \$ 1,877,915 | \$ 1,905,931 | \$ 2,112,462 | \$ 2,172,497 | \$ 8,068,805 |
| Segment operating income | | | | | |
| Industrial: | | | | | |
| North America | \$ 119,809 | \$ 99,862 | \$ 120,133 | \$ 128,409 | \$ 468,213 |
| International | 66,473 | 61,615 | 63,079 | 76,040 | 267,207 |
| Aerospace | 51,294 | 49,540 | 43,945 | 54,408 | 199,187 |
| Climate & Industrial Controls | 15,817 | 8,911 | 26,513 | 23,602 | 74,843 |
| Total segment operating income | 253,393 | 219,928 | 253,670 | 282,459 | 1,009,450 |
| Corporate general and administrative expenses | 25,306 | 30,563 | 23,395 | 32,351 | 111,615 |
| Income from continuing operations before interest expense and other expense | 228,087 | 189,365 | 230,275 | 250,108 | 897,835 |
| Interest expense | 16,179 | 17,236 | 17,079 | 16,375 | 66,869 |
| Other expense | 33,237 | 16,762 | 23,874 | 18,822 | 92,695 |
| Income from continuing operations before income taxes | \$ 178,671 | \$ 155,367 | \$ 189,322 | \$ 214,911 | \$ 738,271 |

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