

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 31, 2008

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 July 31, 2008, Parker-Hannifin Corporation issued a press release and presented a Webcast announcing earnings for the quarter ended June 30, 2008. The press release contains references to sales growth excluding the effects of acquisitions and foreign currency exchange rates and references to earnings per share amounts excluding the effect of a contingency reserve. The effects of acquisitions and foreign currency exchange rates are removed from the change in sales amounts and the effect of a contingency reserve is removed from earnings per share amounts to allow investors and the company to meaningfully evaluate performance on a comparable basis with the prior period. A copy of the press release is furnished as Exhibit 99.1 to this report. 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 July 31, 2008.
- 99.2 Webcast presentation by Parker-Hannifin Corporation, dated July 31, 2008.

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: July 31, 2008



For Release: **Immediately**
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Stock Symbol: PH – NYSE

Parker Surpasses \$12 Billion in Sales and Delivers All-Time Records for Sales, Earnings and Operating Cash Flow

— Company Outlook Anticipates Another Record Year in Fiscal 2009

CLEVELAND, July 31, 2008 - Parker Hannifin Corporation (NYSE: PH), the global leader in motion and control technologies, today reported results for the fourth quarter and for the fiscal year ended June 30, 2008. These results mark all-time records for Parker in annual sales, earnings and cash flow from operating activities.

For the 2008 fiscal year, the company surpassed \$12 billion in sales for the first time in its 90 year history. Sales reached a record \$12.1 billion, an increase of 13.3 percent from the previous year, including 4.8 percent organic growth. Net Income increased 14.4 percent to \$949.5 million, compared to \$830.0 million a year ago, and earnings per diluted share increased 18.2 percent to \$5.53, compared to \$4.68 a year ago. Excluding a non-operating charge of 8 cents per diluted share, as a result of establishing a contingency reserve with respect to previously disclosed litigation, fiscal 2008 earnings per diluted share were \$5.61, representing a 19.9 percent increase compared to the prior year.

For the fourth quarter of fiscal 2008, sales increased 16.4 percent to \$3.3 billion, compared to \$2.9 billion in the same period last year, including 6.4 percent organic growth. Fourth quarter net income increased 16.3 percent to \$252.6 million, compared to \$217.2 million a year ago, and fourth quarter earnings per diluted share increased 19.5 percent to \$1.47 from \$1.23 a year ago. Excluding the non-operating charge of 8 cents per diluted share, fiscal 2008 fourth quarter earnings per diluted share were \$1.55, an increase of 26.0 percent compared to the prior year period.

“We are pleased that we have completed another record year of financial performance thanks to the dedication of Parker employees around the world,” said Chairman, CEO and President Don Washkewicz. “Perhaps even more gratifying, as a company focused on long-term performance, we have been able to deliver strong performance year in and year out. Despite challenging economic conditions, our continued focus on the core goals of the Win Strategy has enabled us to consistently deliver record results for our shareholders.

“Once again this year we achieved sales growth that exceeded our 10 percent annual goal, and reported record sales of more than \$12 billion. Of the 13 percent growth this fiscal year, 5 percent was organic, 3 percent was from strategic acquisitions, and the remainder was from the effects of foreign currency exchange rates. Our sales growth also demonstrates the significant progress we have made in international operations, which helps mitigate the effects of regional economic cycles. In our Industrial International segment, fiscal 2008 revenues grew by 28 percent and operating income grew by 48 percent. Significantly, Industrial International operating margins exceeded margins in our Industrial North America segment and completed the year as our most profitable operating segment. This is primarily a result of executing our Win Strategy European initiatives when operating margins in the Industrial International segment were in the single digits.

“We also generated record annual cash flow from operating activities at more than \$1.3 billion, or 10.8 percent of sales, which gives us the flexibility to invest for growth while simultaneously maintaining a strong balance sheet. Acquisitions continued to play a role in our growth strategy, as we strengthened our portfolio by adding 10 companies in fiscal 2008 with nearly \$546 million in annualized revenues. We also invested \$584 million to repurchase 7.9 million Parker common shares and we increased our dividend 21 percent, paying out approximately \$142 million to shareholders, and extending our dividend increase record to 52 consecutive years, among the top five longest-running dividend-increase records in the S&P 500 Index.”

Segment Results

In the Industrial North America segment, fourth-quarter sales increased 10.5 percent to \$1.2 billion, and operating income decreased 1.0 percent from the prior year to \$162.9 million. For the full year, Industrial North America sales increased 4.6 percent to \$4.2 billion, and operating income increased 1.6 percent from the prior year to \$607.8 million.

In the Industrial International segment, fourth-quarter sales increased 27.6 percent to \$1.4 billion, and operating income increased 48.6 percent from the prior year to \$213.0 million. For the full year, Industrial International sales increased 28.3 percent to \$5.0 billion, and operating income increased 48.0 percent from the prior year to \$788.9 million.

In the Aerospace segment, fourth-quarter sales increased 14.7 percent to \$509.8 million, and operating income increased 8.2 percent from the prior year to \$72.8 million. For the full year, Aerospace sales increased 9.0 percent to \$1.8 billion, and operating income declined 7.2 percent from the prior year to \$250.5 million.

In the Climate & Industrial Controls segment, fourth-quarter sales decreased 0.8 percent to \$289.5 million, and operating income decreased 19.8 percent from the prior year to \$20.3 million. For the full year, Climate & Industrial Controls sales decreased 1.6 percent to \$1.1 billion, and operating income decreased 27.7 percent from the prior year to \$59.5 million.

Orders

In addition to financial results, Parker also reported an increase of 8 percent in total orders for the quarter ended June 30, 2008 compared to the same quarter a year ago. Parker reported the following orders by operating segment:

- Orders increased 4 percent in the Industrial North America segment versus the same quarter a year ago.

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- Orders increased 8 percent in the Industrial International segment versus the same quarter a year ago.
 - Orders increased 23 percent in the Aerospace segment based upon a rolling 12-month average.
 - Orders decreased 7 percent in the Climate and Industrial Controls segment versus the same quarter a year ago.

Outlook

For fiscal 2009, the company issued guidance for earnings from continuing operations in the range of \$5.65 to \$6.05 per diluted share.

“We remain uniquely positioned to meet the needs of both the OEM and MRO segments in the markets we serve and expect to deliver another record year in fiscal 2009,” added Washkewicz. “Our employees will continue to implement the Win Strategy to sustain our performance well into the future.

“Longer term, we are excited about the prospects for continued growth in our ever-expanding markets. The demand for infrastructure improvement in developing nations globally, combined with new approaches to harnessing the earth’s natural resources in the search for alternative energy, are just a couple of examples of how demand in our markets is growing. Parker technologies are playing an important role in these areas as we advance the science of motion and control systems to serve our customers.”

NOTICE OF CONFERENCE CALL: Parker Hannifin’s conference call and slide presentation to discuss its fiscal fourth-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, <http://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 \$12 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 61,000 people in 48 countries around the world. Parker has increased its annual dividends paid to shareholders for 52 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 <http://www.parker.com>, or its investor information site at <http://www.phstock.com>.

Notes on Orders

Orders provide near-term perspective on the company's outlook, particularly when viewed in the context of prior and future quarterly order rates. However, orders are not in themselves an indication of future performance. All comparisons are at constant currency exchange rates, with the prior year restated to the current-year rates. All exclude acquisitions until they can be reflected in both the numerator and denominator. Aerospace comparisons are rolling 12-month average computations. The Total Parker orders number is derived from a weighted average of the year-over-year quarterly percent change in orders for the Industrial North America, Industrial International, and Climate and Industrial Controls segments, and the year-over-year 12-month rolling average of orders in the Aerospace segment.

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 maintain and achieve anticipated benefits associated with announced realignment activities, strategic initiatives to improve operating margins, and growth, innovation and global diversification 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 or significant changes in financial condition; uncertainties surrounding timing, successful completion or integration of acquisitions; threats associated with and efforts to combat terrorism; uncertainties surrounding the ultimate resolution of outstanding litigation; 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, interest rates and credit availability. The company makes these statements as of the date of this disclosure, and undertakes no obligation to update them.

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PARKER HANNIFIN CORPORATION - JUNE 30, 2008

CONSOLIDATED STATEMENT OF INCOME

| (Dollars in thousands except per share amounts) | Three Months Ended June 30, | | Year Ended June 30, | |
|----------------------------------------------------|-----------------------------|---------------------|----------------------|----------------------|
| | 2008 | 2007 | 2008 | 2007 |
| Net sales | \$ 3,346,752 | \$ 2,874,365 | \$ 12,145,605 | \$ 10,718,059 |
| Cost of sales | 2,575,422 | 2,223,756 | 9,339,072 | 8,272,949 |
| Gross profit | 771,330 | 650,609 | 2,806,533 | 2,445,110 |
| Selling, general and administrative expenses | 373,138 | 333,434 | 1,364,082 | 1,226,861 |
| Interest expense | 25,019 | 21,535 | 98,996 | 83,414 |
| Other expense (income), net | 18,355 | (2,294) | 16,931 | (24,447) |
| Income before income taxes | 354,818 | 297,934 | 1,326,524 | 1,159,282 |
| Income taxes | 102,253 | 80,748 | 377,058 | 329,236 |
| Net income | \$ 252,565 | \$ 217,186 | \$ 949,466 | \$ 830,046 |
| Earnings per share: | | | | |
| Basic earnings per share | \$ 1.51 | \$ 1.25 | \$ 5.64 | \$ 4.75 |
| Diluted earnings per share | \$ 1.47 | \$ 1.23 | \$ 5.53 | \$ 4.68 |
| Average shares outstanding during period - Basic | 167,545,162 | 173,479,484 | 168,285,487 | 174,643,327 |
| Average shares outstanding during period - Diluted | 171,441,236 | 176,845,301 | 171,643,835 | 177,494,890 |
| Cash dividends per common share | \$.21 | \$.173 | \$.84 | \$.692 |

BUSINESS SEGMENT INFORMATION BY INDUSTRY

| (Dollars in thousands) | Three Months Ended June 30, | | Year Ended June 30, | |
|-----------------------------------------------------------------|-----------------------------|---------------------|----------------------|----------------------|
| | 2008 | 2007 | 2008 | 2007 |
| Net sales | | | | |
| Industrial: | | | | |
| North America | \$ 1,165,685 | \$ 1,054,987 | \$ 4,249,918 | \$ 4,063,889 |
| International | 1,381,824 | 1,082,960 | 5,006,310 | 3,900,628 |
| Aerospace | 509,791 | 444,558 | 1,837,888 | 1,685,431 |
| Climate & Industrial Controls | 289,452 | 291,860 | 1,051,489 | 1,068,111 |
| Total | \$ 3,346,752 | \$ 2,874,365 | \$ 12,145,605 | \$ 10,718,059 |
| Segment operating income | | | | |
| Industrial: | | | | |
| North America | \$ 162,940 | \$ 164,583 | \$ 607,821 | \$ 598,405 |
| International | 213,022 | 143,380 | 788,925 | 533,136 |
| Aerospace | 72,847 | 67,309 | 250,523 | 269,931 |
| Climate & Industrial Controls | 20,285 | 25,297 | 59,494 | 82,316 |
| Total segment operating income | \$ 469,094 | \$ 400,569 | \$ 1,706,763 | \$ 1,483,788 |
| Corporate general and administrative expenses | 59,461 | 57,909 | 192,966 | 179,077 |
| Income from operations before interest expense and other | 409,633 | 342,660 | 1,513,797 | 1,304,711 |
| Interest expense | 25,019 | 21,535 | 98,996 | 83,414 |
| Other expense | 29,796 | 23,191 | 88,277 | 62,015 |
| Income before income taxes | \$ 354,818 | \$ 297,934 | \$ 1,326,524 | \$ 1,159,282 |

PARKER HANNIFIN CORPORATION - JUNE 30, 2008

CONSOLIDATED BALANCE SHEET

| (Dollars in thousands) | June 30, | |
|---------------------------------------------------|----------------------|---------------------|
| | 2008 | 2007 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 326,048 | \$ 172,706 |
| Accounts receivable, net | 2,046,726 | 1,737,748 |
| Inventories | 1,494,694 | 1,265,802 |
| Prepaid expenses | 82,326 | 69,655 |
| Deferred income taxes | 145,831 | 140,264 |
| Total current assets | 4,095,625 | 3,386,175 |
| Plant and equipment, net | 1,926,522 | 1,736,372 |
| Goodwill | 2,798,092 | 2,254,069 |
| Intangible assets, net | 1,020,609 | 595,607 |
| Other assets | 546,006 | 469,190 |
| Total assets | \$ 10,386,854 | \$ 8,441,413 |
| Liabilities and shareholders' equity | | |
| Current liabilities: | | |
| Notes payable | \$ 118,864 | \$ 195,384 |
| Accounts payable | 961,886 | 788,560 |
| Accrued liabilities | 919,370 | 788,562 |
| Accrued domestic and foreign taxes | 183,136 | 152,739 |
| Total current liabilities | 2,183,256 | 1,925,245 |
| Long-term debt | 1,952,452 | 1,089,916 |
| Pensions and other postretirement benefits | 491,935 | 354,398 |
| Deferred income taxes | 162,678 | 114,219 |
| Other liabilities | 337,562 | 245,970 |
| Shareholders' equity | 5,258,971 | 4,711,665 |
| Total liabilities and shareholders' equity | \$ 10,386,854 | \$ 8,441,413 |

CONSOLIDATED STATEMENT OF CASH FLOWS

| (Dollars in thousands) | Year Ended June 30, | |
|---------------------------------------------------------------------|---------------------|-------------------|
| | 2008 | 2007 |
| Cash flows from operating activities: | | |
| Net income | \$ 949,466 | \$ 830,046 |
| Depreciation and amortization | 326,724 | 294,566 |
| Stock-based compensation | 44,947 | 33,203 |
| Net change in receivables, inventories, and trade payables | (93,136) | (86,663) |
| Net change in other assets and liabilities | 132,231 | (49,687) |
| Other, net | (43,622) | (64,560) |
| Net cash provided by operating activities | 1,316,610 | 956,905 |
| Cash flows from investing activities: | | |
| Acquisitions (net of cash of \$21,276 in 2008 and \$15,591 in 2007) | (921,014) | (378,639) |
| Capital expenditures | (280,327) | (237,827) |
| Proceeds from sale of plant and equipment | 29,997 | 45,826 |
| Other, net | 544 | (9,121) |
| Net cash (used in) investing activities | (1,170,800) | (579,761) |
| Cash flows from financing activities: | | |
| Net (payments for) common share activity | (523,557) | (366,237) |
| Net proceeds from debt | 667,039 | 107,073 |
| Dividends | (142,260) | (121,263) |
| Net cash provided by (used in) financing activities | 1,222 | (380,427) |
| Effect of exchange rate changes on cash | 6,310 | 4,436 |
| Net increase in cash and cash equivalents | 153,342 | 1,153 |
| Cash and cash equivalents at beginning of period | 172,706 | 171,553 |
| Cash and cash equivalents at end of period | \$ 326,048 | \$ 172,706 |



Parker Hannifin Corporation

Quarterly Earnings Release
4th Quarter FY 2008

July 31, 2008

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 maintain and achieve anticipated benefits associated with announced realignment activities, strategic initiatives to improve operating margins, and growth, innovation and global diversification 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 or significant changes in financial condition; uncertainties surrounding timing, successful completion or integration of acquisitions; threats associated with and efforts to combat terrorism; uncertainties surrounding the ultimate resolution of outstanding litigation; 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, interest rates and credit availability. The company makes these statements as of the date of this disclosure, and undertakes no obligation to update them.

Slide 2

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 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 a contingency reserve. The removal of the contingency reserve allows investors and the company to meaningfully evaluate performance on a comparable basis with the prior period, which was not impacted by the contingency reserve.

Discussion Agenda

- 4th quarter highlights
- Key performance measures & outlook
- Questions & answers
- Closing comments

Fourth Quarter and Total Year Highlights

- ◆ Another record year
- ◆ Record Quarterly Sales, Earnings, and Cash Flow
- ◆ International strength offsetting challenging North American environment
- ◆ Q4 Sales growth 16.4% - 6.4% organic
- ◆ Excluding the establishment of a contingency reserve, Earnings per diluted share up 26% in Q4, 20%-Total Year
- ◆ Total Parker Orders up 8% in Q4

Financial Highlights

Diluted Earnings per Share

4th Quarter and Total Year

| | 4th Quarter | | | Total Year | | |
|-----------------------------|----------------------|----------------------|--------------------------|----------------------|----------------------|--------------------------|
| | <u>FY2008</u> | <u>FY2007</u> | <u>% Increase</u> | <u>FY2008</u> | <u>FY2007</u> | <u>% Increase</u> |
| Earnings per share | \$ 1.47 | \$ 1.23 | 20% | \$ 5.53 | \$ 4.68 | 18% |
| Contingency reserve | <u>.08</u> | <u> </u> | <u> </u> | <u>.08</u> | <u> </u> | <u> </u> |
| Adjusted Earnings per share | <u>\$ 1.55</u> | <u>\$ 1.23</u> | <u>26%</u> | <u>\$ 5.61</u> | <u>\$ 4.68</u> | <u>20%</u> |

Influences on 4th Quarter Earnings

Diluted Earnings per Share increased as a result of:

- ◆ Increased Sales of 16.4% - 6.4% organic
 - Up from 4.3% organic growth last quarter
- ◆ Gross margin improvement of 40 bps
- ◆ S,G&A as percent of Sales decrease of 50 bps
- ◆ Fewer shares outstanding
 - 5.4 million fewer diluted shares in FY2008

Offset by:

- ◆ Lower Industrial North America and CIC Operating Income
- ◆ Higher Interest expense
- ◆ Establishment of Contingency Reserve classified in "Other expense"

Financial Highlights

Sales – 4th Quarter and Total Year

| Dollars in millions | 4th Quarter | | | Total Year | | |
|---------------------|-------------|-------------|---------|------------|-------------|----------|
| | FY2008 | % Change | FY2007 | FY2008 | % Change | FY2007 |
| <u>Sales</u> | | | | | | |
| As reported | \$3,347 | 16.4 % | \$2,874 | \$12,146 | 13.3 % | \$10,718 |
| Acquisitions | 127 | 4.4 % | | 373 | 3.5 % | |
| Currency | 161 | 5.6 % | | 544 | 5.0 % | |
| Adjusted Sales | \$3,059 | 6.4 % | | \$11,229 | 4.8 % | |

Influences on Sales

- ◆ Continued Industrial end market strength
 - ❖ International
 - Asia Pacific
 - Latin America
 - Europe
 - ❖ Distribution
- ◆ Aerospace
- ◆ Acquisitions
- ◆ Emerging markets

Segment Reporting

Industrial North America

| Dollars in millions | 4th Quarter | | | Total Year | | |
|-------------------------|-------------|-------------|----------|------------|-------------|----------|
| | FY2008 | % Change | FY2007 | FY2008 | % Change | FY2007 |
| <u>Sales</u> | | | | | | |
| As reported | \$ 1,166 | 10.5 % | \$ 1,055 | \$ 4,250 | 4.6 % | \$ 4,064 |
| Acquisitions | 70 | 6.7 % | | 121 | 3.0 % | |
| Currency | 8 | 0.7 % | | 26 | 0.6 % | |
| Adjusted Sales | \$ 1,088 | 3.1 % | | \$ 4,103 | 1.0 % | |
| <u>Operating Margin</u> | | | | | | |
| As reported | \$ 163 | | \$ 165 | \$ 608 | | \$ 598 |
| % of Sales | 14.0 % | | 15.6 % | 14.3 % | | 14.7 % |

Segment Reporting

Industrial International

| Dollars in millions | 4th Quarter | | | Total Year | | |
|-------------------------|-------------|-------------|----------|------------|-------------|----------|
| | FY2008 | % Change | FY2007 | FY2008 | % Change | FY2007 |
| <u>Sales</u> | | | | | | |
| As reported | \$ 1,382 | 27.6 % | \$ 1,083 | \$ 5,006 | 28.3 % | \$ 3,901 |
| Acquisitions | 39 | 3.6 % | | 214 | 5.4 % | |
| Currency | 143 | 13.2 % | | 476 | 12.2 % | |
| Adjusted Sales | \$ 1,200 | 10.8 % | | \$ 4,316 | 10.7 % | |
| <u>Operating Margin</u> | | | | | | |
| As reported | \$ 213 | | \$ 143 | \$ 789 | | \$ 533 |
| % of Sales | 15.4 % | | 13.2 % | 15.8 % | | 13.7 % |

Segment Reporting

Aerospace

| Dollars in millions | 4th Quarter | | | Total Year | | |
|-------------------------|-------------|----------|--------|------------|----------|----------|
| | FY2008 | % Change | FY2007 | FY2008 | % Change | FY2007 |
| <u>Sales</u> | | | | | | |
| As reported | \$ 510 | 14.7 % | \$ 445 | \$ 1,838 | 9.0 % | \$ 1,685 |
| Acquisitions | 17 | 3.8 % | | 39 | 2.3 % | |
| Currency | 3 | 0.7 % | | 10 | 0.5 % | |
| Adjusted Sales | \$ 490 | 10.2 % | | \$ 1,789 | 6.2 % | |
| <u>Operating Margin</u> | | | | | | |
| As reported | \$ 73 | | \$ 67 | \$ 251 | | \$ 270 |
| % of Sales | 14.3 % | | 15.1 % | 13.6 % | | 16.0 % |

Slide 12

Segment Reporting

Climate & Industrial Controls

| Dollars in millions | 4th Quarter | | | Total Year | | |
|-------------------------|-------------|----------|--------|------------|----------|----------|
| | FY2008 | % Change | FY2007 | FY2008 | % Change | FY2007 |
| <u>Sales</u> | | | | | | |
| As reported | \$ 289 | (0.8)% | \$ 292 | \$ 1,051 | (1.6)% | \$ 1,068 |
| Acquisitions | | | | | | |
| Currency | 8 | 2.9 % | | 31 | 2.9 % | |
| Adjusted Sales | \$ 281 | (3.7)% | | \$ 1,020 | (4.5)% | |
| <u>Operating Margin</u> | | | | | | |
| As reported | \$ 20 | | \$ 25 | \$ 59 | | \$ 82 |
| % of Sales | 7.0 % | | 8.7 % | 5.7 % | | 7.7 % |

Parker Order Rates

Three months ending June

| | <u>FY08</u> | <u>FY07</u> |
|------------------------------------------|---------------|---------------|
| Total Parker | + 8 % | + 3 % |
| Industrial North America | + 4 % | - 3 % |
| Industrial International | + 8 % | + 14 % |
| Aerospace | + 23 % | + 8 % |
| Climate & Industrial Controls | - 7 % | - 6 % |

Excludes Acquisitions & Currency

**3-month year-over-year comparisons of total dollars, except Aerospace
Aerospace is calculated using a 12-month moving average**

Balance Sheet Summary

- ◆ Cash

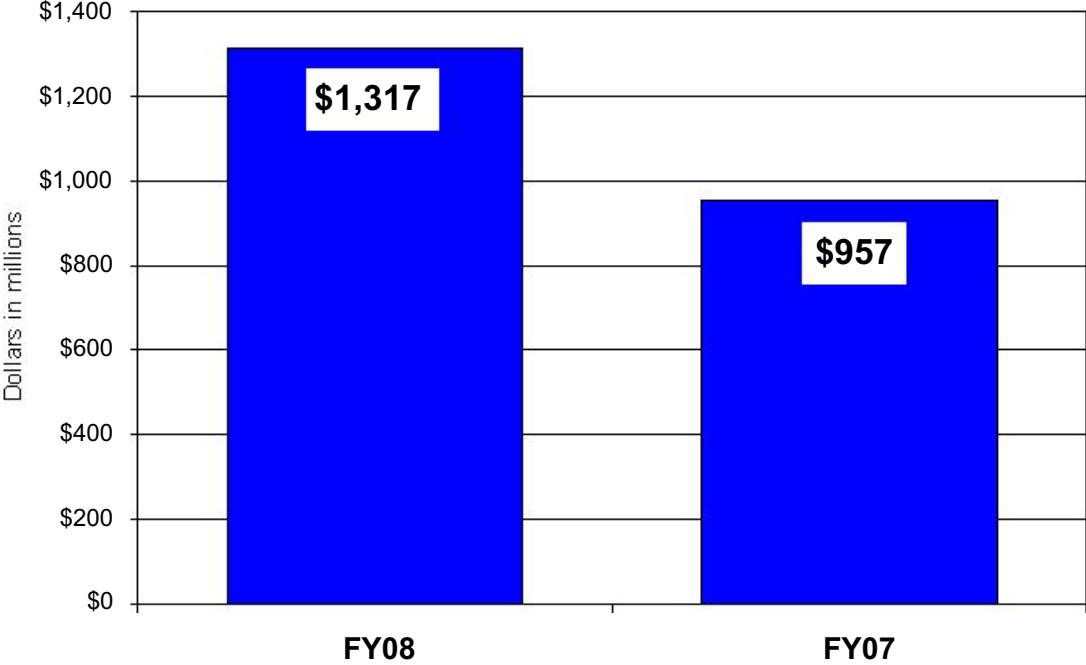
- ◆ Working capital
 - ❖ Inventory
 - ❖ Accounts receivable

- ◆ Pensions— FAS 158

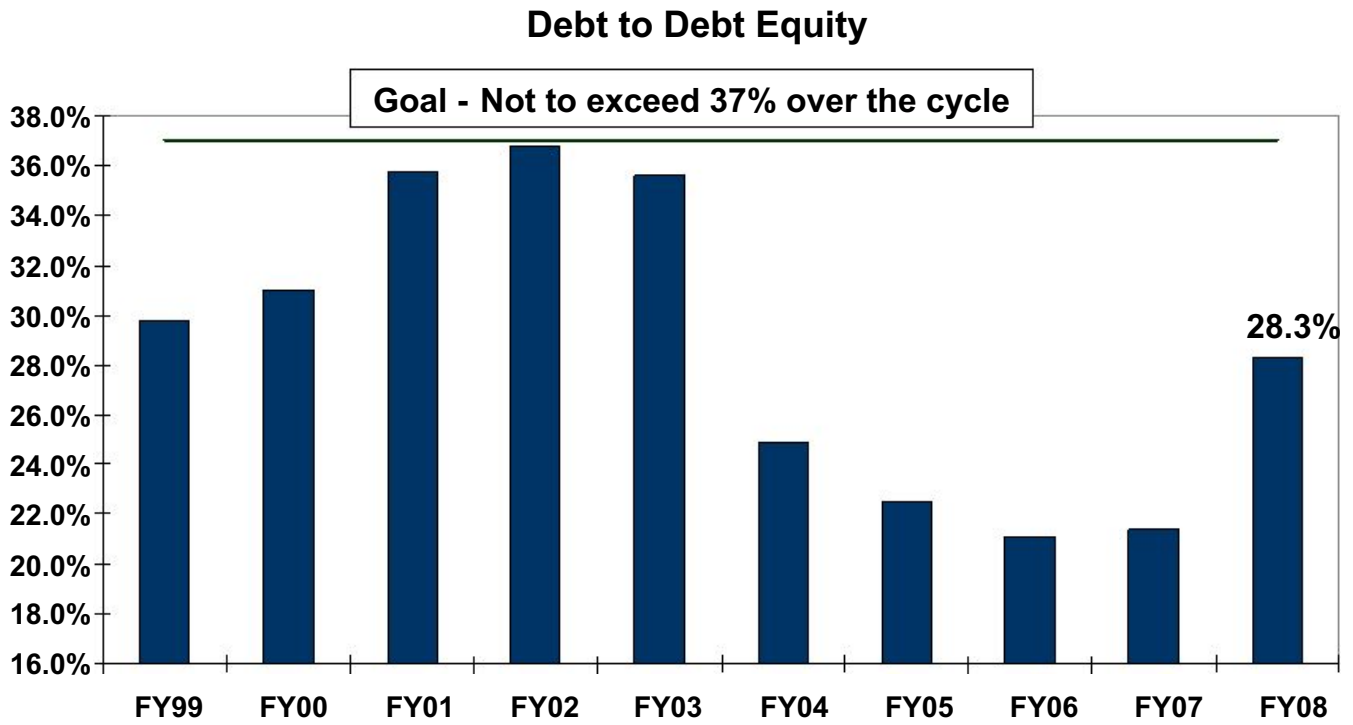
Strong Cash Flow

Cash from Operating Activities

Total Year



Financial Leverage



FY 2009 Earnings Outlook Assumptions Segment Sales & Operating Income

| FY 2009 Sales change versus FY 2008 | |
|--------------------------------------------|-------------------------|
| Industrial North America | 5.1 % -- 5.5 % |
| Industrial International | 6.5 % -- 6.9 % |
| Aerospace | 3.7 % -- 4.1 % |
| Climate & Industrial Controls | (2.5)% -- (2.1)% |

| FY 2009 Operating margin percentages | |
|---------------------------------------------|-------------------------|
| Industrial North America | 14.0 % -- 14.6 % |
| Industrial International | 15.5 % -- 16.1 % |
| Aerospace | 12.7 % -- 13.3 % |
| Climate & Industrial Controls | 5.7 % -- 6.3 % |

FY 2009 Earnings Outlook Assumptions below Operating Margin

- Corporate Admin - 1% to - 3% vs. FY 2008
- Interest Expense + 7% to + 1% vs. FY 2008
- Other Expense (Inc.) - 24% to - 28% vs. FY 2008
- Tax Rate 30 %

Earnings Outlook – FY09

| | <u>Low</u> | <u>High</u> |
|-----------------------------------|----------------|----------------|
| Diluted earnings per share | \$ 5.65 | \$ 6.05 |

Questions & Answers...

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Appendix

Income Statements

- 4th Quarter
- Total Year

Income Statement – 4th Quarter

| Dollars in millions | FY 2008 | | FY 2007 | |
|-----------------------------|------------|------------|------------|------------|
| | | % of Sales | | % of Sales |
| Net Sales | \$ 3,346.8 | 100.0 % | \$ 2,874.4 | 100.0 % |
| Cost of sales | 2,575.4 | 77.0 % | 2,223.8 | 77.4 % |
| Gross profit | 771.4 | 23.0 % | 650.6 | 22.6 % |
| S, G & A | 373.1 | 11.1 % | 333.4 | 11.6 % |
| Interest expense | 25.0 | .7 % | 21.5 | .7 % |
| Other expense (income), net | 18.4 | .6 % | (2.2) | (.1)% |
| Income before taxes | 354.9 | 10.6 % | 297.9 | 10.4 % |
| Income taxes | 102.3 | 3.1 % | 80.7 | 2.8 % |
| Net income | \$ 252.6 | 7.5 % | \$ 217.2 | 7.6 % |

Income Statement – Total Year

| Dollars in millions | FY 2008 | | FY 2007 | |
|-----------------------------|-------------|------------|------------|------------|
| | | % of Sales | | % of Sales |
| Net Sales | \$ 12,145.6 | 100.0 % | \$10,718.1 | 100.0 % |
| Cost of sales | 9,339.1 | 76.9 % | 8,273.0 | 77.2 % |
| Gross profit | 2,806.5 | 23.1 % | 2,445.1 | 22.8 % |
| S, G & A | 1,364.1 | 11.2 % | 1,226.9 | 11.4 % |
| Interest expense | 99.0 | .8 % | 83.4 | .8 % |
| Other expense (income), net | 16.9 | .2 % | (24.4) | (.2)% |
| Income before taxes | 1,326.5 | 10.9 % | 1,159.2 | 10.8 % |
| Income taxes | 377.0 | 3.1 % | 329.2 | 3.1 % |
| Net income | \$ 949.5 | 7.8 % | \$ 830.0 | 7.7 % |