

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

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**FORM 8-K**

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**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 19, 2010**

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**PARKER-HANNIFIN CORPORATION**

**(Exact Name of Registrant as Specified in Charter)**

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**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**

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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))

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**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 19, 2010, Parker-Hannifin Corporation issued a press release and presented a Webcast announcing earnings for the quarter ended December 31, 2009. The press release and the Webcast presentation contain references to sales growth excluding the effects of acquisitions and foreign currency exchange rates. The effects of acquisitions and foreign 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. 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.

**Item 9.01 Financial Statements and Exhibits***(c) Exhibits:*

- 99.1 Press release issued by Parker-Hannifin Corporation, dated January 19, 2010.
- 99.2 Webcast presentation by Parker-Hannifin Corporation, dated January 19, 2010.





**For Release:** Immediately

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Stock Symbol: PH – NYSE

#### **Parker Reports Fiscal 2010 Second Quarter Sales, Net Income and Earnings per Share**

- **Results Demonstrate Strong Sequential Improvement**
- **Cash Flows Remain Robust**
- **Company Raises EPS Guidance 44 Percent**

**CLEVELAND, January 19, 2010** – Parker Hannifin Corporation (NYSE: PH), the global leader in motion and control technologies, today reported results for the fiscal 2010 second quarter ending December 31, 2009. Fiscal 2010 second quarter sales were \$2.4 billion, an increase of 5.3 percent compared with the first quarter of fiscal 2010 and a decline of 12.4 percent from \$2.7 billion in the second quarter a year ago. Fiscal 2010 second quarter net income was \$104.6 million, an increase of 42.3 percent compared with the first quarter of fiscal 2010 and a decline of 32.7 percent compared with \$155.4 million in the second quarter of fiscal 2009. Fiscal 2010 second quarter earnings per diluted share of \$0.64, increased 41.6 percent from the first quarter of fiscal 2010 and declined 33.1 percent compared with \$0.96 in the second quarter a year ago. Cash flow from operations for the first six months of fiscal 2010 was \$606.3 million, or 13.2 percent of sales, compared with \$444.5 million, or 7.7 percent of sales in the same prior year period.

“This quarter’s results largely reflect the execution of our Win Strategy including the benefits of actions we have taken to restructure our operations since the recession began.” said Chairman, CEO and President Don Washkewicz. “Notably, our performance has improved significantly relative to the first quarter of the year.

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Considering that our second quarter is typically our weakest, our margin performance this quarter was most impressive with decremental margins at just 10.6 percent. Total segment operating margins exceeded 10 percent at this low point in the cycle and were equal to last year. These are strong indicators that we are managing through this unprecedented downturn very effectively.

“Although the effects of the global recession continue to linger, we are encouraged to see Parker’s order trends improve sequentially for the second consecutive quarter. Organic sales declined approximately 16 percent in the quarter, while foreign currency translation positively impacted sales by approximately 4 percent. Operating cash flow year to date of 13.2 percent, another critical measure of our performance, was well above our targeted level of 10 percent. Our strong cash performance and balance sheet management throughout the recession has enabled us to pay down our outstanding debt by approximately \$1 billion in the past twelve months, bringing our current debt-to-debt equity ratio below 30 percent and further strengthening our balance sheet.”

#### **Segment Results**

In the Industrial North America segment, second quarter sales declined 14.7 percent to \$847.2 million, and operating income increased 6.3 percent to \$114.4 million, compared with the same period a year ago.

In the Industrial International segment, second quarter sales declined 10.6 percent to \$932.1 million, and operating income declined 28.2 percent to \$82.6 million, compared with the same period a year ago.

In the Aerospace segment, second quarter sales declined 15.4 percent to \$400.6 million, and operating income declined 41.1 percent to \$41.0 million, compared with the same period a year ago.

In the Climate & Industrial Controls segment, second quarter sales declined 2.4 percent to \$174.9 million, and operating income increased 147.9 percent to \$6.1 million, compared with the same period a year ago.

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**Orders**

In addition to financial results, Parker also reported a decline of 7 percent in total orders for the quarter ending December 31, 2009, compared with the same quarter a year ago. Parker reported the following orders by operating segment:

- Orders declined 3 percent in the Industrial North America segment, compared with the same quarter a year ago.
- Orders were unchanged in the Industrial International segment, compared with the same quarter a year ago.
- Orders declined 27 percent in the Aerospace segment on a rolling 12 month average basis.
- Orders increased 6 percent in the Climate and Industrial Controls segment, compared with the same quarter a year ago.

**Outlook**

For fiscal 2010, the company has increased its guidance for earnings from continuing operations by 44 percent to the range of \$2.40 to \$2.80 per diluted share.

Washkewicz added, "With our actions to drive strong margin and cash flow performance taking full effect, and what we believe to be the early signs of a recovery emerging, we are anticipating a strong second half to our fiscal year and have raised our guidance appropriately. Our priorities will remain unchanged as we progress through this fiscal year focused on executing the Win Strategy and managing for cash while simultaneously targeting strong margin performance. Parker's management remains proud of our worldwide team of employees who has made these results possible. As the recovery unfolds, Parker's leading market position, global scale and balance, end market breadth, and solid financial and operational fundamentals position us well for profitable growth."

**NOTICE OF CONFERENCE CALL:** Parker Hannifin's conference call and slide presentation to discuss its fiscal 2010 second quarter results are available to all interested parties via live webcast today at 10:00 a.m.

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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. A replay of the conference call will also be available at <http://www.phstock.com> for one year after the call.

With annual sales exceeding \$10 billion in fiscal year 2009, 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 mobile, industrial and aerospace markets. The company employs approximately 52,000 people in 48 countries around the world. Parker has increased its annual dividends paid to shareholders for 53 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 web 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 for 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 its mobile, 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, actions taken to combat the effects of the current recession, 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, suppliers or distributors, including delays or cancellations in shipments, disputes regarding contract terms 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 legal proceedings, including the outcome of any appeals; 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, deflation, 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 – DECEMBER 31, 2009**  
**CONSOLIDATED STATEMENT OF INCOME**  
(Unaudited)

| (Dollars in thousands except per share amounts)                | Three Months Ended December 31, |                   | Six Months Ended December 31, |                   |
|--|---------------------------------|-------------------|-------------------------------|-------------------|
|  | 2009                            | 2008              | 2009                          | 2008              |
| Net sales  | \$ 2,354,708                    | \$ 2,688,656      | \$ 4,591,873                  | \$ 5,753,344      |
| Cost of sales  | 1,869,481                       | 2,121,450         | 3,670,426                     | 4,458,672         |
| Gross profit   | 485,227                         | 567,206           | 921,447                       | 1,294,672         |
| Selling, general and administrative expenses                   | 309,840                         | 337,183           | 611,683                       | 669,866           |
| Interest expense   | 25,029                          | 30,307            | 50,752                        | 58,403            |
| Other expense, net   | 8,123                           | 483               | 2,748                         | 8,782             |
| Income before income taxes                                     | 142,235                         | 199,233           | 256,264                       | 557,621           |
| Income taxes   | 37,272                          | 42,472            | 77,331                        | 149,025           |
| Net income   | 104,963                         | 156,761           | 178,933                       | 408,596           |
| Less: Noncontrolling interests                                 | 417                             | 1,360             | 894                           | 3,019             |
| <b>Net income attributable to common shareholders</b>          | <b>\$ 104,546</b>               | <b>\$ 155,401</b> | <b>\$ 178,039</b>             | <b>\$ 405,577</b> |
| <b>Earnings per share attributable to common shareholders:</b> |                                 |                   |                               |                   |
| Basic earnings per share                                       | \$ .65                          | \$ .97            | \$ 1.11                       | \$ 2.49           |
| Diluted earnings per share                                     | \$ .64                          | \$ .96            | \$ 1.10                       | \$ 2.47           |
| Average shares outstanding during period – Basic               | 160,767,790                     | 160,839,120       | 160,698,541                   | 162,627,269       |
| Average shares outstanding during period – Diluted             | 162,744,788                     | 161,755,586       | 162,378,082                   | 164,272,066       |
| Cash dividends per common share                                | \$ .25                          | \$ .25            | \$ .50                        | \$ .50            |

**BUSINESS SEGMENT INFORMATION BY INDUSTRY**  
(Unaudited)

| (Dollars in thousands)  | Three Months Ended December 31, |                     | Six Months Ended December 31, |                     |
|---|---------------------------------|---------------------|-------------------------------|---------------------|
|   | 2009                            | 2008                | 2009                          | 2008                |
| <b>Net sales</b>  |                                 |                     |                               |                     |
| Industrial:   |                                 |                     |                               |                     |
| North America   | \$ 847,208                      | \$ 993,040          | \$ 1,630,293                  | \$ 2,100,117        |
| International   | 932,057                         | 1,042,741           | 1,782,307                     | 2,265,933           |
| Aerospace   | 400,551                         | 473,667             | 817,407                       | 952,140             |
| Climate & Industrial Controls                                   | 174,892                         | 179,208             | 361,866                       | 435,154             |
| <b>Total</b>  | <b>\$ 2,354,708</b>             | <b>\$ 2,688,656</b> | <b>\$ 4,591,873</b>           | <b>\$ 5,753,344</b> |
| <b>Segment operating income</b>                                 |                                 |                     |                               |                     |
| Industrial:   |                                 |                     |                               |                     |
| North America   | \$ 114,435                      | \$ 107,615          | \$ 190,606                    | \$ 268,101          |
| International   | 82,636                          | 115,122             | 144,459                       | 318,074             |
| Aerospace   | 41,026                          | 69,658              | 94,172                        | 137,806             |
| Climate & Industrial Controls                                   | 6,144                           | (12,814)            | 16,641                        | 2,685               |
| <b>Total segment operating income</b>                           | <b>244,241</b>                  | <b>279,581</b>      | <b>445,878</b>                | <b>726,666</b>      |
| Corporate general and administrative expenses                   | 31,472                          | 42,372              | 57,774                        | 82,746              |
| <b>Income from operations before interest expense and other</b> | <b>212,769</b>                  | <b>237,209</b>      | <b>388,104</b>                | <b>643,920</b>      |
| Interest expense  | 25,029                          | 30,307              | 50,752                        | 58,403              |
| Other expense   | 45,505                          | 7,669               | 81,088                        | 27,896              |
| <b>Income before income taxes</b>                               | <b>\$ 142,235</b>               | <b>\$ 199,233</b>   | <b>\$ 256,264</b>             | <b>\$ 557,621</b>   |

**PARKER HANNIFIN CORPORATION – DECEMBER 31, 2009**  
**CONSOLIDATED BALANCE SHEET**  
(Unaudited)

| (Dollars in thousands)                      | December 31,       |                      |
|---|--------------------|----------------------|
|   | 2009               | 2008                 |
| <b>Assets</b>                               |                    |                      |
| <b>Current assets:</b>                      |                    |                      |
| Cash and cash equivalents                   | \$ 233,899         | \$ 261,990           |
| Accounts receivable, net                    | 1,368,449          | 1,682,338            |
| Inventories                                 | 1,232,979          | 1,519,651            |
| Prepaid expenses                            | 98,989             | 69,498               |
| Deferred income taxes                       | 124,182            | 145,131              |
| <b>Total current assets</b>                 | <b>3,058,498</b>   | <b>3,678,608</b>     |
| Plant and equipment, net                    | 1,842,750          | 1,888,023            |
| Goodwill                                    | 2,948,304          | 2,884,187            |
| Intangible assets, net                      | 1,254,982          | 1,236,724            |
| Other assets                                | 689,655            | 427,649              |
| <b>Total assets</b>                         | <b>\$9,794,189</b> | <b>\$ 10,115,191</b> |
| <b>Liabilities and shareholders' equity</b> |                    |                      |
| <b>Current liabilities:</b>                 |                    |                      |
| Notes payable                               | \$ 389,715         | \$ 1,022,112         |
| Accounts payable                            | 692,721            | 751,942              |
| Accrued liabilities                         | 680,450            | 777,462              |
| Accrued domestic and foreign taxes          | 153,152            | 116,183              |
| <b>Total current liabilities</b>            | <b>1,916,038</b>   | <b>2,667,699</b>     |
| Long-term debt                              | 1,554,088          | 1,882,693            |
| Pensions and other postretirement benefits  | 1,258,258          | 480,561              |
| Deferred income taxes                       | 186,493            | 216,131              |
| Other liabilities                           | 241,526            | 213,970              |
| Shareholders' equity                        | 4,552,027          | 4,564,109            |
| Noncontrolling interests                    | 85,759             | 90,028               |
| <b>Total liabilities and equity</b>         | <b>\$9,794,189</b> | <b>\$ 10,115,191</b> |

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(Unaudited)

| (Dollars in thousands)                                     | Six Months Ended December 31, |                   |
|--|-------------------------------|-------------------|
|  | 2009                          | 2008              |
| <b>Cash flows from operating activities:</b>               |                               |                   |
| Net income   | \$ 178,933                    | \$ 408,596        |
| Depreciation and amortization                              | 189,937                       | 175,885           |
| Share incentive plan compensation                          | 37,060                        | 28,451            |
| Net change in receivables, inventories, and trade payables | 155,231                       | 72,151            |
| Net change in other assets and liabilities                 | 79,808                        | (250,577)         |
| Other, net   | (34,719)                      | 10,009            |
| <b>Net cash provided by operating activities</b>           | <b>606,250</b>                | <b>444,515</b>    |
| <b>Cash flows from investing activities:</b>               |                               |                   |
| Acquisitions (net of cash of \$24,191 in 2008)             | —                             | (705,128)         |
| Capital expenditures                                       | (61,232)                      | (174,391)         |
| Proceeds from sale of plant and equipment                  | 5,665                         | 10,550            |
| Other, net   | (14,310)                      | (2,973)           |
| <b>Net cash (used in) investing activities</b>             | <b>(69,877)</b>               | <b>(871,942)</b>  |
| <b>Cash flows from financing activities:</b>               |                               |                   |
| Net (payments for) common share activity                   | (3,973)                       | (430,080)         |
| Net (payments for) proceeds from debt                      | (399,933)                     | 911,428           |
| Dividends  | (80,363)                      | (81,331)          |
| <b>Net cash (used in) provided by financing activities</b> | <b>(484,269)</b>              | <b>400,017</b>    |
| Effect of exchange rate changes on cash                    | (5,816)                       | (36,648)          |
| Net increase (decrease) in cash and cash equivalents       | 46,288                        | (64,058)          |
| Cash and cash equivalents at beginning of period           | 187,611                       | 326,048           |
| <b>Cash and cash equivalents at end of period</b>          | <b>\$ 233,899</b>             | <b>\$ 261,990</b> |



# ***Parker Hannifin Corporation***

Quarterly Earnings Release  
2nd Quarter FY 2010

January 19, 2010

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# 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 its mobile, 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, actions taken to combat the effects of the current recession, 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, suppliers or distributors, including delays or cancellations in shipments, disputes regarding contract terms 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 legal proceedings, including the outcome of any appeals; 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, deflation, 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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## ***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.

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## ***Discussion Agenda***

- CEO 2<sup>nd</sup> Quarter Highlights
- Key Performance Measures & Outlook
- Questions & Answers
- CEO Closing Comments

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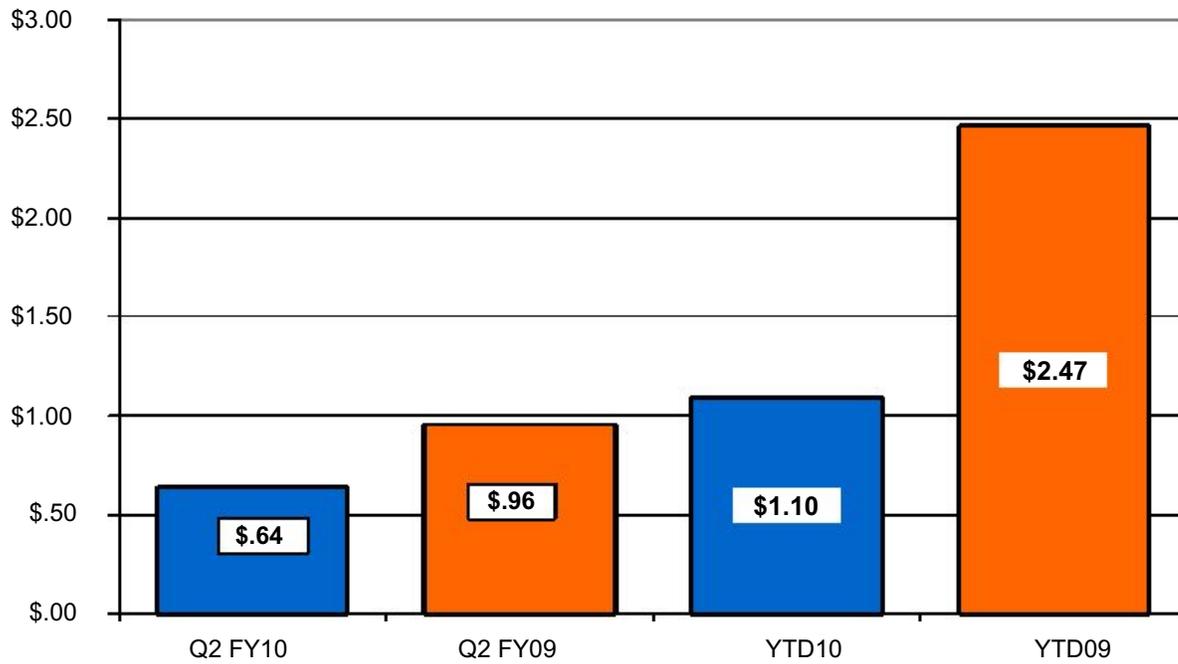
## ***Second Quarter FY10 Highlights***

- ◆ **Indicative Signs of Industrial Markets Improvement:** Industrial Orders Improved Sequentially From Q1 FY10
- ◆ **Continued Strong Cash Flow:** Operating CashFlow/Sales of 14.7%
- ◆ **Continued Inventory Reduction:** \$33M in Q2 FY10; \$287M Y-o-Y
- ◆ **Continued Debt Reduction:** \$203M in Q2 FY10; \$1B Y-o-Y
- ◆ **Continued Reduction in Leverage:** Debt to Total Capital Ratio Reduced to 29.9% (gross) or 27.3% (net of cash)
- ◆ **Operating Margin Improvement:** Sequential Quarter Improvement to 10.4% from 9.0% in Q1 FY10
- ◆ **Continued Cost Control:** Impressive Decremental Marginal Return on Sales of 10.6% (includes the effects of Acquisitions, Realignment and Inventory Reductions)

# Financial Highlights

## Diluted Earnings per Share

### 2<sup>nd</sup> Quarter



Slide 6

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## ***Influences on 2<sup>nd</sup> Quarter Earnings***

Diluted Earnings Per Share Decreased Y-o-Y as a Result of:

- ◆ Decreased Revenues (12.4%) Due To Global Recession and Decline In Nearly All Markets
- ◆ Increased Other Expense: \$8M Due to Asset Write-Downs

Offset by:

- ◆ Reduced SG&A Expenses of \$27M Due To Tight Budgetary Control and Lower Incentive Compensation
- ◆ Lower Interest Expense: \$5M Due to Less Debt Outstanding
- ◆ Lower Taxes Due to Decreased Operating Income; Higher Tax Rate Due to Normalized R&D Tax Credits

# Financial Highlights

## Sales – 2<sup>nd</sup> Quarter

| Dollars in millions | 2nd Quarter |             |          |
|---------------------|-------------|-------------|----------|
|                     | FY2010      | %<br>Change | FY2009   |
| <u>Sales</u>        |             |             |          |
| As reported         | \$ 2,355    | (12.4)%     | \$ 2,689 |
| Acquisitions        | 7           | 0.3 %       |          |
| Currency            | 102         | 3.8 %       |          |
| Adjusted Sales      | \$ 2,246    | (16.5)%     |          |

# Segment Reporting

## Industrial North America

| Dollars in millions     | 2nd Quarter |             |        |
|-------------------------|-------------|-------------|--------|
|                         | FY2010      | %<br>Change | FY2009 |
| <u>Sales</u>            |             |             |        |
| As reported             | \$ 847      | (14.7)%     | \$ 993 |
| Acquisitions            | 4           | 0.4 %       |        |
| Currency                | 7           | 0.7 %       |        |
| Adjusted Sales          | \$ 836      | (15.8)%     |        |
| <u>Operating Margin</u> |             |             |        |
| As reported             | \$ 114      |             | \$ 108 |
| % of Sales              | 13.5 %      |             | 10.8 % |

# Segment Reporting

## Industrial International

| Dollars in millions     | 2nd Quarter |             |          |
|-------------------------|-------------|-------------|----------|
|                         | FY2010      | %<br>Change | FY2009   |
| <u>Sales</u>            |             |             |          |
| As reported             | \$ 932      | (10.6)%     | \$ 1,043 |
| Acquisitions            | 3           | 0.3 %       |          |
| Currency                | 87          | 8.3 %       |          |
| Adjusted Sales          | \$ 842      | (19.2)%     |          |
| <u>Operating Margin</u> |             |             |          |
| As reported             | \$ 83       |             | \$ 115   |
| % of Sales              | 8.9 %       |             | 11.0 %   |

# Segment Reporting

## Aerospace

| Dollars in millions     | 2nd Quarter |             |        |
|-------------------------|-------------|-------------|--------|
|                         | FY2010      | %<br>Change | FY2009 |
| <u>Sales</u>            |             |             |        |
| As reported             | \$ 401      | (15.4)%     | \$ 474 |
| Acquisitions            |             |             |        |
| Currency                | 3           | 0.6 %       |        |
| Adjusted Sales          | \$ 398      | (16.0)%     |        |
| <u>Operating Margin</u> |             |             |        |
| As reported             | \$ 41       |             | \$ 70  |
| % of Sales              | 10.2 %      |             | 14.7 % |

# Segment Reporting

## Climate & Industrial Controls

| Dollars in millions     | 2nd Quarter |             |         |
|-------------------------|-------------|-------------|---------|
|                         | FY2010      | %<br>Change | FY2009  |
| <u>Sales</u>            |             |             |         |
| As reported             | \$ 175      | (2.4)%      | \$ 179  |
| Acquisitions            |             |             |         |
| Currency                | 5           | 2.6 %       |         |
| Adjusted Sales          | \$ 170      | (5.0)%      |         |
| <u>Operating Margin</u> |             |             |         |
| As reported             | \$ 6        |             | \$ (13) |
| % of Sales              | 3.5 %       |             | (7.2)%  |

# Parker Order Rates

## Three Month Rolling at Period End

|  | <u>DEC '09</u> | <u>SEPT '09</u> | <u>DEC '08</u> | <u>SEPT '08</u> |
|--|----------------|-----------------|----------------|-----------------|
| <b>Total Parker</b>                      | - 7 %          | - 25 %          | - 20 %         | + 1 %           |
| <b>Industrial North America</b>          | - 3 %          | - 27 %          | - 18 %         | + 2 %           |
| <b>Industrial International</b>          | 0.0%           | - 25 %          | - 28 %         | - 4 %           |
| <b>Aerospace</b>                         | - 27 %         | - 23 %          | + 2 %          | + 9 %           |
| <b>Climate &amp; Industrial Controls</b> | + 6 %          | - 17 %          | - 28 %         | + 5 %           |

### **Excludes Acquisitions & Currency**

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

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# ***Balance Sheet Summary***

- ◆ Cash
- ◆ Working capital
  - Inventory
  - Accounts receivable
  - Accounts payable

# Strong Cash Flow

## Cash from Operating Activities

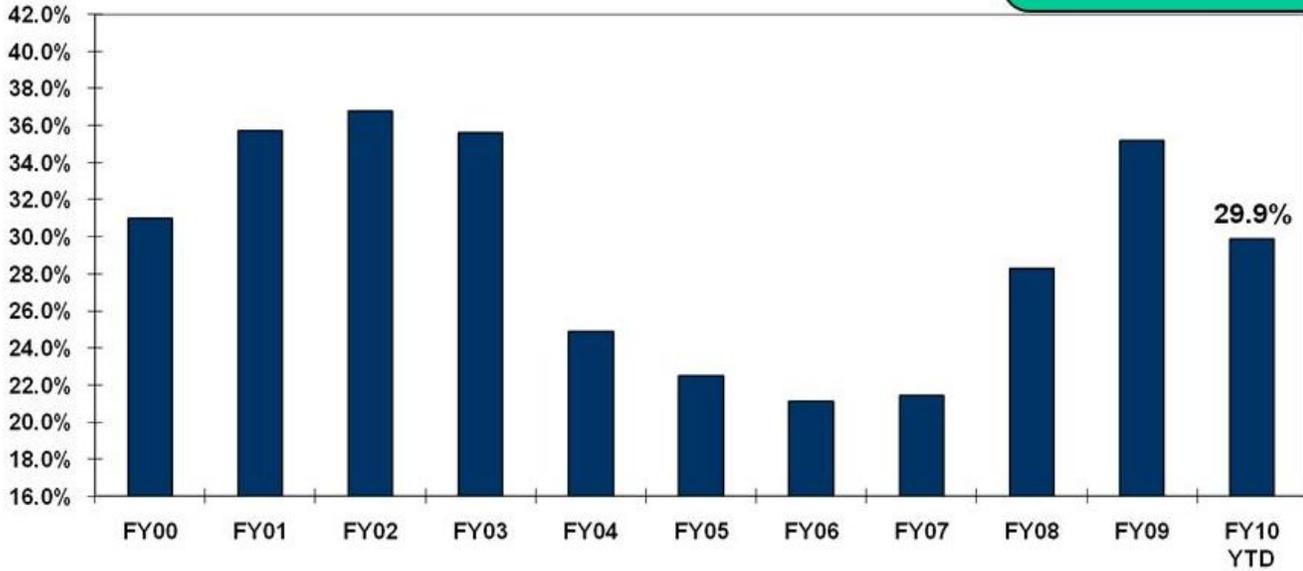
### 1<sup>st</sup> Half FY10



# Financial Leverage

## Debt to Debt Equity

**29.9%**  
**Debt to Debt Equity**  
**(27.3% net Debt)**



# ***FY 2010 Earnings Outlook Assumptions Segment Sales & Operating Margins***

| <b>FY 2010 Sales change versus FY 2009</b> |                          |
|--|--------------------------|
| Industrial North America                   | <b>(6.3)% -- (10.3)%</b> |
| Industrial International                   | <b>(1.4)% -- (6.4)%</b>  |
| Aerospace                                  | <b>(7.9)% -- (8.7)%</b>  |
| Climate & Industrial Controls              | <b>(4.3)% -- (6.7)%</b>  |

| <b>FY 2010 Operating margin percentages</b> |                         |
|---|-------------------------|
| Industrial North America                    | <b>12.6 % -- 12.4 %</b> |
| Industrial International                    | <b>8.8 % -- 8.4 %</b>   |
| Aerospace                                   | <b>11.4 % -- 11.1 %</b> |
| Climate & Industrial Controls               | <b>6.2 % -- 5.6 %</b>   |

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## ***FY 2010 Earnings Outlook Assumptions below Operating Margin (+/- 3.0%)***

|                        |               |      |
|------------------------|---------------|------|
| ➤ Corporate Admin      | \$142M        |      |
| ➤ Interest Expense     | \$101M        |      |
| ➤ Other Expense (Inc.) | <u>\$150M</u> |      |
| ➤ Total                | \$393M        |      |
| ➤ Tax Rate             |               | 29 % |

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# ***Earnings Outlook – FY10***

|                                   | <u>Low</u>     | <u>High</u>    |
|-----------------------------------|----------------|----------------|
| <b>Diluted earnings per share</b> | <b>\$ 2.40</b> | <b>\$ 2.80</b> |

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# ***Questions & Answers...***

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## *Appendix*

### Income Statement

- 2<sup>nd</sup> Quarter FY2010
- 1<sup>st</sup> Half FY2010

# Income Statement – 2<sup>nd</sup> Quarter

## Quarter

Dollars in millions

|   | FY 2010    |            | FY 2009    |            |
|---|------------|------------|------------|------------|
|   |            | % of Sales |            | % of Sales |
| <b>Net Sales</b>                                      | \$ 2,354.7 | 100.0 %    | \$ 2,688.6 | 100.0 %    |
| Cost of sales   | 1,869.5    | 79.4 %     | 2,121.4    | 78.9 %     |
| Gross profit  | 485.2      | 20.6 %     | 567.2      | 21.1 %     |
| S, G & A  | 309.8      | 13.2 %     | 337.2      | 12.5 %     |
| Interest expense                                      | 25.0       | 1.1 %      | 30.3       | 1.1 %      |
| Other expense, net                                    | 8.1        | .3 %       | .5         | .0 %       |
| Income before taxes                                   | 142.3      | 6.0 %      | 199.2      | 7.5 %      |
| Income taxes  | 37.3       | 1.6 %      | 42.5       | 1.6 %      |
| <b>Net income</b>                                     | \$ 105.0   | 4.4 %      | \$ 156.7   | 5.9 %      |
| Less: Noncontrolling interests                        | \$ .4      |            | \$ 1.3     | .1 %       |
| <b>Net income attributable to common shareholders</b> | \$ 104.6   | 4.4 %      | \$ 155.4   | 5.8 %      |

# Income Statement – 1st Half

## Total Year

Dollars in millions

|   | FY 2010    |            | FY 2009    |            |
|---|------------|------------|------------|------------|
|   |            | % of Sales |            | % of Sales |
| <b>Net Sales</b>                                | \$ 4,591.9 | 100.0 %    | \$ 5,753.3 | 100.0 %    |
| Cost of sales                                   | 3,670.4    | 79.9 %     | 4,458.6    | 77.5 %     |
| Gross profit                                    | 921.5      | 20.1 %     | 1,294.7    | 22.5 %     |
| S, G & A  | 611.7      | 13.3 %     | 669.9      | 11.6 %     |
| Interest expense                                | 50.8       | 1.1 %      | 58.4       | 1.0 %      |
| Other expense, net                              | 2.7        | .1 %       | 8.8        | .2 %       |
| Income before taxes                             | 256.3      | 5.6 %      | 557.6      | 9.7 %      |
| Income taxes                                    | 77.3       | 1.7 %      | 149.0      | 2.6 %      |
| <b>Net income</b>                               | \$ 179.0   | 3.9 %      | \$ 408.6   | 7.1 %      |
| Less: Noncontrolling interests                  | \$ .9      |            | \$ 3.0     | .1 %       |
| <b>Net income attributable to common shares</b> | \$ 178.1   | 3.9 %      | \$ 405.6   | 7.0 %      |