

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2001

OR

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

For the transition period from _____ to _____

Commission File No. 1-4982

PARKER-HANNIFIN CORPORATION
(Exact name of registrant as specified in its charter)

Ohio

34-0451060

(State or other jurisdiction of
Incorporation or Organization)

(I.R.S. Employer
Identification No.)

6035 Parkland Boulevard, Cleveland, Ohio

44124-4141

(Address of Principal Executive Offices)

(Zip Code)

Registrant's telephone number, including area code

(216) 896-3000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class

Name of Each Exchange
on which Registered

Common Shares, \$.50 par value

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes . No .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K .

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of August 31, 2001, excluding, for purposes of this computation only, stock holdings of the Registrant's Directors and Officers: \$5,136,265,420.

The number of Common Shares outstanding on August 31, 2001 was 117,321,173.

Portions of the following documents are incorporated by reference:

- (1) Annual Report to Shareholders of the Company for the fiscal year ended June 30, 2001. Incorporated by reference into Parts I, II and IV hereof.
- (2) Definitive Proxy Statement for the Company's 2001 Annual Meeting of Shareholders. Incorporated by reference into Part III hereof.

PARKER-HANNIFIN CORPORATION

FORM 10-K

Fiscal Year Ended June 30, 2001

PART I

ITEM 1. Business. Parker-Hannifin Corporation is a leading worldwide full-line manufacturer of motion control products, including fluid power systems, electromechanical controls and related components. Fluid power involves the transfer and control of power through the medium of liquid, gas or air, in hydraulic, pneumatic

and vacuum applications. Fluid power systems move and position materials, control machines, vehicles and equipment and improve industrial efficiency and productivity. Components of a simple fluid power system include a pump or compressor which generates pressure, valves which control the fluid's flow, an actuator which translates the pressure in the fluid into mechanical energy, a filter to insure proper fluid condition and numerous hoses, couplings, fittings and seals. Electromechanical control involves the use of electronic components and systems to control motion and precisely locate or vary speed in automation applications. In addition to motion control products, the Company also is a leading worldwide producer of fluid purification, fluid flow, process instrumentation, air conditioning, refrigeration, and electromagnetic shielding and thermal management products and designs and manufactures custom-engineered buildings. Also, through Wynn Oil Company and its subsidiaries (the "Wynn's Specialty Chemical Group"), the Company develops, manufactures and markets specialty chemical products and automotive service equipment and markets vehicle service contract and product warranty programs. In August 2001, the Company decided to suspend its efforts to sell the Wynn's Specialty Chemical Group which had previously been designated as assets held for sale since their acquisition in July 2000.

The Company was incorporated in Ohio in 1938. Its principal executive offices are located at 6035 Parkland Boulevard, Cleveland, Ohio 44124-4141, telephone (216) 896-3000. As used in this Report, unless the context otherwise requires, the term "Company" or "Parker" refers to Parker-Hannifin Corporation and its subsidiaries.

The Company's manufacturing, service, distribution and administrative facilities are located in 38 states, Puerto Rico and worldwide in 44 foreign countries. Its motion control technology is used in the products of its two principal business Segments: Industrial and Aerospace and in its third business Segment: Other. The products are sold as original and replacement equipment through product and distribution centers worldwide. The Company markets its products through its direct-sales employees, independent distributors, sales representatives and builder/dealers. Parker products are supplied to approximately 425,000 customers in virtually every significant manufacturing, transportation and processing industry. For the fiscal year ended June 30, 2001, net sales were \$5,979,604,000; Industrial Segment products accounted for 71% of net sales, Aerospace Segment products for 20% and Other Segment products for 9%.

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Markets

Motion control systems are used throughout industry in applications which include moving of materials, controlling machines, vehicles and equipment and positioning materials during the manufacturing process. Motion control systems contribute to the efficient use of energy and improve industrial productivity.

The approximately 425,000 customers who purchase the Company's products are found throughout virtually every significant manufacturing, transportation and processing industry. No customer accounted for more than 5% of the Company's total net sales for the fiscal year.

The major markets for products of the Fluid Connectors, Hydraulics, Automation and Seal Groups of the Industrial Segment are agricultural machinery, automotive, construction machinery, electronic equipment, fabricated metals, food production, industrial machinery, pulp and paper, machine tools, marine, medical equipment, mining, mobile equipment, chemicals, robotics, semi-conductor equipment, telecommunications, textiles, transportation and every other major production and processing industry. The major markets for products manufactured by the Instrumentation Group of the Industrial Segment are power generation, oil and gas exploration, petrochemical and chemical processing, pulp and paper, semi-conductor manufacturing, medical and analytical applications. The major markets for products of the Filtration Group of the Industrial Segment are industrial machinery, mobile equipment, process equipment, marine, aviation, environmental and semi-conductor manufacturing. Sales of Industrial Segment products are made to original equipment manufacturers and their replacement markets.

Aerospace Segment sales are made primarily to the commercial, military and general aviation markets and are made to original equipment manufacturers and to end users for maintenance, repair and overhaul.

The products manufactured by the Climate and Industrial Controls Group of the Other Segment are used principally in mobile air conditioning systems, industrial refrigeration systems, home and commercial air conditioning equipment and industrial process markets. Sales of the Climate and Industrial Controls Group are made to original equipment manufacturers and their replacement markets. Astron Building Systems® ("Astron") of the Other Segment produces pre-engineered single and multi-story buildings that serve industries throughout Europe and Asia. The Wynn's Specialty Chemical Group, which became part of the Other Segment in August 2001, develops and manufactures a wide variety of specialty chemical car care and industrial products and related service programs that are marketed to automobile service technicians and consumers. The Wynn's Specialty Chemical Group also administers vehicle service contract programs that are sold through automobile dealerships and financial institutions to purchasers of automobiles.

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Principal Products, Methods of Distribution and Competitive Conditions

Industrial Segment. The product lines of the Company's Industrial Segment cover most of the components of motion control systems. The Fluid Connectors Group manufactures connectors, including tube fittings and hose fittings, valves, hoses and couplers, which control, transmit and contain fluid. The Hydraulics Group produces hydraulic components and systems for builders and users of industrial and mobile machinery and equipment, such as cylinders, accumulators, rotary actuators, valves, motors and pumps, hydrostatic steering units, power units, integrated hydraulic circuits, electrohydraulic systems and metering pumps. The Automation Group supplies pneumatic and electromechanical components and systems, including pneumatic valves; linear motors; air preparation units; indexers, stepper and servo drives; multi-axis positioning tables; electric and pneumatic cylinders; structural extrusions; vacuum products; pneumatic logic; human/machine interface hardware and software; and gantry robots. The Seal Group manufactures sealing devices, including o-rings and o-seals; gaskets and packings, which insure leak-proof connections; electromagnetic interference shielding; and thermal management products. The Filtration Group manufactures filters, systems and instruments to monitor and to remove contaminants from fuel, air, oil, water and other fluids and gases, including hydraulic, lubrication and coolant filters; process, chemical and microfiltration filters; compressed air and gas purification filters; lube oil and fuel filters; fuel conditioning filters; fuel filters/water separators; cabin air filters; nitrogen and hydrogen generators and condition monitoring devices. The Instrumentation Group manufactures high quality critical flow components for process instrumentation, ultra-high-purity, medical and analytical applications, including instrumentation and ultra-high-purity tube fittings and gaskets; ball, plug, needle and check valves; packless ultra-high-purity valves; fluoropolymer fittings, tubing, valves and spray guns; miniature solenoid valves; multi-solenoid manifolds; regulators; transducers; quick connects; hose products; and cylinder connections.

Industrial Segment products include both standard items which are produced in large quantities and custom units which are engineered and produced to original equipment manufacturers' specifications for application to a particular end product. Both standard and custom products are also used in the replacement of original motion control system components. Industrial Segment products are marketed primarily through field sales employees and more than 8,600 independent distributors.

Aerospace Segment. The principal products of the Company's Aerospace Segment are hydraulic, fuel and pneumatic systems and components that are used on commercial and military airframe and engine programs.

The Aerospace Segment offers complete hydraulic systems, as well as primary flight control components that include hydraulic, electrohydraulic and electromechanical systems used for precise control of aircraft rudders, elevators, ailerons and other aerodynamic control surfaces and utility hydraulic components such as reservoirs, accumulators, selector valves, electrohydraulic servovalves, thrust-reverser actuators, engine-driven pumps, nosewheel steering systems, electromechanical actuators, engine controls and electronic controllers. The Aerospace Segment also designs and manufactures aircraft wheels and brakes for the general aviation and military markets.

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The Aerospace fuel product line includes complete fuel systems as well as components such as fuel transfer and pressurization controls, in-flight refueling systems, fuel pumps and valves, fuel measurement and management systems and center of gravity controls, engine fuel injection atomization nozzles and augmentor controls, and electronic monitoring computers.

Pneumatic components include bleed air control systems, pressure regulators, low-pressure pneumatic controls, heat transfer systems, engine start systems, engine bleed control and anti-ice systems, and electronic control and monitoring computers.

Aerospace Segment products are marketed by the Company's regional sales organization and are sold directly to manufacturers and end users.

Other Segment. The principal products of the Company's Other Segment are motion-control and fluid power system components which are manufactured by the Climate and Industrial Controls Group for use primarily in the transportation industry, custom-engineered buildings which are designed and manufactured by Astron and automotive and industrial chemical products, vehicle service contract programs and professional automotive service equipment that are developed and manufactured or administered by the Wynn's Specialty Chemical Group and marketed primarily to consumers, automobile dealerships, automotive service facilities and manufacturing companies.

The Climate and Industrial Controls Group manufactures components and systems for use in industrial, residential, automotive and mobile air conditioning and refrigeration systems and other applications, including pressure regulators, solenoid valves, expansion valves, filter-dryers, gerotors and hose assemblies. The Climate and Industrial Controls Group products are marketed primarily through field sales employees and independent distributors.

Astron's pre-engineered single and multi-story buildings serve as aircraft hangars, indoor athletic facilities, automobile showrooms, offices, supermarkets, factories and warehouses. Astron's custom-engineered buildings are marketed primarily through builder/dealers and field sales employees.

The Wynn's Specialty Chemical Group's product line includes professional chemical products, programs and equipment for automobile service technicians, automotive chemical products for consumers, and forging compounds, cleaners, release agents, lubricants, cutting and drawing fluids and multipurpose coolants used in precision metal forming and machining operations.

The Wynn's Product Warranty program marketed by the Wynn's Specialty Chemical Group consists of kits of a premium line of automotive treatment products that are accompanied by a special product warranty for purchasers of used automobiles and light trucks.

The Wynn's Extended Care program marketed by the Wynn's Specialty Chemical Group provides various vehicle service contracts for new and used cars. This program is backed by a contractual liability insurance policy.

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Competition. All aspects of the Company's business are highly competitive. No single manufacturer competes with respect to all products manufactured and sold by the Company and the degree of competition varies with different products. In the Industrial Segment, the Company competes on the basis of product quality and innovation, customer service, its manufacturing and distribution capability, and competitive price. The Company believes that, in most of the major markets for its products, it is one of the principal suppliers of motion control systems and components.

In the Aerospace Segment, the Company has developed alliances with key customers based on Parker's advanced technological and engineering capabilities, superior performance in quality, delivery, and service, and price competitiveness, which has enabled Parker to obtain significant original equipment business on new aircraft programs for its systems and components and, thereby, obtain the follow-on repair and replacement business for these programs. The Company believes that it is one of the primary suppliers in the aerospace marketplace.

In the Other Segment, the Company competes on the basis of product quality, innovation and performance, customer service, its manufacturing and distribution capability, and competitive price. The Company believes that it is one of the principal suppliers in the climate and industrial controls marketplace.

Research and Product Development

The Company continually researches the feasibility of new products through its development laboratories and testing facilities in many of its worldwide manufacturing locations. Its research and product development staff includes chemists, mechanical, electronic and electrical engineers and physicists.

Research and development costs relating to the development of new products or services and the improvement of existing products or services amounted to \$115,004,000 in fiscal 2001, \$94,781,000 in fiscal 2000 and \$86,953,000 in fiscal 1999. Reimbursements of customer-sponsored research included in the total cost for each of the respective years were \$17,143,000, \$16,409,000 and \$15,239,000.

Patents, Trademarks, Licenses

The Company owns a number of patents, trademarks and licenses related to its products and has exclusive and non-exclusive rights under patents owned by others. In addition, patent applications on certain products are now pending, although there can be no assurance that patents will be issued. The Company is not dependent to any material extent on any single patent or group of patents.

Backlog and Seasonal Nature of Business

The Company's backlog at June 30, 2001 was approximately \$1,985,902,000 and at June 30, 2000 was approximately \$1,797,233,000. Approximately 82% of the Company's backlog at June 30, 2001 is scheduled for delivery in the succeeding twelve months. The Company's business generally is not seasonal in nature.

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Environmental Regulation

The Company is subject to federal, state and local laws and regulations designed to protect the environment and to regulate the discharge of materials into the environment. Among other environmental laws, the Company is subject to the federal "Superfund" law, under which the Company has been designated as a "potentially responsible party" and may be liable for cleanup costs associated with various waste sites, some of which are on the U.S. Environmental Protection Agency Superfund priority list.

As of June 30, 2001, the Company is involved in environmental remediation at 22 manufacturing facilities presently or formerly operated by the Company and has been named as a "potentially responsible party," along with other companies, at two off-site waste disposal facilities and two regional Superfund sites.

The Company believes that its policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and the consequent financial liability to the Company. Compliance with environmental laws and regulations requires continuing management effort and expenditures by the Company. Compliance with environmental laws and regulations has not had in the past, and, the Company believes, will not have in the future, material effects on the capital expenditures, earnings, or competitive position of the Company.

As of June 30, 2001, the Company has a reserve of \$17,870,000 for environmental matters which are probable and reasonably estimable. This reserve is recorded based upon the best estimate of net costs to be incurred in light of the progress made in determining the magnitude of remediation costs, the timing and extent of remedial actions required by governmental authorities, the amount of the Company's liability in proportion to other responsible parties and any recoveries receivable.

The Company's estimated total liability for the above mentioned sites ranges from a minimum of \$17,870,000 to a maximum of \$40,782,000. The actual costs to be incurred by the Company will be dependent on final delineation of contamination, final determination of remedial action required, negotiations with federal and state agencies with respect to cleanup levels, changes in regulatory requirements, innovations in investigatory and remedial technology, effectiveness of remedial technologies employed, the ultimate ability to pay of the other responsible parties, and any insurance or third party recoveries.

Energy Matters and Sources and Availability of Raw Materials

The Company's primary energy source for each of its business segments is electric power. While the Company cannot predict future costs of such electric power, the primary source for production of the required electric power will be coal from substantial, proven coal reserves available to electric utilities. The Company is subject to governmental regulations in regard to energy supplies both in the United States and elsewhere. To date the Company has not experienced any significant disruptions of its operations due to energy curtailments.

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Steel, brass, aluminum, elastomeric materials and chemicals are the principal raw materials used by the Company. These materials are available from numerous sources in quantities sufficient to meet the requirements of the Company.

Employees

The Company employed approximately 46,300 persons as of June 30, 2001, of whom approximately 17,520 were employed by foreign subsidiaries.

Business Segment Information

The net sales, segment operating income and identifiable assets by business segment and net sales and long-lived assets by geographic area for the past three fiscal years, as set forth on page 25 of the Annual Report to Shareholders and specifically excerpted on pages 13-17 to 13-18 of Exhibit 13 hereto, are incorporated herein by reference. The net assets and results of operation for the Wynn's Specialty Chemical Group will be consolidated into the Company's financial statements beginning in the first quarter of fiscal 2002.

Acquisitions and Divestitures

During fiscal 2001 the Company completed several acquisitions. The discussion of these acquisitions, as set forth beginning on page 27 of the Annual Report to Shareholders and specifically excerpted on page 13-21 of Exhibit 13 hereto, is incorporated herein by reference.

ITEM 1A. Executive Officers of the Company

The Company's Executive Officers are as follows:

<u>Name</u>	<u>Position</u>	<u>Officer Since(1)</u>	<u>Age</u>
Donald E. Washkewicz	President, Chief Executive Officer and Director	1997	51
Michael J. Hiemstra	Executive Vice President – Finance and Administration and Chief Financial Officer	1987	54
John D. Myslenski	Vice President, Operations	1997	50
Dennis W. Sullivan	Executive Vice President and Director	1978	62
Claus Beneker	Vice President – Technical Director	1999	61
Robert W. Bond	Vice President and President, Automation Group	2000	44

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Lynn M. Cortright	Vice President and President, Climate & Industrial Controls Group	1999	60
Dana A. Dennis	Controller	1999	53
Daniel T. Garey	Vice President – Human Resources	1995	58
Stephen L. Hayes	Vice President and President, Aerospace Group	1993	60
Marwan M. Kashkoush	Vice President and President, Hydraulics Group	2000	47
Thomas W. Mackie	Vice President and President, Fluid Connectors Group	2000	54
John K. Oelslager	Vice President and President, Filtration Group	1997	58
Thomas A. Piraino, Jr.	Vice President, General Counsel and Secretary	1998	52
Timothy K. Pistell	Treasurer	1993	54

Nickolas W. Vande Steeg	Vice President and President, Seal Group	1995	58
Johnny White	Vice President and Corporate Information Officer	2001	57

- (1) Officers of the Company serve for a term of office from the date of election to the next organizational meeting of the Board of Directors and until their respective successors are elected, except in the case of death, resignation or removal. Messrs. Sullivan, Garey, Hayes, Pistell, and Vande Steeg have served in the executive capacities indicated above during the past five years.

Mr. Washkewicz was elected Chief Executive Officer effective in July 2001 and President in February 2000. He was Chief Operating Officer from February 2000 to July 2001; Vice President and President of the Hydraulics Group from October 1997 to February 2000; and Vice President-Operations of the Fluid Connectors Group from October 1994 to October 1997.

Mr. Hiemstra was elected Executive Vice President-Finance and Administration effective in July 2001 and Chief Financial Officer in January 1988. He was Vice President-Finance and Administration from 1987 to July 2001.

Mr. Myslenski was elected Vice President, Operations effective in July 2001. He was a Vice President from October 1997 to July 2001; President of the Fluid Connectors Group from July 1997 to July 2001; and Vice President – Operations of the Fluid Connectors Group from March 1989 to July 1997.

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Mr. Beneker was elected as Vice President – Technical Director effective in February 1999. He was Vice President of Business Development of the Aerospace Group from July 1995 to February 1999.

Mr. Bond was elected as a Vice President in July 2000 and named President of the Automation Group effective in April 2000. He was Vice President – Operations of the Fluid Connectors Group from July 1997 to April 2000 and General Manager of the Quick Coupling Division from January 1992 to July 1997.

Mr. Cortright was elected as a Vice President in January 1999 and was named President of the Climate & Industrial Controls Group effective in November 1998. He was President of the Latin American Group from November 1987 to October 1998.

Mr. Dennis was elected Controller effective July 1999. He was Vice President/Controller of the Automation Group from August 1997 to July 1999 and Vice President/Controller of the Motion and Control Group from July 1994 to August 1997.

Mr. Kashkoush was elected as a Vice President in July 2000 and named President of the Hydraulics Group in February 2000. He was President of the European Operations of the Hydraulics Group from February 1999 to February 2000; Group Vice President – Sales and Marketing of the Hydraulics Group from July 1997 to February 1999; and Operations Manager of the Troy, Michigan Sales Division from July 1995 to July 1997.

Mr. Mackie was elected as a Vice President in July 2000 and named President of the Fluid Connectors Group in July 2001. He was President of the Instrumentation Group from July 1997 to July 2001; and Vice President – Operations of the Fluid Connectors Group from July 1994 to July 1997.

Mr. Oelslager was elected as a Vice President in October 1997 and named President of the Filtration Group effective in March 2000. He was President of the Automation Group from July 1997 to March 2000 and Vice President – Operations of the Motion and Control Group from July 1995 to July 1997.

Mr. Piraino was elected as Vice President, General Counsel and Secretary effective in July 1998. He was Vice President-Law from July 1990 to July 1998.

Mr. White was elected Vice President and Corporate Information Officer effective in July 2001. He was Director of World Wide Business Systems from July 1998 to July 2001; and Director of Business Systems from July 1986 to July 1998.

ITEM 2. Properties. The following table sets forth the principal plants and other materially important properties of the Company and its subsidiaries. The leased properties are indicated with an asterisk. A "(1)" indicates that the property is occupied by the Company's Industrial Segment, a "(2)" indicates properties occupied by the Aerospace Segment, and a "(3)" indicates that the property is occupied by the Company's Other Segment.

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UNITED STATES

<u>State</u>	<u>City</u>
Alabama	Boaz(1)
	Huntsville(1)
	Jacksonville(1)
Arizona	Glendale(2)
	Tempe(1)
	Tolleson(2)
	Tucson(1)
Arkansas	Benton(1)
	Siloam Springs(3)
	Trumann(3)
California	Azusa(3)
	Irvine(1)(2)
	Modesto(1)
	Newbury Park*(1)
	Richmond(1)
	Rohnert Park(1)

	San Diego(1)
	Sante Fe Springs*(1)
Colorado	Englewood(1)
Connecticut	New Britain(3)
Florida	Longwood(3)
	Miami*(1)
	Sarasota(1)
Georgia	Dublin(2)
Idaho	Boise*(1)
Illinois	Bensenville(1)
	Broadview(3)
	Des Plaines(1)
	Elgin(1)
	Ladd(1)
	Lincolnshire(1)
	Rockford(1)
Indiana	Albion(1)
	Ashley(1)
	Goshen(1)
	Indianapolis*(1)
	New Haven(3)
	Syracuse(1)
	Tell City(1)
Iowa	Red Oak(1)
Kansas	Manhattan(1)

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<u>State</u>	<u>City</u>
Kentucky	Berea(1)
	Lexington(1)
	Springfield(1)
Maine	Kittery(1)
	Portland(3)
Maryland	Baltimore*(1)
Massachusetts	Ayer(2)
	Haverhill*(1)
	Tewksbury*(1)
	Woburn(1)
Michigan	Kalamazoo(2)
	Lakeview(1)
	Otsego(1)
	Oxford(1)
	Richland(1)
	Troy*(1)(3)
Minnesota	Blaine(1)
	Chanhassen*(1)
	Golden Valley(1)
	Minneapolis(1)
	New Hope*(1)
Mississippi	Batesville(3)
	Booneville(3)
	Madison(1)
	Olive Branch*(1)
Missouri	Kennett(3)
Nebraska	Gothenburg(1)
	Lincoln(1)
Nevada	Carson City(1)
New Hampshire	Hollis*(1)
	Hudson(1)
	Portsmouth*(1)
New Jersey	Fairfield*(1)
New York	Chestnut Ridge(1)
	Clyde(2)
	Lyons(3)
	Smithtown(2)

North Carolina

Forest City(1)
Hillsborough(1)
Kings Mountain(1)
Sanford(1)
Snow Hill(1)
Wake Forest*(1)

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State

City

Ohio

Wilson(1)
Akron(1)(3)
Andover(2)
Avon(2)
Brookville(1)
Columbus(1)
Dayton*(1)
Eastlake(1)
Eaton(1)
Elyria(1)(2)
Forest(2)
Green Camp(1)
Hicksville(1)
Kent(1)
Lewisburg(1)
Mayfield Heights(1)(2)(3)
Mentor(2)
Metamora(1)
Milford*(1)
Ravenna(1)
St. Marys(1)
Vandalia(1)
Wadsworth(1)
Wickliffe(1)
Youngstown(1)
Henryetta*(1)
Eugene(1)
Canton(1)
Harrison City(1)
Reading(1)
Beaufort(1)
Bishopville*(1)
Mount Holley(2)
Spartanburg(1)
Greeneville(1)
Greenfield(3)
Lebanon(1)
Livingston(1)
Memphis*(1)
Cleburne(1)
Ft. Worth(1)
Mansfield(1)
Ogden(2)

Oklahoma

Oregon

Pennsylvania

South Carolina

Tennessee

Texas

Utah

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State

City

Virginia

Washington

Wisconsin

Salt Lake City(1)
Lynchburg(1)
Seattle*(2)
Chetek(1)
Grantsburg(1)
Mauston(3)
Waukesha(1)

<u>Territory</u>	<u>City</u>
Puerto Rico	Ponce*(2)

FOREIGN COUNTRIES

<u>Country</u>	<u>City</u>
Argentina	Buenos Aires(1)(3)
Australia	Castle Hill(1)(3) Port Melbourne(1) Wodonga*(1)
Austria	Wiener Neustadt(1)
Belgium	Brussels*(1) St. Niklaas(3)
Brazil	Cachoerinha(1) Jacarei(1)(2)(3) São Paulo(1)
Canada	Brampton*(1) Grimsby(1)(3) Orillia(1) Owen Sound(1)
Chile	Santiago*(1)
Czech Republic	Chomutov(1)(3) Prague*(1) Prerov*(3) Sadská(1)
Denmark	Espergarde(1) Ishøj(1)(3)
Egypt	Cairo*(1)
England	Barnstaple*(1) Buxton(1) Cannock(1) Cheltenham*(1) Cornwall*(1)

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FOREIGN COUNTRIES

<u>Country</u>	<u>City</u>
	Cradley Heath(1) Derby*(1) Dewsbury(1) Grantham(1) Hemel Hempstead(1) Marlow*(1) Ossett(1) Poole*(1) Rotherham(1) Thetford(1) Warwick(1) Watford(1)
Finland	Hyrnsalmi*(1) Urjala(1) Vantaa(1)
France	Annemasse(1) Blois(1) Contamine(1) Evreux(1) Pontarlier(1) Wissembourg(1)

Germany

Bielefeld(1)

Bietigheim-Bissingen(1)

Chemnitz(1)

Cologne(1)

Erfurt(1)

Geringswalde(1)

Hochmössingen(1)

Kaarst(1)

Lampertheim(1)

Mücke(1)

Offenburg*(1)

Pleidelsheim(1)

Queckborn(3)

Scholß-Holte(1)

Weilheim(1)

Wiesbaden(2)

Athens*(1)

Budapest*(1)

Mumbai*(1)(3)

Dublin*(1)

Greece

Hungary

India

Ireland

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FOREIGN COUNTRIES

Country

City

Italy

Adro(1)

Arsago Seprio(1)

Corsico(1)(3)

Gessate(3)

Milan(1)

Japan

Yokohama(1)(2)(3)

Luxembourg

Diekirch(3)

Malaysia

Kuala Lumpur*(2)

Mexico

Matamoros(1)

Montemorelos(3)

Monterrey(1)(3)

Tijuana(1)

Toluca(1)

Netherlands

Amelo*(1)

Arnhem(1)

Etten-Leur*(1)

Hendrik-Ido-Ambacht(1)

Hoogezand(1)

Oldenzaal(1)(3)

New Zealand

Mt. Wellington(1)

Norway

Langhus(1)

Peoples Republic of China

Hong Kong*(1)(3)

Shanghai*(1)(3)

Poland

Warsaw*(1)(3)

Wroclaw(1)

Portugal

Porto*(1)

Romania

Bucharest*(1)

Russia

Moscow*(1)

Saudi Arabia

Riyadh*(1)

Singapore

Singapore*(1)(2)(3)

Slovenia

Novo Mesto*(1)

South Africa

Kempton Park(1)(3)

South Korea

Chonan(3)

Seoul*(1)

Suwon*(1)

Spain

Yangsan(1)

Madrid(1)(3)

Sweden

Borås(1)

Falköping(1)

FOREIGN COUNTRIES

<u>Country</u>	<u>City</u>
	Ulricehamn(1)
Switzerland	Geneva(3)
Taiwan	Taipei*(1)(3)
Thailand	Bangkok*(1)(3)
Ukraine	Kiev*(1)
United Arab Emirates	Abu Dhabi*(1)
Venezuela	Caracas*(1)(3)

The Company believes that its properties have been adequately maintained, are in good condition generally and are suitable and adequate for its business as presently conducted. The extent of utilization of the Company's properties varies among its plants and from time to time. Additional capacity has been added as the Company expands through business combinations. The Company's material manufacturing facilities remain capable of handling additional volume increases.

ITEM 3. Legal Proceedings. None.

ITEM 4. Submission of Matters to a Vote of Security Holders. Not applicable.

PART II

ITEM 5. Market for the Registrant's Common Equity and Related Stockholder Matters. As of August 31, 2001, the number of shareholders of record of the Company was 6,349 and the number of beneficial owners was approximately 50,730. Information regarding stock price and dividend information with respect to the Company's common stock, as set forth on page 35 of the Annual Report to Shareholders and specifically excerpted on page 13-36 of Exhibit 13 hereto, is incorporated herein by reference.

ITEM 6. Selected Financial Data. The information set forth on pages 36 and 37 of the Annual Report to Shareholders, as specifically excerpted on page 13-39 of Exhibit 13 hereto, is incorporated herein by reference.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations. The information set forth on pages 18, 20, 22, 24, 25, and 38 of the Annual Report to Shareholders, as specifically excerpted on pages 13-1 to 13-10 of Exhibit 13 hereto, is incorporated herein by reference.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk. The Company enters into forward exchange contracts, costless collar contracts and cross-currency swap agreements to reduce its exposure to fluctuations in related foreign currencies. The total value of open contracts and any risk to the Company as a result of these arrangements as well as the market risk of changes in near term interest rates is not material to the Company's financial position, liquidity or results of operations.

For further discussion see the Significant Accounting Policies Footnote on page 27 of the Annual Report to Shareholders, as specifically excerpted on page 13-21 of Exhibit 13 hereto and incorporated herein by reference.

ITEM 8. Financial Statements and Supplementary Data. The information set forth on pages 17, 19, 21, 23, 25 to 35 and 38 of the Annual Report to Shareholders, as specifically excerpted on pages 13-11 to 13-38 of Exhibit 13 hereto, is incorporated herein by reference.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure. Not applicable.

PART III

ITEM 10. Directors and Executive Officers of the Registrant. Information required with respect to the Directors of the Company is contained on pages 1 to 3 of the Company's definitive Proxy Statement dated September 24, 2001 (the "Proxy Statement") under the caption "Election of Directors." The foregoing information is incorporated herein by reference. Information with respect to the executive officers of the Company is included in Part I hereof.

The information set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" on page 3 of the Proxy Statement is incorporated herein by reference.

ITEM 11. Executive Compensation. The information set forth under the caption "Compensation of Directors" on page 3 of the Proxy Statement and under the caption "Executive Compensation" on pages 8 to 10 of the Proxy Statement is incorporated herein by reference.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management. The information set forth under the caption "'Change in Control" Severance Agreements with Officers" on page 11 of the Proxy Statement and under the caption "Principal Shareholders of the Corporation" on page 13 of the Proxy Statement is incorporated herein by reference.

ITEM 13. Certain Relationships and Related Transactions. Not applicable.

PART IV

ITEM 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

- a. The following are filed as part of this report:

1. Financial Statements and Schedule

The financial statements and schedule listed in the accompanying Index to Consolidated Financial Statements and Schedules are filed or incorporated by reference as part of this Report.

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2. Exhibits

The exhibits listed in the accompanying Exhibit Index and required by Item 601 of Regulation S-K (numbered in accordance with Item 601 of Regulation S-K) are filed or incorporated by reference as part of this Report.

b. The Registrant did not file a Current Report on Form 8-K in the quarter ended June 30, 2001.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

PARKER-HANNIFIN CORPORATION

By: /s/ M. J. Hiemstra
 Michael J. Hiemstra
 Executive Vice President – Finance and
 Administration and Chief Financial Officer

September 27, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons in the capacities and on the date indicated.

Signature and Title

DUANE E. COLLINS, Chairman of the Board of Directors;
 DONALD E. WASHKEWICZ, Chief Executive Officer and Director;
 DANA A. DENNIS, Controller and Principal Accounting Officer;
 JOHN G. BREEN, Director; PAUL C. ELY, JR., Director;
 WILLIAM E. KASSLING, Director; PETER W. LIKINS, Director;
 GIULIO MAZZALUPI, Director; KLAUS-PETER MÜLLER, Director;
 HECTOR R. ORTINO, Director; ALLAN L. RAYFIELD, Director;
 WOLFGANG R. SCHMITT, Director; DEBRA L. STARNES, Director;
 and DENNIS W. SULLIVAN, Director.

Date: September 27, 2001

/s/ M. J. Hiemstra
 Michael J. Hiemstra, Executive Vice President – Finance
 and Administration, Principal Financial Officer and
 Attorney-in-Fact

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PARKER-HANNIFIN CORPORATION
 INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

Reference

Form 10-K Annual Report (Page)	Excerpt from Annual Report to Shareholders as set forth in Exhibit 13 (Page)
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**Data incorporated by reference from the
 Annual Report to Shareholders as specifically
 excerpted in Exhibit 13 hereto:**

Report of Independent Accountants	—	13-38
Consolidated Statement of Income for the years ended June 30, 2001, 2000 and 1999	—	13-11
Consolidated Statement of Comprehensive Income for the years ended June 30, 2001, 2000 and 1999	—	13-12
Consolidated Balance Sheet at June 30, 2001 and 2000	—	13-13 and 13-14

Consolidated Statement of Cash Flows for the years ended June 30, 2001, 2000 and 1999	—	13-15 and 13-16
Notes to Consolidated Financial Statements	—	13-19 to 13-36
Report of Independent Accountants on the Financial Statement Schedule	F-2	

Schedule:

II - Valuation and Qualifying Accounts	F-3	—
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Individual financial statements and related applicable schedules for the Registrant (separately) have been omitted because the Registrant is primarily an operating company and its subsidiaries are considered to be totally-held.

F-1

**Report of Independent Accountants on
Financial Statement Schedule**

To the Board of Directors
of Parker Hannifin Corporation:

Our audits of the consolidated financial statements referred to in our report dated July 27, 2001 appearing in the 2001 Annual Report to Shareholders of Parker Hannifin Corporation (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 14(a)(1) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

Cleveland, Ohio
July 27, 2001

F -2

PARKER-HANNIFIN CORPORATION

**SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED JUNE 30, 1999, 2000 and 2001
(Dollars in Thousands)**

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning Of Period	Additions Charged to Costs and Expenses	Other (Deductions)/ Additions (A)	Balance At End Of Period
Allowance for doubtful accounts:				
Year ended June 30, 1999	\$ 9,004	\$ 2,318	\$ (1,925)	\$ 9,397
Year ended June 30, 2000	9,397	2,996	(1,973)	10,420
Year ended June 30, 2001	\$ 10,420	\$ 4,104	\$ (3,414)	\$ 11,110

(A) Net balance of deductions due to uncollectible accounts charged off and additions due to acquisitions or recoveries.

F-3

Exhibit Index

Exhibit No.	Description of Exhibit
(3)	Articles of Incorporation and By-Laws

(3)(a) Amended Articles of Incorporation(A).

(3)(b) Code of Regulations, as amended.

(4) Instruments Defining Rights of Security Holders:

(4)(a) Rights Agreement, dated January 31, 1997, between the Registrant and KeyBankNational Association (“KeyBank”)(B), as amended by the First Addendum to Shareholder Protection Rights Agreement, dated April 21, 1997, between the Registrant and Wachovia Bank of North Carolina N.A. (“Wachovia”), as successor to KeyBank(C),and the Second Addendum to Shareholder Protection Rights Agreement, dated June 15,1999, between the Registrant and National City Bank, as successor to Wachovia(C).

The Registrant is a party to other instruments, copies of which will be furnished to theCommission upon request, defining the rights of holders of its long-term debt identified in Note 8 of the Notes to Consolidated Financial Statements appearing on page 30 of the Annual Report to Shareholders as specifically excerpted on page 13-26 of Exhibit 13 hereto, which Note is incorporated herein by reference.

(10) Material Contracts:

(10)(a) Form of Change in Control Severance Agreement entered into by the Registrant and executive officers.*

(10)(b) Parker-Hannifin Corporation Change in Control Severance Plan, as amended.*

(10)(c) Form of Indemnification Agreement entered into by the Registrant and its directors and executive officers(D).

(10)(d) Exchange Agreement entered into as of May 11, 1999 between the Registrant and DuaneE. Collins including an Executive Estate Protection Plan comprised of the Executive Estate Protection Agreement entered into by the Registrant, Duane E. Collins and The Duane E. Collins Irrevocable Trust dated 5/10/99 (the “Trust”), the Collateral Assignment between the Registrant and the Trust and the “as sold” illustration of anExecutive Estate Protection Plan Insurance Policy(E).*

Exhibit Index

Exhibit No.	Description of Exhibit
-------------	------------------------

(10)(e) Exchange Agreement entered into as of October 29, 1999 between the Registrant andMichael J. Hiemstra including an Executive Estate Protection Plan comprised of the Executive Estate Protection Agreement among the Registrant, Michael J. Hiemstra, and the Irrevocable Trust Creating Vested Trusts for Children of Michael J. Hiemstra dated August 16, 1999 (the “Trust”) and the Collateral Assignment between the Trust and the Registrant(F).*

(10)(f) Exchange Agreement entered into as of February 22, 2000 between the Registrant andDaniel T. Garey including the Executive Estate Protection Agreement among the Registrant, Daniel T. Garey, and the Daniel T. Garey and Diane-Worthington Garey Irrevocable Trust dated December 22, 1999 (the “Trust”) and the Collateral Assignment between the Trust and the Registrant(G).*

(10)(g) Exchange Agreement entered into as of October 12, 2000 between the Registrant andThomas A. Piraino, Jr. including an Executive Estate Protection Plan comprised of the Executive Estate Protection Agreement among the Registrant, Thomas A. Piraino, Jr., and the Thomas A. Piraino, Jr. and Barbara C. McWilliams Irrevocable Trust dated September 1, 2000 (the “Trust”) and the Collateral Assignment between the Trust and the Registrant(H).*

(10)(h) Form of Executive Life Insurance Agreement entered into by the Registrant and executive officers, as amended and restated(I).*

(10)(i) Parker-Hannifin Corporation Supplemental Executive Retirement Benefits Program (August 15, 1996 Restatement).*

(10)(j) Parker-Hannifin Corporation 1990 Employees Stock Option Plan, as amended.*

(10)(k) Parker-Hannifin Corporation 1993 Stock Incentive Program, as amended(J).*

(10)(l) Parker-Hannifin Corporation 2001 Target Incentive Bonus Plan Description (K).*

(10)(m) Parker-Hannifin Corporation 2002 Target Incentive Bonus Plan Description.*

(10)(n) Parker-Hannifin Corporation 1999-00-01 Long Term Incentive Plan Description(L).*

(10)(o) Parker-Hannifin Corporation 2000-01-02 Long Term Incentive Plan Description(M).*

(10)(p) Parker-Hannifin Corporation 2001-02-03 Long Term Incentive Plan Description(N).*

(10)(q) Parker-Hannifin Corporation 2002-03-04 Long Term Incentive Plan Description.*

Exhibit Index

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
(10)(r)	Parker-Hannifin Corporation Savings Restoration Plan, as restated(O).*
(10)(s)	Parker-Hannifin Corporation Pension Restoration Plan, as amended and restated(P).*
(10)(t)	Parker-Hannifin Corporation Executive Deferral Plan, as restated(Q).*
(10)(u)	Parker-Hannifin Corporation Volume Incentive Plan, as amended(R).*
(10)(v)	Parker-Hannifin Corporation Non-Employee Directors' Stock Plan, as amended.*
(10)(w)	Parker-Hannifin Corporation Non-Employee Directors Stock Option Plan.*
(10)(x)	Parker-Hannifin Corporation Deferred Compensation Plan for Directors, as amended and restated.*
(10)(y)	Parker-Hannifin Corporation Stock Option Deferral Plan(S).*
(10)(z)	Agreement and Plan of Merger, dated as of January 14, 2000, by and between Commercial Intertech Corp. and the Registrant(T).
(10)(aa)	Agreement and Plan of Merger, dated as of June 13, 2000, by and among Wynn's International, Inc., the Registrant and WI Holding Inc.(U).
(11)	Computation of Common Shares Outstanding and Earnings Per Share is incorporated by reference to Note 5 of the Notes to Consolidated Financial Statements appearing on page 29 of the Annual Report to Shareholders as specifically excerpted on pages 13-24 and 13-25 of Exhibit 13 hereto.
(12)	Computation of Ratio of Earnings to Fixed Charges as of June 30, 2001.
(13)	Excerpts from Annual Report to Shareholders for the fiscal year ended June 30, 2001 which are incorporated herein by reference thereto.
(21)	List of subsidiaries of the Registrant.
(23)	Consent of Independent Accountants.
(24)	Power of Attorney.

*Management contracts or compensatory plans or arrangements.

(A)	Incorporated by reference to Exhibit 3 to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 1997 (Commission File No. 1-4982).
(B)	Incorporated by reference to Exhibit 4.1 to the Registrant's Report on Form 8-K filed with the Commission on February 4, 1997 (Commission File No. 1-4982).
(C)	Incorporated by reference to Exhibit 4(a) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1999 (Commission File No. 1-4982).
(D)	Incorporated by reference to Exhibit 10(c) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2000 (Commission File No. 1-4982).
(E)	Incorporated by reference to Exhibit 10(d) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1999 (Commission File No. 1-4982).
(F)	Incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 1999 (Commission File No. 1-4982).
(G)	Incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended March 31, 2000 (Commission File No. 1-4982).
(H)	Incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 2000 (Commission File No. 1-4982).

- (I) Incorporated by reference to Exhibit (10)(e) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1999 (Commission File No. 1-4982).
- (J) Incorporated by reference to Exhibit 10 to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 1997 (Commission File No. 1-4982).
- (K) Incorporated by reference to Exhibit 10(l) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2000 (Commission File No. 1-4982).
- (L) Incorporated by reference to Exhibit 10(m) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1998 (Commission File No. 1-4982).
- (M) Incorporated by reference to Exhibit 10(o) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1999 (Commission File No. 1-4982).
- (N) Incorporated by reference to Exhibit 10(p) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2000 (Commission File No. 1-4982).
- (O) Incorporated by reference to Exhibit 10(q) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2000 (Commission File No. 1-4982).
- (P) Incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 1999 (Commission File No. 1-4982).
- (Q) Incorporated by reference to Exhibit 10(s) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2000 (Commission File No. 1-4982).
- (R) Incorporated by reference to Exhibit 10(t) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2000 (Commission File No. 1-4982).
- (S) Incorporated by reference to Exhibit 10(u) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1998 (Commission File No. 1-4982).
- (T) Incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K dated January 17, 2000 (Commission File No. 1-4982).
- (U) Incorporated by reference to Exhibit (d)(2) to the Schedule TO filed by the Registrant and WI Holding Inc. on June 22, 2000.

Shareholders may request a copy of any of the exhibits to this Annual Report on Form 10-K by writing to the Secretary, Parker-Hannifin Corporation, 6035 Parkland Boulevard, Cleveland, Ohio 44124-4141.

Code of Regulations, as amended.

*Numbered in accordance with Item 601 of Regulation S-K.

[LOGO]

**Code of Regulations
Parker-Hannifin Corporation**

Parker-Hannifin Corporation
Cleveland, Ohio
(An Ohio Corporation)

Code of Regulations
Revised October 1985

1.

[LOGO]

**Code of Regulations
Parker-Hannifin Corporation**

Article I.
Meetings of
Shareholders

Section 1. Annual Meeting.

The annual meeting of shareholders for the election of Directors, the consideration of reports to be laid before the meeting, and the transaction of such other business may properly be brought before the meeting shall be held on the fourth Wednesday in October of each year or on such other day during the fourth month following the end of the fiscal year of the Corporation, at such time during business hours and at such place, either within or without the State of Ohio, as may be designated by the Board of Directors and specified in the notice of such meeting.

Section 2. Special Meetings.

Special meetings of shareholders may be held on any business day, when called by the Chairman of the Board, the President, or, in case of the President's absence, death or disability, the Vice President authorized to exercise the authority of the President, the Board of Directors acting at a meeting, a majority of the Directors acting without a meeting, or the persons who hold twenty-five per cent of all the shares outstanding and entitled to vote thereat. Upon request in writing delivered either in person or by registered mail to the President or the Secretary by any persons entitled to call a meeting of shareholders, such officer shall forthwith cause to be given to the shareholders entitled thereto notice of a meeting to be held on a date not less than ten nor more than sixty days after receipt of the request, as such officer may fix. If such notice is not given within thirty days after the delivery or mailing, the persons calling the meeting may fix the time of the meeting and give notice thereof in the manner provided by law or as provided in these Regulations, or cause such notice to be given by any designated representative. Each special meeting shall be called to convene between 10:00 A.M. and 2:30 P.M. and shall be held at the principal office of the Corporation, unless the meeting is called by the Directors, acting with or without a meeting, in which case such meeting may be held at any place either within or without the State of Ohio, designated by the Board of Directors and specified in the notice of such meeting.

Section 3. Notice of Meeting.

Not less than ten nor more than sixty days before the date fixed for a meeting of shareholders, written notice stating the time, place and purposes of such meeting shall be given by or at the direction of the Secretary, or an Assistant Secretary, or any other person or persons required or permitted by these Regulations to give such notice. The notice

2.

[LOGO]

**Code of Regulations
Parker-Hannifin Corporation**

**Article I.
Meetings of
Shareholders**
(continued)

shall be given by personal delivery or by mail to each shareholder entitled to notice of the meeting who is of record as of the day next preceding the day on which notice is given or, if a record date therefor is duly fixed, of record as of said date. If mailed, such notice shall be addressed to the shareholders at their respective addresses as they appear on the records of the Corporation.

Section 4. Quorum; Adjournment.

Except as may be otherwise provided by law or the Articles of Incorporation, at any meeting of shareholders the shareholders present in person or by proxy shall constitute a quorum for such meeting, but no action required by law, the Articles of Incorporation, or these Regulations to be authorized or taken by the holders of a designated proportion of the shares of any particular class or of each class may be authorized or taken by a lesser proportion. The holders of a majority of the voting shares represented at a meeting, whether or not a quorum is present, may adjourn such meeting from time to time. If any meeting is adjourned, notice of such adjournment need not be given if the time and place to which such meeting is adjourned are fixed and announced at such meeting.

**Article II.
Board of
Directors**

Section 1. Number and Classification; Election; Term of Office.

The Board of Directors shall be divided into three classes. The number of Directors in each class may be fixed or changed (a) at any meeting of shareholders called to elect Directors at which a quorum is present, by the vote of the holders of a majority of the shares represented at the meeting and entitled to vote on the proposal, or (b) by the Directors at any meeting of the Board of Directors by the vote of a majority of the Directors then in office except that, after the number of Directors in any class has been fixed by the shareholders, the Directors may not increase or decrease that number of Directors in that class by more than one. No class of directors shall consist of less than three Directors. Unless and until otherwise so fixed or changed, one class shall consist of six Directors and each other class shall consist of five Directors. A separate election shall be held for each class of Directors at any meeting of shareholders at which a member or members of more than one class of Directors is being elected. At each annual election, the Directors elected to the class whose term shall expire in that year shall hold office for a term of three years and until their respective successors are elected. In case of any increase in the number of Directors of any class, any additional Directors elected to such class shall hold office for a term that shall coincide with the full term or the remainder of the term, as the case may be, of such class.

3.

[LOGO]

**Code of Regulations
Parker-Hannifin Corporation**

**Article II.
Board of
Directors**
(continued)

Section 2. Directors Elected by Holders of Serial Preferred Stock.

The provisions of Section 1 shall not apply to any Directors elected by the holders of Serial Preferred Stock of all series voting separately as a class (continued) in the event of default in the payment of the equivalent of six quarterly dividends (whether or not consecutive) on any outstanding series of Serial Preferred Stock. Any such Directors shall not be classified and shall be elected to serve until the next annual meeting of shareholders and until their respective successors are elected, or until such default is cured, whichever occurs first.

Section 3. Vacancies.

In the event of the occurrence of any vacancy or vacancies in the Board of Directors, however caused, the Directors then in office, though less than a majority of the whole authorized number of Directors, may, by vote of a majority of their number, fill any such vacancy for the unexpired term.

Section 4. Meetings of Directors.

Meetings of Directors may be called by the Chairman of the Board, or the President, or any four Directors. Such meetings may be held at any place within or without the State of Ohio, and may be held through any communications equipment if all persons participating can hear each other. Participation in a meeting of Directors held through communications equipment pursuant to this Section 4 of Article II shall constitute presence at such meeting. Written notice of the time and place of each meeting of Directors shall be given to each Director by personal delivery, or by mail, telegram, or cablegram at least two days before the meeting, which notice need not specify the purposes of the meeting. Notice of adjournment of a meeting of Directors need not be given if the time and place to which it is adjourned are fixed and announced at such meeting.

Section 5. Quorum.

A majority of the Directors in office shall constitute a quorum for any meeting of Directors; provided that a majority of the Directors present at a meeting duly held, whether or not a quorum is present, may adjourn such meeting from time to time. The act of a majority of the Directors present at a meeting at which a quorum is present is the act of the Board of Directors.

4.

[LOGO]

**Code of Regulations
Parker-Hannifin Corporation**

**Article III.
Committees**

The Board of Directors may at any time appoint from its members an Executive, Audit, or other committee or committees, consisting of such number of members, not less than three, as the Board of Directors may deem advisable, together with such alternates as the Board of Directors may deem advisable to take the place of any absent member or members at any meeting of such committee. Each member and each alternate shall hold office during the pleasure of the Board of Directors. Any committee shall act only in the intervals between meetings of the Board of Directors and shall have such authority of the Board of Directors, however conferred, as may, from time to time, be delegated by the Board of Directors, other than that of filling vacancies in the Board of Directors or in any committee thereof. Each committee shall keep a written record of all actions taken by it. Unless otherwise ordered by the Board of Directors, any such committee may prescribe its own rules for calling and holding meetings, including meetings by means of communications equipment, and for its own methods of procedure, and may act by a majority of its members at a meeting or without a meeting by a writing or writings signed by all of its members.

**Article IV.
Officers**

Section 1. Designation and Election.

The Corporation shall have a Chairman of the Board, a President, one or more Vice Presidents, a Secretary, a Treasurer and a Controller. The Corporation may also have such other officers and assistant officers as may be deemed necessary. The officers shall be elected by the Board of Directors, at least annually. Assistant officers may be appointed by the Chairman of the Board or the President. The Chairman of the Board and the President shall be Directors, but none of the other officers need be a Director.

Section 2. Authority and Duties of Officers.

The officers of the Corporation shall have such authority and perform such duties as are customarily incident to their respective offices, or as may be determined, from time to time, by the Board of Directors.

**Article V.
Corporate Seal**

The corporate seal of the Corporation shall be circular in form and shall contain the name of the Corporation and the word "Seal".

5.

[LOGO]

**Code of Regulations
Parker-Hannifin Corporation**

**Article VI.
Amendments**

These Regulations may be amended in any respect, or new regulations may be adopted, by the shareholders at a meeting held for such purpose, by the affirmative vote of, or without a meeting by the written consent of, the holders of shares entitling them to exercise a majority of the voting power on such proposal.

**Article VII.
Indemnification of
Directors, Officers
And Employees**

The Corporation shall indemnify, to the full extent permitted or authorized by the Ohio General Corporation Law as it may from time to time be amended, any person made or threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a Director, officer or employee of the Corporation, or is or was serving at the request of the Corporation as a Director, trustee, officer or employee of another corporation, partnership, joint venture, trust or other enterprise. The indemnification provided by this Article VII shall not be deemed exclusive of any other rights to which any person seeking indemnification may be entitled under the articles of incorporation or the regulations, or any agreement, vote of shareholders or disinterested Directors, or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a Director, trustee, officer or employee and shall inure to the benefit of the heirs, executors and administrators of such a person.

6.

Form of Change in Control Severance Agreement
entered into by the Registrant and executive officers.

*Numbered in accordance with Item 601 of Regulation S-K.

PARKER-HANNIFIN CORPORATION
CHANGE IN CONTROL SEVERANCE AGREEMENT

THIS AGREEMENT is entered into as of the ___ day of _____, 19 __, by and between Parker-Hannifin Corporation (the "Company") and _____ (the "Executive").

W I T N E S S E T H

WHEREAS, the Company considers the establishment and maintenance of a sound and vital management to be essential to protecting and enhancing the best interests of the Company and its stockholders; and

WHEREAS, the Company recognizes that, as is the case with many publicly held corporations, the possibility of a change in control may arise and that such possibility may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders; and

WHEREAS, the Board (as defined in Section 1) has determined that it is in the best interests of the Company and its stockholders to secure the Executive's continued services and to ensure the Executive's continued and undivided dedication to his duties in the event of any threat or occurrence of a change in control of the Company; and

WHEREAS, the Board has authorized the Company to enter into this Agreement.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements herein contained, the Company and the Executive hereby agree as follows:

1. Definitions. As used in this Agreement, the following terms shall have the respective meanings set forth below:

(a) "Board" means the Board of Directors of the Company.

-1-

(b) "Bonus" means the annual bonuses payable pursuant to the RONA Plan and the Target Incentive Program.

(c) "Cause" means (i) a material breach by the Executive of the duties and responsibilities of the Executive (other than as a result of incapacity due to physical or mental illness) which is demonstrably willful and deliberate on the Executive's part, which is committed in bad faith or without reasonable belief that such breach is in the best interests of the Company and which is not remedied in a reasonable period of time after receipt of written notice from the Company specifying such breach or (ii) the commission by the Executive of a felony involving moral turpitude. The determination of Cause shall be made by the Board. Cause shall not exist unless and until the Company has delivered to the Executive a copy of a resolution duly adopted by three-quarters (3/4) of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Board), finding that in the good faith opinion of the Board the Executive was guilty of the conduct set forth in this Section 1(c) and specifying the particulars thereof in detail. The Company must notify the Executive that it believes Cause has occurred within ninety (90) days of its knowledge of the event or condition constituting Cause or such event shall not constitute Cause under this Agreement. For purposes of clause (i) above, any act, or failure to act, by the Executive based upon authority given pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company.

(d) "Change in Control" means the occurrence of one of the following events:

(i) any "person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the "Exchange Act") and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board (the "Company Voting Securities"); provided, however, that the event described in this paragraph shall not be deemed to be a Change in Control by virtue of any of the following situations: (A) an acquisition by the Company or any Subsidiary; (B) an acquisition by any employee benefit plan sponsored or maintained by the Company or any Subsidiary; (C) an acquisition by any underwriter temporarily holding securities pursuant to an offering of such securities; (D) a Non-Control Transaction (as defined in paragraph (iii)); (E) any acquisition by the Executive or any group of persons (within the meaning of Sections 13(d)(3) and 14(d)(2) of the Exchange Act) including the Executive (or any entity in which the Executive or a group of persons including the Executive, directly or indirectly, holds a majority of the voting power of such entity's outstanding voting interests); or (F) the acquisition of Company Voting Securities from the Company, if a majority of the Board approves a resolution providing expressly that the acquisition pursuant to this clause (F) does not constitute a Change in Control under this paragraph (i);

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(ii) individuals who, at the beginning of any period of twenty-four (24) consecutive months, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority thereof; provided, that any person becoming a director subsequent to the beginning of such twenty-four (24) month period, whose election, or nomination for election, by the Company's shareholders was approved by a vote of at least two-thirds of the directors comprising the Incumbent Board who are then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be, for purposes of this paragraph (ii), considered as though such person were a member of the Incumbent Board; provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be a member of the Incumbent Board;

(iii) the consummation of a merger, consolidation, share exchange or similar form of corporate reorganization of the Company or any Subsidiary that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in connection with the transaction or otherwise (a "Business Combination"), unless (A) immediately following such Business Combination: (1) more than 50% of the total voting power of the corporation resulting from such Business Combination (the "Surviving Corporation") or, if applicable, the ultimate parent corporation which directly or indirectly has beneficial ownership of 100% of the voting securities eligible to elect directors of the Surviving Corporation (the "Parent Corporation"), is represented by Company Voting Securities that were outstanding immediately prior to the Business Combination (or, if applicable, shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination, (2) no person (other than any employee benefit plan sponsored or maintained by the Surviving Corporation or Parent Corporation) is or becomes the beneficial owner, directly or indirectly, of 20% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), and (3) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), following the Business Combination, were members of the Incumbent Board at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination (a "Non-Control Transaction") or (B) the Business Combination is effected by means of the acquisition of Company Voting Securities from the Company, and a majority of the Board approves a resolution providing expressly that such Business Combination does not constitute a Change in Control under this paragraph (iii); or

(iv) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or the sale or other disposition of all or substantially all of the assets of the Company and its Subsidiaries.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires beneficial ownership of more than 20% of the Company Voting Securities as a result of the acquisition of Company Voting Securities by the Company which, by reducing the number of Company Voting Securities outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change in Control would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities beneficially owned by such person, a Change in Control shall then occur.

Notwithstanding anything in this Agreement to the contrary, if the Executive's employment is terminated prior to a Change in Control, and the Executive reasonably demonstrates that such termination was at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a Change in Control (a "Third Party"), then for all purposes of this Agreement, the date immediately prior to the date of such termination of employment shall be deemed to be the date of a Change in Control.

(e) "Company" means Parker-Hannifin Corporation, an Ohio corporation.

(f) "Date of Termination" means the date on which the Executive's employment by the Company terminates.

(g) "Good Reason" means, without the Executive's express written consent, the occurrence of any of the following events after a Change in Control:

(i) the assignment to the Executive of any duties (including a diminution of duties) inconsistent in any adverse respect with the Executive's position(s), duties, responsibilities or status with the Company immediately prior to such Change in Control; (ii) an adverse change in the Executive's reporting responsibilities, titles or offices with the Company as in effect immediately prior to such Change in Control; (iii) any removal or involuntary termination of the Executive from the Company otherwise than as expressly permitted by this Agreement or any failure to re-elect the Executive to any position with the Company

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held by the Executive immediately prior to such Change in Control; (iv) a reduction by the Company in the Executive's rate of annual base salary as in effect immediately prior to such Change in Control or as the same may be increased from time to time thereafter; (v) any requirement of the Company that the Executive (A) be based anywhere more than twenty-five (25) miles from the facility where the Executive is located at the time of the Change in Control or (B) travel on Company business to an extent substantially more burdensome than the travel obligations of the Executive immediately prior to such Change in Control; (vi) the failure of the Company to (A) continue in effect any employee benefit plan or compensation plan in which the Executive is participating immediately prior to such Change in Control, or the taking of any action by the Company which would adversely affect the Executive's participation in or reduce the Executive's benefits under any such plan (including the failure to provide the Executive with a level of discretionary incentive award grants consistent with the past practice of the Company in granting such awards to the Executive during the three-Year period immediately preceding the Change in Control), (B) provide the Executive and the Executive's dependents with welfare benefits (including, without limitation, medical, prescription, dental, disability, salary continuance, employee life, group life, accidental death and travel accident insurance plans and programs) in accordance with the most favorable plans, practices, programs and policies of the Company and its affiliated companies in effect for the Executive immediately prior to such Change in Control, (C) provide fringe benefits in accordance with the most favorable plans, practices, programs and policies of the Company and its affiliated companies in effect for the Executive immediately prior to such Change in Control, or (D) provide the Executive with paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated companies as in effect for the Executive immediately prior to such Change in Control, unless in the case of any violation of (A), (B) or (C) above, the Executive is permitted to participate in other plans, programs or arrangements which provide the Executive (and, if applicable, the Executive's dependents) with no less favorable benefits at no greater cost to the Executive; or (vii) the failure of the Company to obtain the assumption agreement from any successor as contemplated in Section 9(b).

Any event or condition described in Sections 1(g)(i) through (vi) which occurs prior to a Change in Control, but was at the request of a Third Party, shall constitute Good Reason following a Change in Control for purposes of this Agreement (as if a Change in Control had occurred immediately prior to the occurrence of such event or condition) notwithstanding that it occurred prior to the Change in Control. For purposes of this Agreement, any good faith determination of Good Reason made by the Executive shall be conclusive; provided, however, that an isolated, insubstantial and inadvertent action taken in good faith and which is remedied by the Company promptly after receipt of notice thereof given by an Executive shall not constitute Good Reason. The Executive's right to terminate employment for Good Reason shall not be affected by the Executive's incapacitation due to mental or physical illness and the Executive's continued employment shall not constitute consent to or a waiver of rights with respect to any event or condition constituting Good Reason. The Executive must provide notice of termination within

ninety (90) days of his knowledge of an event or condition constituting Good Reason hereunder or such event shall not constitute Good Reason hereunder. A transaction which results in the Company no longer being a publicly traded entity shall not in and of itself be treated as Good Reason unless and until one of the events or conditions set forth in Sections 1(g)(i) through (vii) occurs.

Notwithstanding anything in this Section 1(g) to the contrary, if during the 180-day period commencing upon the 91st day immediately following a Change in Control, the Executive's employment terminates for any or no reason (other than for Cause) such termination shall be treated as a termination for Good Reason hereunder.

(h) "Nonqualifying Termination" means a termination of the Executive's employment (i) by the Company for Cause, (ii) by the Executive for any reason other than Good Reason, (iii) as a result of the Executive's death, (iv) by the Company due to the Executive's absence from his duties with the Company on a full-time basis for at least one

hundred eighty (180) consecutive days as a result of the Executive's incapacity due to physical or mental illness or (v) as a result of the Executive's Retirement.

(i) "Projected Bonus Amount" means, with respect to any Year, the greater of (i) the Executive's Target Bonus Amount for such Year; or (ii) to the extent calculable after at least one calendar quarter of the Year, the Bonus the Executive would have earned in the Year in which the Executive's Date of Termination occurs had the Company's financial performance through the end of the fiscal quarter immediately preceding the Date of Termination continued throughout said Year (the "Earned Bonus Amount").

(j) "Retirement" means the Executive's mandatory retirement (not including any mandatory early retirement) in accordance with the Company's retirement policy generally applicable to its salaried employees, as in effect immediately prior to the Change in Control, or in accordance with any retirement arrangement established with respect to the Executive with the Executive's written consent.

(k) "RONA Plan" means the Company's Return on Net Assets Plan, or any successor thereto.

(l) "Subsidiary" means any corporation or other entity in which the Company has a direct or indirect ownership interest of 50% or more of the total combined voting power of the then outstanding securities of such corporation or other entity.

(m) "Target Bonus Amount" means, with respect to any Year, the Participant's target Bonus for such Year based upon the Company's forecasted Operational Plan.

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(n) "Target Incentive Program" means the Company's Target Incentive Program, or any successor thereto.

(o) "Termination Period" means the period of time beginning with a Change in Control and ending three (3) years following such Change in Control.

(p) "Year" means the fiscal year of the Company.

2. Payments Upon Termination of Employment.

(a) If during the Termination Period the employment of the Executive shall terminate, other than by reason of a Nonqualifying Termination, then the Company shall pay to the Executive (or the Executive's beneficiary or estate), within five (5) days following the Date of Termination, as compensation for services rendered to the Company:

(i) a lump-sum cash amount equal to the sum of (A) the Executive's base salary from the Company and its Subsidiaries through the Date of Termination and any outstanding Bonus or long-term bonus awards for which payment is due and owing at such time, (B) any compensation previously deferred by the Executive other than pursuant to a tax-qualified plan (together with any interest and earnings thereon) (the "Deferred Amount"), plus an additional adjustment payment calculated in accordance with the formula set forth in Exhibit A hereto, (C) any accrued vacation pay, and (D) to the extent not provided under the Company's Bonus plans, a pro-rata portion of the Executive's Projected Bonus Amount for the Year in which the Executive's Date of Termination occurs, in each case to the extent not theretofore paid; plus

(ii) a lump-sum cash amount equal to the product of (A) the lesser of (1) three (3) and (2) the quotient resulting from dividing the number of full and partial months from the Executive's Date of Termination until the Executive would be subject to Retirement, by twelve (12) and (B) the sum of (1) the Executive's highest annual rate of base salary during the 12-month period immediately preceding the Date of Termination and (2) the highest of (x) the Executive's average Bonus (annualized for any partial Years of employment) earned during the 3-Year period immediately preceding the Year in which the Date of Termination occurs (or shorter annualized period if the Executive had not been employed for the full three-Year period), (y) the Executive's Target Bonus Amount for the Year in which the Change in Control occurs and (z) the Executive's Target Bonus Amount for the Year in which the Date of Termination occurs; provided, that any amount paid pursuant to this Section 2(a)(ii) shall offset an equal amount of any severance relating to salary or bonus continuation to be received by the Executive upon termination of employment of the Executive under any severance plan, policy, or arrangement of the Company.

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(b) If during the Termination Period, the employment of the Executive shall terminate, other than by reason of a Nonqualifying Termination, for a period of three (3) years (or, if lesser, the period ending on the date on which the Executive would be subject to Retirement) commencing on the Date of Termination, the Company shall continue to keep in full force and effect (or otherwise provide) all policies of medical, accident, disability and life insurance with respect to the Executive and his dependents with the same level of coverage, upon the same terms and otherwise to the same extent (and on the same after-tax basis), as such policies shall have been in effect immediately prior to the Date of Termination (or, if more favorable to the Executive, immediately prior to the Change in Control), and the Company and the Executive shall share the costs of the continuation of such insurance coverage in the same proportion as such costs were shared immediately prior to the Date of Termination.

(c) If during the Termination Period the employment of the Executive shall terminate, other than by reason of a Nonqualifying Termination, then the Executive shall be credited with three (3) years additional age and service credit for purposes of qualifying for any retiree medical benefits programs of the Company, although receipt of such retiree medical benefits shall not commence until the Executive is otherwise eligible under the terms of the retiree medical plan. If the Executive is terminated pursuant to a Nonqualifying Termination and would have been eligible to retire under the terms and conditions of the Company's retiree medical program as of immediately prior to the Executive's Date of Termination (or, if more favorable to the Executive, as of immediately prior to the Change in Control), the Executive's termination of employment shall be treated as a retirement under the Company's retiree medical program. The retiree medical benefits (and cost) to be provided to the Executive (and the Executive's eligible dependents) by the Company shall be no less favorable than the benefits (and cost) under the retiree medical program of the Company as of immediately prior to the Executive's Date of Termination (or, if more favorable to the Executive, as of immediately prior to the Change in Control), and shall be provided notwithstanding any amendment to, or termination of, the Company's retiree medical program.

(d) If during the Termination Period the employment of the Executive shall terminate by reason of a Nonqualifying Termination, then the Company shall pay to the Executive within thirty (30) days following the Date of Termination, a cash amount equal to the sum of (i) the Executive's base salary from the Company and its Subsidiaries through the Date of Termination and any outstanding Bonus or long-term bonus awards for which payment is due and owing at such time, (ii) any compensation previously deferred by the Executive other than pursuant to a tax-qualified plan (together with any interest and earnings thereon), (iii) any accrued vacation pay, and (iv) if the Nonqualifying Termination is other than for Cause, to the extent not provided under the Company's Bonus plans, a pro-rata portion of the Executive's Earned Bonus Amount for the Year in which the Executive's Date of Termination occurs, in each case to the extent not theretofore paid.

(e) If subsequent to a Change in Control and the end of the Termination Period, the employment of the Executive shall be terminated by the Company (other than by reason of a Nonqualifying Termination), the Company shall pay the Executive within five (5) days following his Date of Termination a lump sum cash payment equal to the sum of (i) the Executive's highest

annual rate of base salary during the 12-month period immediately preceding the Date of Termination and (ii) the higher of (A) the Executive's average Bonus (annualized for any partial years of employment) earned during the 3-year period immediately preceding the year in which the Date of Termination occurs and (B) the Executive's Target Bonus Amount for the year in which the Date of Termination occurs; provided, that any amount paid pursuant to clauses (i) and (ii) of this Section 2(e) shall offset an equal amount of any severance relating to salary or bonus continuation to be received by the Executive upon termination of employment of the Executive under any severance plan, policy or arrangement of the Company.

(f) If subsequent to a Change in Control and the end of the Termination Period, the employment of the Executive shall be terminated by the Company, the Company shall pay the Executive within five (5) days following his Date of Termination a lump sum cash payment equal to (i) the Executive's base salary from the Company and its

Subsidiaries through the Date of Termination and any outstanding Bonus or long-term bonus awards for which payment is due and owing at such time, (ii) any accrued vacation pay, and (iii) if the termination is other than for Cause, to the extent not provided under the Company's Bonus plans, a pro-rata portion of the Executive's Earned Bonus Amount for the year in which the Executive's Date of Termination occurs, in each case to the extent not theretofore paid.

3. Gross-Up Payment.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment, distribution or acceleration of vesting of any award or benefit by the Company or its Subsidiaries to or for the benefit of the Executive (whether paid or payable, distributed or distributable or accelerated or subject to acceleration pursuant to the terms of this Agreement or otherwise) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code, or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes) imposed upon the Gross-Up Payment, the Executive retains an amount equal to the sum of (i) the Excise Tax imposed upon the Payments and (ii) the product of any deductions disallowed because of the inclusion of the Gross-Up Payment in the Executive's adjusted gross income for federal income tax purposes and the highest applicable marginal rate of federal income taxation for the calendar year in which the Gross-Up Payment is to be made. For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to (1) pay applicable federal income taxes at the highest applicable marginal rates of federal income taxation for the calendar year in which the Gross-Up Payment is to be made, (2) pay applicable state and local income taxes at the highest applicable marginal rate of taxation for the calendar year in which the Gross-Up Payment is to be made, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes and (3) have otherwise allowable deductions for federal income tax purposes at least equal to those

which could be disallowed because of the inclusion of the Gross-Up Payment in the Executive's adjusted gross income. The payment of a Gross-Up Payment under this Section 3(a) shall in no event be conditioned upon the Executive's termination of employment or the receipt of severance benefits under this Agreement.

(b) Subject to the provisions of Section 3(a), all determinations required to be made under this Section 3, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by Mullin Consulting Inc. (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within fifteen (15) business days of the receipt of notice from the Company or the Executive that there has been a Payment, or such earlier time as is requested by the Company (collectively, the "Determination"). In the event that the Accounting Firm is serving as a consultant for the individual, entity or group effecting the Change in Control, the Executive may appoint a nationally recognized public accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company and the Company shall enter into any agreement requested by the Accounting Firm in connection with the performance of the services hereunder. The Gross-Up Payment under this Section 3 with respect to any Payments shall be made no later than thirty (30) days following the date of such Payment. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall furnish the Executive with a written opinion to such effect, and to the effect that failure to report the Excise Tax, if any, on the Executive's applicable federal income tax return will not result in the imposition of a negligence or similar penalty. The Determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the Determination, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment") or Gross-Up Payments are made by the Company which should not have been made ("Overpayment"), consistent with the calculations required to be made hereunder. In the event that the Executive thereafter is required to make payment of any additional Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) shall be promptly paid by the Company to or for the benefit of the Executive. In the event the amount of the Gross-Up Payment exceeds the amount necessary to reimburse the Executive for his Excise Tax, the Accounting Firm shall determine the amount of the Overpayment that has been made and any such Overpayment (together with interest at the rate provided in Section 1274(b)(2) of the Code) shall be promptly paid by the Executive to or for the benefit of the Company. The Executive shall cooperate, to the extent his expenses are reimbursed by the Company, with any reasonable requests by the Company in connection with any contests or disputes with the Internal Revenue Service in connection with the Excise Tax.

(c) Notwithstanding Section 6 hereof, this Section 3 shall survive the termination of this Agreement unless the Executive's employment was terminated by the Company for Cause.

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4. Withholding Taxes. The Company may withhold from all payments due to the Executive (or his beneficiary or estate) hereunder all taxes which, by applicable federal, state, local or other law, the Company is required to withhold therefrom.

5. Reimbursement of Expenses. If any contest or dispute shall arise under this Agreement involving termination of the Executive's employment with the Company or involving the failure or refusal of the Company to perform fully in accordance with the terms hereof, the Company shall reimburse the Executive, on a current basis, for all legal fees and expenses, if any, incurred by the Executive in connection with such contest or dispute (regardless of the result thereof), together with interest in an amount equal to the prime rate of Key Bank from time to time in effect, but in no event higher than the maximum legal rate permissible under applicable law, such interest to accrue from the date the Company receives the Executive's statement for such fees and expenses through the date of payment thereof.

6. Termination of Agreement. This Agreement shall be effective on the date hereof and shall continue until the first to occur of (i) the termination of the Executive's employment with the Company prior to a Change in Control (except as otherwise provided hereunder), (ii) a Nonqualifying Termination, or (iii) the Executive's termination of employment following the Termination Period.

7. Scope of Agreement. Nothing in this Agreement shall be deemed to entitle the Executive to continued employment with the Company or its Subsidiaries, and if the Executive's employment with the Company shall terminate prior to a Change in Control, the Executive shall have no further rights under this Agreement (except as otherwise provided hereunder); provided, however, that notwithstanding anything herein to the contrary, any termination of the Executive's employment following a Change in Control shall be subject to all of the benefit and payment provisions of this Agreement.

8. Obligations of the Executive.

The Executive agrees that if a Change in Control shall occur, the Executive shall not voluntarily leave the employ of the Company without Good Reason during the 90-day period immediately following a Change in Control.

9. Successors' Binding Obligation.

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(a) This Agreement shall not be terminated by any Business Combination or transfer of assets. In the event of any Business Combination or transfer of assets, the provisions of this Agreement shall be binding upon the surviving or resulting corporation or any person or entity to which the assets of the Company are transferred.

(b) The Company agrees that concurrently with any Business Combination or transfer of assets, it will cause any successor or transferee unconditionally to assume by written instrument delivered to the Executive (or his beneficiary or estate) all of the obligations of the Company hereunder. Failure of the Company to obtain such assumption prior to the effectiveness of any such Business Combination or transfer of assets that results in a Change in Control shall constitute Good Reason hereunder and shall entitle the Executive to compensation and other benefits from the Company in the same amount and on the same terms as the Executive would be entitled hereunder if the Executive's employment were terminated following a Change in Control other than by reason of a Nonqualifying Termination. For purposes of implementing the foregoing, the date on which any such Business Combination or transfer of assets becomes effective shall be deemed the date Good Reason occurs, and the Executive may terminate employment for Good Reason on or following such date.

(c) This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive shall die while any amounts would be payable to the Executive hereunder had the Executive continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to such person or persons appointed in writing by the Executive to receive such amounts or, if no person is so appointed, to the Executive's estate.

10. Notice. (a) For purposes of this Agreement, all notices and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given when delivered or five (5) days after deposit in the United States mail, certified and return receipt requested, postage prepaid, addressed as follows:

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If to the Executive:

If to the Company:

Parker-Hannifin Corporation
6035 Parkland Boulevard
Cleveland, Ohio 44124-4141
Attention: Secretary

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt. Alternatively, notice may be deemed to have been delivered when sent by facsimile or telex to a location provided by the other party hereto.

(b) A written notice of the Executive's Date of Termination by the Company or the Executive, as the case may be, to the other, shall (i) indicate the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated and (iii) specify the termination date (which date shall not be less than fifteen (15) nor more than sixty (60) days after the giving of such notice). The failure by the Executive or the Company to set forth in such notice any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company hereunder or preclude the Executive or the Company from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

11. Full Settlement; No Mitigation. The Company's obligation to make any payments provided for by this Agreement to the Executive and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment.

12. Employment with Subsidiaries. Employment with the Company for purposes of this Agreement shall include employment with any Subsidiary.

13. Governing Law; Validity. The interpretation, construction and performance of this Agreement shall be governed by and construed and enforced in accordance with the internal

laws of the State of Ohio without regard to the principle of conflicts of laws. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which other provisions shall remain in full force and effect.

14. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same instrument.

15. Miscellaneous. No provision of this Agreement may be modified or waived unless such modification or waiver is agreed to in writing and signed by the Executive and by a duly authorized officer of the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. Failure by the Executive or the Company to insist upon strict compliance with any provision of this Agreement or to assert any right the Executive or the Company may have hereunder, including without limitation, the right of the Executive to terminate employment for Good Reason, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement. Except as otherwise specifically provided herein, the rights of, and benefits payable to, the Executive, his estate or his beneficiaries pursuant to this Agreement are in addition to any rights of, or benefits payable to, the Executive, his estate or his beneficiaries under any other employee benefit plan or compensation program of the Company.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by a duly authorized officer of the Company and the Executive has executed this Agreement as of the day and year first above written.

PARKER-HANNIFIN CORPORATION

By: _____

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EXHIBIT A

The purpose of the adjustment payment to be added to the Deferred Amount pursuant to Section 2(a)(i)(3) (the "Make Whole Amount") is to offset the Executive's inability to defer until retirement or later the payment of taxes on both the Deferred Amount and the earnings and interest that would have otherwise accrued between the Date of Termination and the date on which the Executive elected to commence receipt of the Deferred Amount (the "Commencement Date") under the Company's Executive Deferral Plan (the "Plan").

The Make Whole Amount shall be calculated as follows:

1. The Executive's Deferred Amount under the Plan as of the Date of Termination (the "EDP Amount") will be projected forward to the Commencement Date at an assumed tax-deferred annual earnings rate equal to the Moody's Seasoned Baa Corporate Bond Yield Average for the last twelve full calendar months prior to the Date of Termination (the "Moody's Rate") (such projected amount shall be known as the "Projected Balance"). The Projected Balance will then be converted into annual installment benefit payments based upon the Executive's elected form of retirement payments under the Plan, assuming continued tax-deferred earnings on the undistributed balance at the Moody's Rate (the "Projected Annual Payouts"). The Projected Annual Payouts will then be reduced for assumed income taxes at the highest applicable federal, state and local marginal rates of taxation in effect in the Executive's taxing jurisdiction(s) for the calendar year in which the Make Whole Amount is paid (the "Tax Rate"). The after-tax Projected Annual Payouts will be known as the "After-Tax Projected Benefits".

2. The term "Made Whole Amount", as used herein, shall mean the EDP Amount plus the Make Whole Amount. The Make Whole Amount is the amount which, when added to the EDP Amount, will yield After-tax Annuity Benefits (as hereinafter defined) equal to the After-tax Projected Benefits, based on the following assumptions:
 - a. The Made Whole Amount will be taxed at the Tax Rate upon receipt by the Executive.
 - b. The after-tax Made Whole Amount will be deemed to be invested by the Executive in a tax-deferred annuity that is structured to make payments beginning on the Commencement Date in the same form as elected by the Executive under the Plan (the "Annuity").
 - c. The Annuity will accrue interest at the Moody's Rate, less 80 basis points (i.e., 0.80%).
 - d. Annual Annuity payments will be taxed at the Tax Rate (after taking into account the annuity exclusion ratio), yielding "After-tax Annuity Benefits".

Parker-Hannifin Corporation Change in Control Severance Plan, as amended.

*Numbered in accordance with Item 601 of Regulation S-K.

PARKER-HANNIFIN CORPORATION
CHANGE IN CONTROL SEVERANCE PLAN

The Board of Directors of Parker-Hannifin Corporation (the "Company") has determined that it is in the best interests of the Company and its stockholders to secure the continued services and dedication and objectivity of its management employees in the event of any threat or occurrence of, or negotiation or other action that could lead to, or create the possibility of, a Change in Control (as defined in Section 1(d)) of the Company, without concern as to whether such employees might be hindered or distracted by personal uncertainties and risks created by any such possible Change in Control. To encourage the full attention and dedication to the Company by such employees, the Board has authorized the Company to adopt the Parker-Hannifin Corporation Change in Control Severance Plan (the "Plan").

1. Definitions. As used in this Plan, the following terms shall have the respective meanings set forth below:

(a) "Board" means the Board of Directors of the Company.

(b) "Bonus" means the annual bonuses payable pursuant to the RONA Plan and the Target Incentive Program.

(c) "Cause" means (1) a material breach by a Participant (as defined in Section 1(j)) of the duties and responsibilities of the Participant (other than as a result of incapacity due to physical or mental illness) which is demonstrably willful and deliberate on the Participant's part, which is committed in bad faith or without reasonable belief that such breach is in the best interests of the Company and which is not remedied in a reasonable period of time after receipt of written notice from the Company specifying such breach or (2) the commission by the Participant of a felony involving moral turpitude. The determination of Cause shall be made by the Board unless expressly delegated in writing by the Board to the Compensation Committee of the Board (the "Committee"). Cause shall not exist unless and until the Company has delivered to the Participant a copy of a resolution duly adopted by three-quarters (3/4) of the Board (or a majority of the Committee) at a meeting of the Board (or the Committee) called and held for such purpose (after reasonable notice to the Participant and an opportunity for the Participant, together with the Participant's counsel, to be heard before the Board or the Committee, as the case may be), finding that in the good faith opinion of the Board (or the Committee) the Participant was guilty of the conduct set forth in this Section 1(c) and specifying the particulars thereof in detail. The Company must notify the Participant that it believes "Cause" has occurred within ninety (90) days of its knowledge of the event or condition constituting Cause. For the purposes of clause (1) above, any act, or failure to act, by the Participant based upon authority given pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Participant in good faith and in the best interests of the Company.

(d) "Change in Control" means the occurrence of one of the following events:

(i) any "person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the "Exchange Act") and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board (the "Company Voting Securities"); provided, however, that the event described in this paragraph shall not be deemed to be a Change in Control by virtue of any of the following situations: (A) an acquisition by the Company or any Subsidiary; (B) an acquisition by any employee benefit plan sponsored or maintained by the Company or any Subsidiary; (C) an acquisition by any underwriter temporarily holding securities pursuant to an offering of such securities; (D) a Non-Control Transaction (as defined in paragraph (iii)); (E) with respect to a Participant, any acquisition by the Participant or any group of persons (within the meaning of Sections 13(d)(3) and 14(d)(2) of the Exchange Act) including the Participant (or any entity in which the Participant or a group of persons including the Participant, directly or indirectly, holds a majority of the voting power of such entity's outstanding voting interests); or (F) the acquisition of Company Voting Securities from the Company, if a majority of the Board approves a resolution providing expressly that the acquisition pursuant to this clause (F) does not constitute a Change in Control under this paragraph (i);

(ii) individuals who, at the beginning of any period of twenty-four (24) consecutive months, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to the beginning of such twenty-four (24) month period, whose election, or nomination for election, by the Company's shareholders was approved by a vote of at least two-thirds of the directors comprising the Incumbent Board who are then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be, for purposes of this paragraph (ii), considered as though such person were a member of the Incumbent Board; provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be a member of the Incumbent Board;

(iii) the consummation of a merger, consolidation, share exchange or similar form of corporate reorganization of the Company or any Subsidiary that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in connection with the transaction or otherwise (a "Business Combination"), unless (A) immediately following such Business Combination: (1) more than 50% of the total voting power of the corporation resulting from such Business Combination (the "Surviving Corporation") or, if applicable, the ultimate

parent corporation which directly or indirectly has beneficial ownership of 100% of the voting securities) eligible to elect directors of the Surviving Corporation (the "Parent Corporation"), is represented by Company Voting Securities that were outstanding immediately prior to the Business Combination (or, if applicable, shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination, (2) no person (other than any employee benefit plan sponsored or maintained by the Surviving Corporation or Parent Corporation) is or becomes the beneficial owner, directly or indirectly, of 20% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), and (3) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), following the Business Combination, were members of the Incumbent Board at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination (a "Non-Control Transaction") or (B) the Business Combination is effected by means of the acquisition of Company Voting Securities from the Company, and a majority of the Board approves a resolution providing expressly that such Business Combination does not constitute a Change in Control under this paragraph (iii); or

(iv) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or the sale or other disposition of all or substantially all of the assets of the Company and its Subsidiaries.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires beneficial ownership of more than 20% of the Company Voting Securities as a result of the acquisition of Company Voting Securities by the Company which, by reducing the number of Company Voting Securities outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change in Control would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities beneficially owned by such person, a Change in Control shall then occur.

Notwithstanding anything in this Plan to the contrary, if the Participant's employment is terminated prior to a Change in Control, and the Participant reasonably demonstrates that such termination was at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a Change in Control (a "Third Party"), then for all purposes of this Plan, the date immediately prior to the date of such termination of employment shall be deemed to be the date of a Change in Control for such Participant.

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- (e) "Company" means Parker-Hannifin Corporation, an Ohio corporation.
- (f) "Date of Termination" means the date on which a Participant's employment by the Company terminates.
- (g) "Effective Date" means March 1, 1996.
- (h) "Good Reason" means, without a Participant's express written consent, the occurrence of any of the following events after a Change in Control:

(1) the assignment to the Participant of any duties inconsistent in any adverse respect with the Participant's position(s), duties, responsibilities or status with the Company immediately prior to such Change in Control, (2) an adverse change in the Participant's reporting responsibilities, titles or offices with the Company as in effect immediately prior to such Change in Control; (3) any removal or involuntary termination of the Participant from the Company otherwise than as expressly permitted by this Plan or any failure to re-elect the Participant to any position with the Company held by the Participant immediately prior to such Change in Control; (4) a reduction by the Company in the Participant's rate of annual base salary as in effect immediately prior to such Change in Control or as the same may be increased from time to time thereafter; (5) any requirement of the Company that the Participant (A) be based anywhere more than twenty-five (25) miles from the facility where the Participant is located at the time of the Change in Control or (B) travel on Company business to an extent substantially more burdensome than the travel obligations of the Participant immediately prior to such Change in Control; (6) the failure of the Company to (A) continue in effect any employee benefit plan or compensation plan in which the Participant is participating immediately prior to such Change in Control, or the taking of any action by the Company which would adversely affect the Participant's participation in or reduce the Participant's benefits under any such plan (including the failure to provide the Participant with a level of discretionary incentive award grants consistent with the Company's grants of such awards to the Participant during the three-Year period immediately prior to the Change in Control), (B) provide the Participant and the Participant's dependents with welfare benefits (including, without limitation, medical, prescription, dental, disability, salary continuance, employee life, group life, accidental death and travel accident insurance plans and programs) in accordance with the most favorable plans, practices, programs and policies of the Company and its affiliated companies in effect for the Participant immediately prior to such Change in Control, (C) provide fringe benefits in accordance with the most favorable plans, practices, programs and policies of the Company and its affiliated companies in effect for the Participant immediately prior to such Change in Control, or (D) provide the Participant with paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated companies as in effect for the Participant immediately prior to such Change in Control, unless in the case of any violation of (A), (B) or (C) above, the Participant is permitted to participate in other plans, programs or arrangements which provide the Participant (and, if applicable, the Participant's dependents) with no less favorable benefits at no greater cost to

the Participant; or (7) the failure of the Company to obtain the assumption agreement from any successor as contemplated in Section 8(b).

Any event or condition described in Sections 1(h)(1) through (6) which occurs prior to a Change in Control, but was at the request of a Third Party, shall constitute Good Reason following a Change in Control for purposes of this Plan (as if a Change in Control had occurred immediately prior to the occurrence of such event or condition) notwithstanding that it occurred prior to the Change in Control. For purposes of this Plan, any good faith determination of Good Reason made by a Participant shall be conclusive; provided, however, that an isolated, insubstantial and inadvertent action taken in good faith and which is remedied by the Company promptly after receipt of notice thereof given by a Participant shall not constitute Good Reason. The Participant's right to terminate employment for Good Reason shall not be affected by the Participant's incapacitation due to mental or physical illness and the Participant's continued employment shall not constitute consent to or a waiver of rights with respect to any event or condition constituting Good Reason. The Participant must provide notice of termination within ninety (90) days of his knowledge of an event or condition constituting Good Reason hereunder. A transaction which results in the Company no longer being a publicly traded entity shall not in and of itself be treated as Good Reason unless and until one of the events or conditions set forth in Sections 1(h)(1) through (7) occurs.

Notwithstanding anything in this Section 1(h) to the contrary, if during the 90-day period immediately following a Change in Control, a Participant's employment terminates for any or no reason (other than for Cause) such termination shall be treated as a termination for Good Reason hereunder.

(i) "Nonqualifying Termination" means a termination of a Participant's employment (1) by the Company for Cause, (2) by the Participant for any reason other than a Good Reason, (3) as a result of the Participant's death, (4) by the Company due to the Participant's absence from his duties with the Company on a full-time basis for at least one hundred eighty (180) consecutive days as a result of the Participant's incapacity due to physical or mental illness or (5) as a result of the Participant's Retirement.

(j) "Participant" means any employee of the Company or any Subsidiary (other than employees who have entered into Change in Control severance agreements with the Company) who is employed at or above Grade 15 (or the equivalent level), not taking into account any reduction of employment level following a Change in Control which would constitute Good Reason under this Plan.

(k) "Plan" means the Parker-Hannifin Corporation Change in Control Severance Plan.

(l) "Projected Bonus Amount" means, with respect to any Year, the greater of (i) the Participant's Target Bonus Amount for such Year; or (ii) to the extent calculable after at least one calendar quarter of the Year, the Bonus the Participant would

have earned in the Year in which the Executive's Date of Termination occurs had the Company's financial performance through the end of the fiscal quarter immediately preceding the Date of Termination continued throughout said Year (the "Earned Bonus Amount").

(m) "Retirement" means a Participant's mandatory retirement (not including any mandatory early retirement) in accordance with the Company's retirement policy generally applicable to its salaried employees, as in effect immediately prior to the Change in Control, or in accordance with any retirement arrangement established with respect to such Participant with the Participant's written consent.

(n) "RONA Plan" means the Company's Return on Net Assets Plan, or any successor thereto.

(o) "Subsidiary" means any corporation or other entity in which the Company has a direct or indirect ownership interest of 50% or more of the total combined voting power of the then outstanding securities of such corporation or other entity.

(p) "Termination Period" with respect to a Participant means the period of time beginning with a Change in Control and ending on the earliest to occur of (1) the Participant's death, and (2) two (2) years following such Change in Control.

(q) "Target Bonus Amount" means, with respect to any Year, the Participant's target Bonus for such Year based upon the Company's forecasted Operational Plan.

(r) "Target Incentive Program" means the Company's Target Incentive Program, or any successor thereto.

(s) "Year" means the fiscal year of the Company.

2. Payments Upon Termination of Employment.

(a) If during the Termination Period the employment of a Participant shall terminate, other than by reason of a Nonqualifying Termination, then the Company shall pay to the Participant (or the Participant's beneficiary or estate) within five (5) days following the Date of Termination, as compensation for services rendered to the Company:

(1) a lump-sum cash amount equal to the sum of (A) the Participant's base salary from the Company and its Subsidiaries through the Date of Termination and any outstanding annual Bonus or long-term bonus awards for which payment is due and owing at such time, (B) any compensation previously deferred by the Participant other than pursuant to a tax-qualified plan (together with any interest and earnings thereon), (C) any accrued vacation pay, and (D) to the extent not provided under the Company's Bonus plans, a pro-rata portion of the Participant's Projected Bonus Amount for the Year in which the Date of Termination occurs, in each case to the extent not theretofore paid; plus

(2) a lump-sum cash amount equal to the product of (A) the lesser of (1) one (1) and (2) the quotient resulting from dividing the number of full and partial months from the Participant's Date of Termination until the Participant would be subject to Retirement, by twelve (12) and (B) the sum of (i) the Participant's highest annual rate of base salary during the 12-month period immediately preceding the Date of Termination and (ii) the highest of (x) the Participant's average Bonus (annualized for any partial Years of employment) earned during the 3-Year period immediately preceding the Year in which the Date of Termination occurs (or shorter annualized period if the Participant had not been employed for the full three-Year period), (y) the Participant's Target Bonus Amount for the Year in which the Change in Control occurs and (z) the Participant's Target Bonus Amount for the Year in which the Date of Termination occurs; provided, that any amount paid pursuant to this Section 2(a)(2) shall offset an equal amount of any severance relating to salary or bonus continuation to be received by the Participant upon termination of employment of the Participant under any severance plan, policy, or arrangement or employment agreement of the Company.

(3) For a period of one (1) year (or, if lesser, the period ending on the date on which the Executive would be subject to Retirement) commencing on the Date of Termination, the Company shall continue to keep in full force and effect (or otherwise provide) all policies of medical, accident, disability and life insurance with respect to the Participant and his dependents with the same level of coverage, upon the same terms and otherwise to the same extent as such policies shall have been in effect immediately prior to the Date of Termination (or, if more favorable to the Participant, immediately prior to the Change in Control), and the Company and the Participant shall share the costs of the continuation of such insurance coverage in the same proportion as such costs were shared immediately prior to the Date of Termination. Following such one (1) year period of coverage, the Company shall offer the Participant continued health coverage under Section 4980B of the Internal Revenue Code of 1986, as amended (the "Code"), for a period of twelve (12) additional months.

(b) If during the Termination Period the employment of a Participant shall terminate by reason of a Nonqualifying Termination, then the Company shall pay to the Participant within thirty (30) days following the Date of Termination, a cash amount equal to the sum of (1) the Participant's base salary from the Company and its Subsidiaries through the Date of Termination and any outstanding Bonus or long-term bonus awards for which payment is due and owing at such time, (2) any compensation previously deferred by the Participant other than pursuant to a tax-qualified plan (together with any interest and earnings thereon), (3) any accrued vacation pay, and (4) if the Nonqualifying Termination is other than for Cause, to the extent not provided under the Company's Bonus plans, a pro-rata portion of the Participant's Earned Bonus Amount for the Year in which the Date of Termination occurs, in each case to the extent not theretofore paid.

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3. Excise Tax Limitation.

(a) Notwithstanding anything contained in this Plan or any other agreement or plan to the contrary, the payments and benefits provided to, or for the benefit of, any Participant under this Plan or under any other plan or agreement (the "Payments") shall be reduced (but not below zero) to the extent necessary so that no payment to be made, or benefit to be provided, to the Participant or for his benefit under this Plan or any other plan or agreement shall be subject to the imposition of excise tax under Section 4999 of the Code (such reduced amount is hereinafter referred to as the "Limited Payment Amount"). Unless the Participant shall have given prior written notice specifying a different order to the Company, the Company shall reduce or eliminate the Payments to the Participant reducing first the payments under Section 2(a)(2). Any notice given by a Participant pursuant to the preceding sentence shall take precedence over the provisions of any other plan, arrangement or agreement governing the Participant's rights and entitlement to any benefits or compensation.

(b) All determinations required to be made under this Section 3 shall be made by Mullin Consulting Inc. accounting firm (the "Accounting Firm"). The Accounting Firm shall provide its calculations, together with detailed supporting documentation, both to the Company and Participant within fifteen (15) days after the receipt of notice from the Participant that there has been a Payment (or at such earlier times as is requested by the Company) and, with respect to the Limited Payment Amount, a reasonable opinion to the Participant that he is not required to report any Excise Tax on his federal income tax return with respect to the Limited Payment Amount (collectively, the "Determination"). In the event that the Accounting Firm is serving as a consultant for the individual, entity or group effecting the Change in Control, the Company shall prior to the Change in Control appoint a nationally recognized public accounting firm to make the determination required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees, costs and expenses (including, but not limited to, the costs of retaining experts) of the Accounting Firm shall be borne by the Company. The Determination by the Accounting Firm shall be binding upon the Company and the Participant (except as provided in Subsection (c) below).

(c) If it is established pursuant to a final determination of a court or an Internal Revenue Service (the "IRS") proceeding which has been finally and conclusively resolved, that Payments have been made to, or provided for the benefit of, a Participant by the Company, which are in excess of the limitations provided in Section 3 (hereinafter referred to as an "Excess Payment"), such Excess Payment shall be deemed for all purposes to be a loan to the Participant made on the date the Participant received the Excess Payment and the Participant shall repay the Excess Payment to the Company on demand, together with interest on the Excess Payment at the applicable federal rate (as defined in Section

1274(d) of the Code) from the date of the Participant's receipt of such Excess Payment until the date of such repayment. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the Determination, it is possible that Payments which will not have been made by the Company should have been made (an "Underpayment"), consistent with the calculations required to be made under this Section 3. In the event that it is determined (1) by the Accounting Firm, the Company (which shall include the position taken by the

Company, or together with its consolidated group, on its federal income tax return) or the IRS or (2) pursuant to a determination by a court, that an Underpayment has occurred, the Company shall pay an amount equal to such Underpayment to the Participant within ten (10) days of such determination together with interest on such amount at the applicable federal rate from the date such amount would have been paid to the Participant until the date of payment.

4. Withholding Taxes. The Company may withhold from all payments due to a Participant (or his beneficiary or estate) hereunder all taxes which, by applicable federal, state, local or other law, the Company is required to withhold therefrom.

5. Reimbursement of Expenses. If any contest or dispute shall arise under this Plan involving termination of a Participant's employment with the Company or involving the failure or refusal of the Company to perform fully in accordance with the terms hereof, the Company shall reimburse the Participant, on a current basis, for all legal fees and expenses, if any, incurred by the Participant in connection with such contest or dispute (regardless of the result thereof), together with interest in an amount equal to the prime rate of Key Bank from time to time in effect, but in no event higher than the maximum legal rate permissible under applicable law, such interest to accrue from the date the Company receives the Participant's statement for such fees and expenses through the date of payment thereof.

6. Termination or Amendment of Plan.

(a) This Plan shall be in effect as of the Effective Date and shall continue until terminated by the Company as provided in paragraph (b) of this Section 6; provided, however, that a Participant's participation under this Plan shall terminate in any event upon the first to occur of (1) the Participant's death and (2) termination of the Participant's employment with the Company prior to a Change in Control (except as otherwise provided herein).

(b) The Company shall have the right prior to a Change in Control, in its sole discretion, pursuant to action by the Board, to approve the termination or amendment of this Plan; provided, however, that no such action which would adversely affect the rights or potential rights of Participants shall be taken by the Board during any period of time when the Board has knowledge that any person has taken steps reasonably calculated to effect a Change in Control until, in the opinion of the Board, such person has abandoned or terminated its efforts to effect a Change in Control; and provided, further, that in no event shall this Plan be terminated or amended within the two-year period following a Change in Control in any manner which would adversely affect the rights or potential rights of Participants.

7. Scope of Plan. Nothing in this Plan shall be deemed to entitle any Participant to continued employment with the Company or its Subsidiaries, and if a

Participant's employment with the Company shall terminate prior to a Change in Control, the Participant shall have no further rights under this Plan (except as otherwise provided herein); provided, however, that any termination of a Participant's employment during the two-year period following a Change in Control shall be subject to all of the provisions of this Plan.

8. Successors Binding Obligation.

(a) This Plan shall not be terminated by any Business Combination or transfer of assets. In the event of any Business Combination or transfer of assets, the provisions of this Plan shall be binding upon the surviving or resulting corporation or the person or entity to which such assets are transferred.

(b) The Company agrees that concurrently with any Business Combination or transfer of assets, it will cause any successor or transferee unconditionally to assume all of the obligations of the Company hereunder. Failure of the Company to obtain such assumption prior to the effectiveness of any such Business Combination or transfer of assets constituting a Change in Control shall constitute Good Reason hereunder and shall entitle each Participant to compensation and other benefits from the Company in the same amount and on the same terms as each such Participant would be entitled hereunder if the Participant's employment were terminated following a Change in Control other than by reason of a Nonqualifying Termination. For purposes of implementing the foregoing, the date on which any such merger, consolidation or transfer becomes effective shall be deemed the date Good Reason occurs, and the Participant may terminate employment for Good Reason on or following such date.

(c) This Plan shall inure to the benefit of and be enforceable by each Participant's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If a Participant shall die while any amounts would be payable to the Participant hereunder had the Participant continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Plan to such person or persons appointed in writing by the Participant to receive such amounts or, if no person is so appointed, to the Participant's estate.

9. Full Settlement; Resolution of Disputes. The Company's obligation to make any payments provided for by this Plan to a Participant and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Participant or others. In no event shall a Participant be obligated to seek other employment or take other action by way of mitigation of the amounts payable to the Participant under any of the provisions of this Plan and such amounts shall not be reduced whether or not the Participant obtains other employment.

10. Employment with Subsidiaries. Employment with the Company for purposes of this Plan shall include employment with any Subsidiary.

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11. Governing Law; Validity. To the extent not pre-empted by ERISA, the interpretation, construction and performance of this Plan shall be governed by and construed and enforced in accordance with the internal laws of the State of Ohio without regard to the principle of conflicts of laws. The invalidity or unenforceability of any provision of this Plan shall not affect the validity or enforceability of any other provision of this Plan, which other provisions shall remain in full force and effect.

12. Notice. For purposes of this Plan, all notices and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given when delivered or five (5) days after deposit in the United States mail, certified and return receipt requested, postage prepaid, addressed as follows:

If to the Participant: Residence address in Company records

If to the Company:

Parker-Hannifin Corporation
6035 Parkland Boulevard
Cleveland, Ohio 44124
Attention: Secretary

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt. Alternatively, notice may be deemed to have been delivered when sent by facsimile or telex to a location provided by the other party hereto.

A written notice of the Participant's Date of Termination by the Company or the Participant, as the case may be, to the other, shall (i) indicate the specific termination provision in this Plan relied upon, (ii) to the extent applicable, set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Participant's

employment under the provision so indicated and (iii) specify the termination date (which date shall not be less than fifteen (15) nor more than sixty (60) days after the giving of such notice). The failure by the Participant or the Company to set forth in such notice any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Participant or the Company hereunder or preclude the Participant or the Company from asserting such fact or circumstance in enforcing the Participant's or the Company's rights hereunder.

Parker-Hannifin Corporation Supplemental Executive Retirement
Benefits Program (August 15, 1996 Restatement)

*Numbered in accordance with Item 601 of Regulation S-K.

Parker-Hannifin Corporation

Supplemental Executive
Retirement Benefits Program

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Parker-Hannifin Corporation

Supplemental Executive
Retirement Benefits Program

WHEREAS, by instrument effective as of January 1, 1980, a supplemental executive retirement benefits program was established for the benefit of certain employees of Parker-Hannifin Corporation and their beneficiaries; and

WHEREAS, said Program was amended and restated from time to time; and

WHEREAS, it is desired to restate the terms, provisions, and conditions of said Program;

NOW, THEREFORE, effective as of August 15, 1996, said Program is hereby amended and restated in its entirety to provide as hereinafter set forth.

1. Definitions

Except as otherwise required by the context, the terms used in this Program shall have the meaning hereinafter set forth.

(a) Actuarial Equivalent or Actuarially Equivalent: An amount that is the actuarial equivalent of a value using the actuarial assumptions specified for such purpose under the Retirement Plan.

(b) Board: The Board of Directors of the Company

(c) Change in Control: Any one or more of the following occurrences:

(i) any "person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the "Exchange Act") and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board (the "Company Voting Securities"); provided, however, that the event described in this paragraph shall not be deemed to be a Change in Control by virtue of any of the following situations: (A) an acquisition by the Company or any Subsidiary; (B) an acquisition by any employee benefit plan sponsored or maintained by the Company or any Subsidiary; (C) an acquisition by any underwriter temporarily holding securities pursuant to an offering of such securities; (D) a Non-Control transaction (as defined in paragraph (iii)); (E) as pertains to a Participant, any acquisition by the Participant or any group of persons (within the meaning of Sections 13(d)(3) and 14(d)(2) of the Exchange Act) including the Participant (or any entity in which the Participant or a group of persons including the Participant, directly or indirectly, holds a majority of the voting power of such entity's outstanding voting interests); or (F) the acquisition of Company Voting Securities from the Company, if a majority of the Board

approves a resolution providing expressly that the acquisition pursuant to this clause (F) does not constitute a Change in Control under this paragraph (i);

(ii) individuals who, at the beginning of any period of twenty-four (24) consecutive months, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority thereof; provided, that (A) any person becoming a director subsequent to the beginning of such twenty-four (24) month period, whose election, or nomination for election, by the Company's shareholders was approved by a vote of at least two-thirds of the directors comprising the Incumbent Board who are then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be, for purposes of this paragraph (ii), considered as though such person were a member of the Incumbent Board; provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be a member of the Incumbent Board;

(iii) the consummation of a merger, consolidation, share exchange or similar form of corporate reorganization of the Company or any Subsidiary that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in connection with the transaction or otherwise (a "Business Combination"), unless (A) immediately following such Business Combination: (1) more than 50% of the total voting power of the corporation resulting from such Business Combination (the "Surviving Corporation") or, if applicable, the ultimate parent corporation which directly or indirectly has beneficial ownership of 100% of the voting securities eligible to elect directors of the Surviving Corporation (the "Parent Corporation"), is represented by Company Voting Securities that were outstanding immediately prior to the Business Combination (or, if applicable, shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination, (2) no person (other than any employee benefit plan sponsored or maintained by the Surviving Corporation or the Parent Corporation) is or becomes the beneficial owner, directly or indirectly, of 20% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), and (3) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), following the Business Combination, were members of the Incumbent Board at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination (a "Non-Control Transaction") or (B) the Business Combination is effected by means of the acquisition of Company Voting Securities from the Company, and a majority of the Board approves a resolution providing expressly that such Business Combination does not constitute a Change in Control under this paragraph (iii); or

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(iv) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or the sale or other disposition of all or substantially all of the assets of the Company and its Subsidiaries.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires beneficial ownership of more than 20% of the Company Voting Securities as a result of the acquisition of Company Voting Securities by the Company which, by reducing the number of Company Voting Securities outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change in Control would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities beneficially owned by such person, a Change in Control shall then occur.

Notwithstanding anything in this Program to the contrary, if the Participant's employment is terminated prior to a Change in Control, and the Participant reasonably demonstrates that such termination was at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a Change in Control (a "Third Party"), then for all purposes of this Program, the date immediately prior to the date of such termination of employment shall be deemed to be the date of a Change in Control for such Participant.

(d) Change in Control Lump Sum Payment: The lump sum payment made upon a Change in Control as calculated under Section 4.03(a).

(e) Change in Control Severance Agreement: The agreement between an Eligible Executive and the Company that provides for certain benefits if the Eligible Executive's employment terminates following a Change in Control; provided, that in the case of a former Participant who is receiving benefits under the Program, Change in Control Severance Agreement shall mean the change in control severance agreement that was in effect between the Participant and the Company at the time of his retirement.

(f) Code: The Internal Revenue Code of 1986, as amended, or any successor statute.

(g) Committee: The Compensation and Management Development Committee of the Board.

(h) Company: Parker-Hannifin Corporation, an Ohio corporation, its corporate successors, and the surviving corporation resulting from any merger of Parker-Hannifin Corporation with any other corporation or corporations.

(i) Contingent Annuitant: The person designated by a Participant as a contingent annuitant as provided in the Retirement Plan.

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(j) Controlled Group: The Company, its Subsidiaries or any entity that owns, directly or indirectly, 50% or more of the total combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board of Directors of the Company.

(k) Disability: Disability that entitles a Participant to benefits under the Company's long-term disability program.

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(l) Highest Average Three-Year Compensation: One-third of the aggregate amount of compensation paid to a Participant from the Controlled Group during the three calendar years of the Participant's employment which were the three highest years of annual compensation, including base salary, bonuses payable under the Company's Return on Net Assets Plan (RONA) and Target Incentive Program, any amounts which would otherwise be paid as compensation during a calendar year but which are deferred by a Participant pursuant to any qualified or nonqualified deferred compensation program sponsored by the Controlled Group, and any amounts that would otherwise be paid as compensation during a calendar year but which are deferred under Section 125 of the Code, but excluding: (i) any deferred compensation received during any such year but credited under the Program to the Participant for a prior year; (ii) any income realized due to the exercise of stock options or stock appreciation rights; (iii) any payments, in cash, deferred or otherwise, payable to the Participant under the Company's Long-Term Incentive Plan, under any extraordinary bonus arrangements, under any severance agreement (other than as may be required under Section 4.03(a)), or as an executive perquisite; and (iv) such items as fringe benefits includible in income as compensation for federal tax purposes, moving and educational reimbursement expenses, overseas allowances received by the Participant from the Controlled Group, and any other irregular payments.

(m) Life Expectancy: The expected remaining lifetime (to the nearest integer) based on the Mortality Table and the age at the nearest birthday of the Participant or Recipient at the date the Lump Sum Payment or Change in Control Lump Sum Payment is made (unless otherwise specified herein). If a joint and contingent survivor annuity has been elected, then Life Expectancy shall reflect the joint Life Expectancy of the Participant or Recipient and Contingent Annuitant.

(n) Lump Sum Payment: The Lump Sum Payment provided in Section 4.02 of the Program with the amount determined as set forth in Section 4.03.

(o) Mortality Table: Eighty percent (80%) of the 1983 Group Annuity Mortality factor (male only).

(p) Normal Retirement Date: The definition set forth in the Retirement Plan.

(q) Participant: An employee of the Company designated to participate in the Program pursuant to Article 2 of the Program, while so employed; provided, however, that any employee of the Company who, as of the date of a Change in Control, has entered into a Change in Control Severance Agreement with the Company shall automatically be a Participant in the Plan.

(r) Profit Sharing Account Balance: The definition set forth in the Retirement Plan.

(s) Program: The Supplemental Executive Retirement Benefits Program set forth herein.

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(t) Recipient: A retiree, Contingent Annuitant, term certain beneficiary, or Surviving Spouse, who is currently receiving benefits or is entitled to receive benefits under the Program.

(u) Retirement Plan: The Parker-Hannifin Corporation Retirement Plan as in effect at the time any payment becomes due under this Program.

(v) Service: Employment as an employee by any member of the Controlled Group, as well as employment by a corporation, trade or business, that is now part of the Controlled Group at a time prior to its becoming part of the Controlled Group, but in such case only if and to the extent that the Committee shall so direct at any time prior to retirement. For purposes of determining a Participant's eligibility to receive a benefit hereunder, Service shall include any additional years credited to a Participant under Section 4.03(a)(i).

(w) Specified Rate: The monthly average annual yield of 30-Year United States Treasury Bonds as published in the Federal Reserve Statistical Release G.13 (415) "Select Interest Rates" for constant maturities and in effect on the first day of the month prior to the month in which a payment is to be made; provided, that for purposes of calculating a Change in Control Lump Sum Payment, the interest rate for immediate annuities of the Pension Benefit Guaranty Corporation (PBGC) in effect on the date of the Change in Control as set forth in Appendix B to Part 2619 of 29 Code of Federal Regulations, or any other successor or similar rate.

(x) Subsidiary: Any corporation or other entity in which the Company has a direct or indirect ownership interest of 50% or more of the total combined voting power of the then outstanding securities or interests of such corporation or other entity.

(y) Surviving Spouse: The person who is the Participant's spouse at the time of the Participant's death and who has been such spouse for at least one year immediately prior to the date of the Participant's death.

2. Participation

2.01 Participants. The Participants in the Program shall be: (i) such officers and other key executives of the Company as shall be designated as Participants from time to time by the Committee; and (ii) upon a Change in Control, those individuals who have entered into a Change in Control Severance Agreement with the Company as of the date of such Change in Control.

2.02 Designation of Participants. An individual may be designated a Participant by action of the Committee or in a written employment agreement approved by the Committee. Participation of each individual designated as a Participant shall be subject to the terms, conditions, and limitations set forth in the Program and to such other terms, conditions and limitations as the Committee may, in its discretion, impose upon the participation of any such individual at the time the individual is designated a Participant in the Program.

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2.03 Continuation of Participation. Subject only to the provisions of Section 2.04 and Article 6 of the Program, an individual designated as a Participant shall continue to be a Participant for the purpose of eligibility to receive the supplemental retirement benefits provided by the Program and his participation in the Program shall not

be terminated; provided, however, that a Participant who terminates employment at a time when he is not eligible for a benefit under Article 3 shall cease to be a Participant in the Program.

2.04 Effect of Voluntary Termination of Employment. To be eligible for supplemental retirement benefits under the Program a Participant shall not voluntarily terminate employment with the Company without the consent of the Committee for a period, not exceeding 60 calendar months, set by the Committee at the time he is designated a Participant. If he shall so voluntarily terminate his employment within such period, his participation in the Program shall terminate, he shall cease to be a Participant and (subject to Section 3.02) he shall forfeit all benefits under the Program. Notwithstanding the foregoing, for purposes of this Section 2.04, in no event shall an exercise by a Participant of his right to terminate his employment for "Good Reason" as defined under any Change in Control Severance Agreement between the Participant and the Company be deemed to be a voluntary termination of employment with the Company.

3. Supplemental Retirement Benefits

3.01 Eligibility at or After Normal Retirement Date. Any provision of Section 2.04 to the contrary notwithstanding, any Participant with at least 120 calendar months of Service who terminates his employment with the Controlled Group on or after his Normal Retirement Date shall be eligible for a monthly supplemental retirement benefit computed as set forth in Section 3.03.

3.02 Eligibility Prior to Normal Retirement Date. Any Participant with at least 120 calendar months of Service: (i) who terminates his employment with the Controlled Group with the consent of the Committee after attainment of age 55; or (ii) who is employed at the time of a Change in Control of the Company; or (iii) whose employment with the Controlled Group is terminated by the Company for reasons other than for cause (as determined solely by the Committee) after attainment of age 55 but prior to the expiration of the requisite period of employment established by the Committee with respect to him pursuant to Section 2.04; or (iv) who terminates his employment with the Controlled Group due to Disability prior to his Normal Retirement Date; or (v) who terminates his employment with the Controlled Group after attainment of age 60 (and after completion of the requisite period of employment established by the Committee with respect to him pursuant to Section 2.04) but prior to his Normal Retirement Date; shall be eligible for a monthly supplemental retirement benefit as set forth in Section 3.04.

3.03 Amount of Normal Retirement Supplemental Benefit. The monthly supplemental retirement benefit payable to an eligible Participant at Normal Retirement Date shall be an amount equal to 1/12th of 55% of his Highest Average Three-Year Compensation, reduced by all of the following that are applicable:

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(a) in the case of a Participant who does not have at least 15 years of Service at the time of his retirement, .3055 percent for each calendar month his Service is less than 15 years;

(b) the monthly single life Actuarial Equivalent of any benefit to which the Participant is entitled under the Retirement Plan, including the single life monthly equivalent attributable to the Participant's Profit-Sharing Account Balance, determined as if the Profit-Sharing Account Balance had remained in the Retirement Plan until retirement, whether or not such Profit-Sharing Account Balance has been transferred to the Savings Plan;

(c) the monthly single life Actuarial Equivalent of any benefit to which the Participant is entitled under any other tax-qualified defined benefit plan of the Company and which is attributable to contributions of the Company, unless benefit service for employment on which such benefit is based is credited to the Participant under the Retirement Plan;

(d) the monthly single life Actuarial Equivalent of any benefit to which the Participant is entitled under any non-qualified defined benefit program of the Company;

(e) 50 percent of the monthly primary social security benefit to which the Participant is entitled or would be entitled as of the earliest date following the Participant's termination of employment for which social security benefits would be payable (whether or not social security benefits are actually paid to the Participant at such time), with such reduction to begin at the earliest date after retirement for which social security benefits would be payable to the Participant; and

(f) the monthly single life Actuarial Equivalent of any benefit which the Participant is entitled to receive from any previous employer, provided that a contract between the Participant and the Company grants the Participant service for service with the previous employer and the contract states the amount to be offset.

3.04 Amount of Early Retirement Supplemental Benefit. The monthly supplemental retirement benefit payable to a Participant who is retiring prior to Normal Retirement Date shall be an amount equal to 1/12th of 55 percent of the Highest Average Three-Year Compensation, reduced by all of the following that are applicable:

(a) in the case of a Participant who does not have at least 15 years of Service at the time of his retirement, .3055 percent for each month that his Service is less than 15 years;

(b) after applying Section 3.04(a) if applicable, .1515 percent for each of the first 60 months by which commencement of the benefit precedes Normal Retirement Date, and by .3030 percent for each additional month by which commencement of the benefit precedes Normal Retirement Age; provided, however, that if the Participant has at least 30 years of Service, and entitlement to payment is a result of a Change in Control, the .1515 shall be reduced to .07575, and the .3030 shall be reduced to .1515; and

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(c) any amounts described in Sections 3.03(b)-(f).

3.05 Gross-Up Payment. Anything in this Program notwithstanding, in the event it shall be determined that any payment, distribution or acceleration of vesting of any benefit hereunder would be subject to the excise tax imposed by Section 4999 of the Code, or any interest or penalties are incurred by the Participant with respect to such excise tax, then the Participant shall be entitled to receive an additional payment calculated as set forth in the Change in Control Severance Agreement with respect to such benefit hereunder; provided, however, that there shall be no duplication of such additional payment under this Program and the Change in Control Severance Agreement.

4. Payment of Benefits

4.01 Commencement of Benefits. Subject to Sections 4.02 (b) and (c), supplemental retirement benefits shall be payable monthly to an eligible Participant commencing with the month next following the month in which he becomes eligible for such benefit and terminating with the month in which the death of such Participant occurs.

4.02 Payments Under Certain Situations.

(a) Optional Methods of Payment. Subject to Sections 4.02 (b) and (c), an optional method of payment selected by the Participant for payment of his retirement benefit under the Retirement Plan shall automatically be applicable to the payment of the supplemental retirement benefits provided by the Program. The benefits provided pursuant to any such optional method of payment shall be the Actuarial Equivalent of the monthly amount of benefit to which the Participant otherwise would be entitled under the Program.

(b) Payment Upon a Change in Control. Within 15 business days of a Change in Control, in lieu of any other payments due with respect to benefits earned under the Program to the date of the Change in Control, each Participant and each Recipient shall receive a Change in Control Lump Sum Payment, as calculated under Section 4.03(a).

(c) Election to Receive a Lump Sum Payment. A Participant who is eligible to receive benefits under the Program pursuant to Section 3.01 or 3.02, or a Recipient, may file a written request with the Committee, subject to the terms and conditions hereinafter set forth, to receive, in lieu of future payments of any and all then unpaid accrued and vested benefits under the Program, a Lump Sum Payment determined in accordance with Section 4.03(b). If the request for a Lump Sum Payment is filed at least 13 months prior to the Participant's termination of employment and is approved by the Committee, then 100% of such Lump Sum Payment shall be paid on the date on which the first monthly benefit payment under the Program would otherwise be made. In any case in which the request for a Lump Sum Payment is not filed at least 13 months prior to the Participant's termination of employment or is denied by the

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Committee, then the Participant or Recipient shall receive 90% of the Lump Sum Payment, and the remaining 10% shall be forfeited to the Company.

4.03 Determination of the Lump Sum Payment.

(a) The Change in Control Lump Sum Payment referred to in Section 4.02(b) shall be equal to the present value of the monthly payments to which a Participant or Recipient would be entitled under the Program based on the following assumptions: (i) the Participant (but not a Recipient) is treated as having been employed, for purposes of determining age and service hereunder, for the lesser of (A) the duration of the "Termination Period", if any, under Participant's Change in Control Severance Agreement or (B) the period of time remaining until Normal Retirement Date; (ii) Highest Average Three-Year Compensation shall be the greater of (A) the amount that would be taken into account in determining a Participant's benefit under the Program as of the date of the Change in Control if there were no Change in Control or (B) the lump sum severance payment under Section 2(a)(ii) of the Participant's (but not the Recipient's) Change in Control Severance Agreement (as if he had been terminated immediately following the Change in Control) divided by the multiple used under such section to determine severance pay; (iii) the discount rate equals the Specified Rate; (iv) the Participant (or, if applicable, Recipient) lives the number of years equal to his Life Expectancy (calculated as of the date which includes any additional Service credited hereunder); and (v) with respect to any benefit to be deducted as an offset as described in Section 3.03(b) through (f), the Participant terminated employment with the Company on the date of the Change in Control and began to receive such benefits at the earliest date thereafter permitted under the applicable plan, agreement or statute.

(b) The Lump Sum Payment referred to in Section 4.02(c) shall be equal to the present value of the future monthly payments to which the participant is entitled under the Program based on the following assumptions: (i) the discount rate equals the Specified Rate; and (ii) the Participant lives the number of years equal to his Life Expectancy on the later of (A) date of his election to receive a Lump Sum Payment, or (B) the date of his termination of employment.

4.04 Certain Matters Following a Lump Sum Payment.

(a) A Participant who has received a Change in Control Lump Sum Payment pursuant to Section 4.02(b) shall thereafter: (i) while in the employ of the Company, continue to accrue benefits under the Program, and (ii) be eligible for further benefits under Section 4.01 or 4.02(a), (b) or (c). The amount of such benefit shall be determined by:

(i) calculating the benefit that would be payable to the Participant if there had been no previous Change in Control Lump Sum Payment;

(ii) determining the present lump sum value of such benefit, using the Specified Rate as the discount rate and assuming the Participant lives the number of years equal to his Life Expectancy on the date of his retirement or termination of employment;

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(iii) determining the present lump sum value of the Change in Control Lump Sum Payment, assuming the Change in Control Lump Sum Payment had earned interest at the average Specified Rate in effect from the time of payment of the Change in Control Lump Sum Payment until the date of retirement or other termination of employment;

(iv) reducing the amount determined in (ii) by the amount determined in (iii); and

(v) if applicable, converting the amount determined in (iv) to an Actuarially Equivalent single life only form of payment.

5. Death Benefits

5.01 Eligibility. If a Participant dies after completing 120 calendar months of Service (without regard to the requirements of Section 2.04) but prior to the earlier of his retirement or his Normal Retirement Date, his Surviving Spouse (or, in the event there is no surviving spouse, or there is a common death, his estate) shall be eligible for a benefit under this Article 5.

5.02 Benefit Amount.

(a) The monthly amount of a benefit payable under this Article 5 to a deceased Participant's Surviving Spouse who has applied therefor, shall be equal to the monthly payment the spouse would have received had the Participant retired on the day before his death after having effectively elected to receive payment in the form of a Joint and 75% Survivor Annuity under the Retirement Plan, with his spouse as his Contingent Annuitant under such option; provided, that in lieu of the offset for the Participant's primary social security benefit under Section 3.03(e), the benefit to the Surviving Spouse shall be offset by 50% of the primary or survivor social security benefit to which the Surviving Spouse is entitled at the earliest date as of which such payments become payable. If the estate is the death beneficiary, the estate shall receive a lump sum payment equal to the present value (using the Specified Rate) of the total monthly payments that would have been paid to the Participant assuming he had not died but rather that he: (i) retired on the day before the date of his death (or the first day of the month following the time he would have reached age 55, if later); (ii) elected the 10-Year Certain Annuity under the Retirement Plan; and (iii) received 120 monthly payments.

(b) If the Participant dies before reaching the age that is ten years prior to the Participant's Normal Retirement Date, then the monthly benefit used to determine the death benefit shall be further reduced by .3030 for each month that the Participant was under such age at the time of his death.

5.03 Benefit Payments. Subject to Section 4.02 (b) and (c), the benefit under this Article 5 shall be paid to the deceased Participant's Surviving Spouse commencing with the first day of the month following the month in which the Participant's death occurs, and shall be payable monthly thereafter during the life of the Surviving Spouse, the last payment being for the

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month in which the death of the Surviving Spouse shall occur. If payment is made to the estate of the Participant, payment shall be made within 30 days of the date of the Participant's death.

6. Non-Competition

6.01 Condition of Payment. Payment of supplemental retirement benefits under the Program shall be subject to the condition that the Participant or retiree-Recipient shall not have engaged in competition (as defined in Section 6.02) with the Company at any time prior to the date of such payment; provided, however, that this Section 6.01 shall not apply to a Participant following his termination of employment if such termination occurs after the date of a Change in Control that occurs at the time the Participant is

actively participating in the Program.

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6.02 Competition. Competition for purposes of the Program shall mean assuming an ownership position or a consulting, management, employee or director position with a business engaged in the manufacture, processing, purchase or distribution of products of the type manufactured, processed or distributed by the Controlled Group; provided, however, that in no event shall ownership of less than two percent of the outstanding capital stock entitled to vote for the election of directors of a corporation with a class of equity securities held of record by more than 500 persons in itself be deemed Competition; and provided further, that all of the following shall have taken place:

- (a) the Secretary of the Company shall have given written notice to the Participant or retiree-Recipient that, in the opinion of the Committee, the Participant or retiree-Recipient is engaged in Competition within the meaning of the foregoing provisions of this Section 6.02, specifying the details;
- (b) the Participant or retiree-Recipient shall have been given a reasonable opportunity, upon receipt of such notice, to appear before and to be heard by the Committee with respect to his views regarding the Committee's opinion that the Participant or retiree-Recipient engaged in Competition;
- (c) following any hearing pursuant to Section 6.02(b), the Secretary of the Company shall have given written notice to the Participant or retiree-Recipient that the Committee determined that the Participant or retiree-Recipient is engaged in Competition; and
- (d) the Participant or retiree-Recipient shall neither have ceased to engage in such Competition within thirty days from his receipt of notice of such determination nor diligently taken all reasonable steps to that end during such thirty-day period and thereafter.

7. General Provisions

7.01 Denial of Claims. Whenever the Company denies, in whole or in part, a claim for benefits filed by any person (hereinafter referred to as the "Claimant"), the Company shall transmit a written notice setting forth, in a manner calculated to be understood by the Claimant, a statement of the specific reasons for the denial of the claim, references to the specific Program provisions on which the denial is based, a description of any additional material or information necessary to perfect the claim and an explanation of why such material or information is necessary, and an explanation of the claims review procedure as set forth in Section 7.02. In addition, the written notice shall contain the date on which the written notice was sent and a statement advising the Claimant that, within 60 days of the date on which such notice was received, he may obtain review of the decision of the Company.

7.02 Claims Review Procedure. Within 60 days of the date on which the notice of denial of claim is received by the Claimant, the Claimant, or his authorized representative, may

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request that the claim denial be reviewed by filing with the Company a written request therefor, which request shall contain the following information:

- (a) The date on which the notice of denial of claim was received by the Claimant;
- (b) The date on which the Claimant's request was filed with the Company; provided, however, that the date on which the Claimant's request for review was in fact filed with the Company shall control in the event that the date of the actual filing is later than the date stated by the Claimant pursuant to this subsection (b);
- (c) The specific portions of the denial of his claim which the Claimant requests the Company to review;
- (d) A statement by the Claimant setting forth the basis upon which he believes the Company should reverse its previous denial of his claim for benefits and accept his claim as made; and
- (e) Any written material (included as exhibits) which the Claimant desires the Company to examine in its consideration of his position as stated pursuant to subsection (d).

Within 60 days of the date determined pursuant to Section 7.02(b), the Company shall conduct a full and fair review of the decision denying the Claimant's claim for benefits. Within ten days following the date of such review, the Company will send to the Claimant its written decision setting forth, in a manner calculated to be understood by the Claimant, a statement of the specific reasons for its decision, including references to the specific Program provision relied upon. If the Claimant disputes the Company's decision, such dispute shall be resolved by arbitration in Cleveland, Ohio under the rules of the American Arbitration Association.

7.03 ERISA Plan. The Plan is intended to be an unfunded plan maintained primarily to provide deferred compensation benefits for "a select group of management or highly compensated employees" within the meaning of Sections 201, 301 and 401 of ERISA and therefore to be exempt from Parts 2, 3 and 4 of Title I of ERISA.

7.04 Trust. The Company shall be responsible for the payment of all benefits under the Plan. At its discretion, the Company may establish one or more grantor trusts for the purpose of providing for payment of benefits under the Plan. Such trust or trusts may be irrevocable, but the assets thereof shall be subject to the claims of the Company's creditors. Benefits paid to a Participant from any such trust shall be considered paid by the Company for purposes of meeting the obligations of the Company under the Plan.

7.05 Rights of Participants. Except as expressly provided in any grantor trust agreement established by the Company:

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- (a) no Participant or Recipient shall have any right, title, or interest whatsoever in or to any investments which the Company may make to aid it in meeting its obligations under the Program;
- (b) nothing contained in the Program shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Participant, Recipient or any other person;
- (c) to the extent that any person acquires a right to receive payments from the Company under the Program, such right shall be no greater than the right of an unsecured general creditor of the Company; and
- (d) all payments to be made under the Program shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of amounts payable under the Program.

7.06 Administration. The Committee shall be responsible for the general administration of the Program and for carrying out the provisions thereof. Any act authorized, permitted or required to be taken by the Company under the Program may be taken by action of the Committee. Subject to the provisions of Section 7.01 relating to denial of claims and claims review procedure, any action taken by the Committee which is authorized, permitted or required under the Program shall be final and binding upon the Company, all persons who have or who claim an interest under the Program, and all third parties dealing with the Company.

7.07 Program Non-Contractual. Nothing herein contained shall be construed as a commitment or agreement on the part of any person to continue his employment with the Company, and nothing herein contained shall be construed as a commitment on the part of the Company to continue the employment or the rate of compensation of any such person for any period, and all employees of the Company shall remain subject to discharge to the same extent as if the Program had never been put into effect.

7.08 Non-Alienation of Retirement Rights or Benefits. No right or benefit under the Program shall at any time be subject in any manner to alienation or encumbrances. If any person shall attempt to, or shall, alienate or in any way encumber his rights or benefits under the Program, or any part thereof, or if by reason of his bankruptcy or other event happening at any time any such benefits would otherwise be received by anyone else or would not be enjoyed by him, his interest in all such benefits shall automatically terminate and the same, at the discretion of the Company, shall be held or applied to or for the benefit of such person, his spouse, children, or other dependents as the Company may select.

7.09 Payment of Benefits to Others. If any person to whom a retirement benefit is payable is unable to care for his affairs because of illness or accident, any payment due (unless prior claim therefor shall have been made by a duly qualified guardian or legal representative) may be paid to the spouse, parent, brother, or sister, or any other individual deemed by the Company to be maintaining or responsible for the maintenance of such person. The monthly

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payment of a retirement benefit to a person for the month in which he dies, if not paid to such person prior to his death, shall be paid to his estate. Any payment made in accordance with the provisions of this Section 7.09 shall be a complete discharge of any liability of the Program with respect to the retirement benefit so paid.

7.10 Notices. All notices provided for by the Program shall be in writing and shall be sufficiently given if and when mailed in the continental United States by registered or certified mail or personally delivered to the party entitled thereto at the address stated below or to such changed address as the addressee may have given by a similar notice:

To the Company: Attention: Secretary
 6035 Parkland Boulevard
 Cleveland, Ohio 44124

To the Participant: address of residence

Any such notice delivered in person shall be deemed to have been received on the date of delivery.

7.11 Amendment, Modification, Termination. The Program may at any time be terminated, or at any time or from time to time be amended or otherwise modified, prospectively, by the Board of Directors of the Company; provided, however, that no such termination, amendment or modification of the Program shall operate to:

- (a) reduce or terminate the benefit of a Participant participating in the Program at the time of any such termination, amendment, or modification;
- (b) terminate the participation of a Participant participating in the Program at the time of any such termination, amendment, or modification;
- (c) increase the eligibility requirements applicable to a Participant participating in the Program at the time of any such termination, amendment or modification; or
- (d) terminate the Program, or reduce or terminate any benefit, or terminate the participation or any rights or benefits, after the occurrence of a Change in Control, with respect to a Participant or Recipient who was a Participant or Recipient, or became a Participant or Recipient, at the time of the occurrence of the Change in Control.

7.12 Applicable Law. Except to the extent preempted by ERISA, the laws of the State of Ohio shall govern the Program and any disputes arising thereunder.

7.13 Gender, Singular and Plural. All pronouns and variations thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may

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require. As the context may require, the singular may be read as the plural and the plural as the singular.

7.14 Headings. All headings are for convenience only and shall not be used in interpreting any text to which they relate.

EXECUTED in Cleveland, Ohio as of the __ day of ____, 1996.

PARKER-HANNIFIN CORPORATION

By: _____

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Parker-Hannifin Corporation 1990 Employees Stock Option Plan, as amended.

*Numbered in accordance with Item 601 of Regulation S-K.

**PARKER-HANNIFIN CORPORATION
1990 EMPLOYEES STOCK OPTION PLAN**

**Effective: September 1, 1990
Amended: October 28, 1993
Amended: August 15, 1996**

1. Purpose. This 1990 Employees Stock Option Plan (the "Plan") is designed to enable the Corporation, by the grant of options, to attract and retain key employees for the Corporation and its subsidiaries and to provide additional incentive to these employees through increased stock ownership. Options granted under the Plan may be (a) incentive stock options within the meaning of Section 422A of the Internal Revenue Code of 1986, as amended (the "Code"), or (b) nonqualified stock options.

2. Administration. The Plan shall be administered by a committee consisting of not less than three directors of the Corporation (the "Committee"), to be appointed by, and to serve during the pleasure of, the Board of Directors of the Corporation. No director who has within one year been eligible to participate in the Plan may be appointed or serve as a member of the Committee. Subject to the terms of the Plan, the Committee shall have full power and authority to interpret the provisions and to supervise the administration of the Plan and to define the terms of and grant options under the Plan. All decisions by the Committee pursuant to the provisions of the Plan shall be made by a majority of its members and shall be final.

3. Employees Who May Participate in the Plan. Employees to whom options are granted shall be designated from time to time by the Committee. An option may be granted to any salaried employee of the Corporation or of a subsidiary with executive, managerial, technical or professional responsibility, including any officer who is a member of the Board of Directors. An employee may hold more than one option; however, for incentive stock options, the aggregate fair market value (determined at the time the option is granted) of the shares with respect to such incentive stock options which are exercisable for the first time during any calendar year (under all plans of the Corporation and its subsidiaries) shall not exceed \$100,000.

4. Shares Subject to the Plan. The shares subject to the Plan shall be the Corporation's Common Shares, without par value, and may be authorized but unissued shares or treasury shares. The total number of shares that may be delivered upon the exercise of all options granted under the Plan may not exceed 1,000,000, subject, however, to adjustment as provided in Section 12. Stock appreciation rights may be granted with respect to all or part of the shares subject to an option granted under the Plan. When all or part of an option is surrendered upon exercise of the related stock appreciation rights, the shares subject to the surrendered part of the option shall be considered exercised in full and shall not be available for the grant of future options under the Plan, and the number of shares that may be delivered under the Plan shall be reduced accordingly. When, however, an option is surrendered or expires for any reason other than the exercise of the related stock appreciation rights, the shares subject to the option shall again become available for offering under the Plan.

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5. Option Price. The option price shall be determined by the Committee or by the Board of Directors. In the case of incentive stock options, the option price may not be less than 100% of the fair market value of the shares subject to the option on the date the option is granted, except that, if the optionee owns, at the time the option is granted, shares possessing more than 10% of the total combined voting power of all classes of stock of the Corporation or a subsidiary, the option price may be not less than 110% of the fair market value of the shares on the date the option is granted. In no event may previously unissued shares be issued at a price less than that permitted by the Ohio General Corporation Law. For purposes of this Plan, the "fair market value" of shares on any date shall be the reported closing price of the shares as reported for New York Stock Exchange-Composite Transactions on that date, or if no shares are traded on that date, the next preceding date on which trading occurred. In the event that the shares cease to be traded on the New York Stock Exchange, the "fair market value" of the shares shall be determined in the manner prescribed by the Committee.

6. Exercise of Options. Except as otherwise provided in Section 7, or as may be permitted pursuant to options granted under Section 13, an option may be exercised only while the optionee is in the employ of the Corporation or of a subsidiary. Unless an option is accelerated as provided in this Section 6, an optionee to whom an option has been granted must remain in the continuous employ of the Corporation or of a subsidiary for one year from the date on which the option is granted before he or she may exercise any part of the option. Thereafter, and during the life of the option, the option may be exercised at any time as to all of the Common Shares subject to the option, or from time to time, as to any portion of such Common Shares or in such installments as the Committee may determine at the time the option is granted. No fraction of a Common Share may, however, be purchased upon the exercise of an option. An option shall be treated as outstanding for this purpose until the option is exercised in full, is surrendered upon the exercise of related stock appreciation rights, or expires by reason of the lapse of time.

The Board of Directors may, in its discretion and upon such terms as it deems appropriate, accelerate the date on which any outstanding option becomes exercisable in the event of a proposed merger or consolidation of the Corporation into or with another corporation, a proposed sale of all or a substantial part of the Corporation's assets, a tender or exchange offer for the Corporation's Common Shares, or another transaction or series of transactions that the Board determines is likely to result in a change in control of the Corporation. In addition to the foregoing, the Committee may purchase stock options previously granted to any person who is at the time of any such transaction a director or officer of the Corporation for a price equal to the difference between the consideration per share payable pursuant to the terms of the transaction and the option price.

7. Exercise of Options After Termination of Employment. No option may be exercised after termination of the optionee's employment, except in the following situations:

(a) If the termination of employment is due to permanent disability or to retirement under the applicable retirement plan or policy of the Corporation or a subsidiary, the optionee shall have the right to exercise the option in whole or in part within the period of two years after

the date of termination of his employment; provided, however, that the Compensation and Management Development Committee of the Board of Directors may, at its sole discretion, extend the period of time in which a particular optionee may exercise an option, in whole or in part, but not for a period exceeding ten years after the date of grant.

(b) If the termination of employment is due to the death of the optionee, the optionee's estate, personal representative, or beneficiary shall have the right to exercise the option in whole or in part within the period of two years after the date of the optionee's death.

(c) If the termination of employment is due to any other reason except the optionee's permanent disability or retirement as specified in (a) above or the optionee's death as specified in (b) above, the optionee shall have the right to exercise the option in whole or in part within the period of three months after the date of such termination of employment.

8. Termination of Options. An option granted under this Plan shall terminate, and the right of the employee to purchase shares upon exercise of the option shall expire, on the date determined by the Committee at the time the option is granted. No option, however, may have a life of more than ten years after the date it is granted, and, in the case of an employee who owns, at the time the option is granted, stock possessing more than 10% of the total combined voting power of all classes of stock of the Corporation or a subsidiary, no incentive stock option may have a life of more than five years after the date it is granted. If an option is accelerated pursuant to Section 6, the Board may prescribe an earlier termination date.

9. Notice of Grant. When an employee is granted an option under the Plan, the Committee shall promptly cause the employee to be notified in writing of the nature of the grant and the terms of the option. The date on which the Committee approves the grant shall be considered to be the date on which the option is granted.

Notice of Exercise: Payment for Shares. An option shall be considered to be exercised when the employee notifies the Corporation in writing of his intention to do so and tenders payment in full of the option price. Payment of the option price may be made in cash, by delivery of Common Shares of the Corporation (taken at their fair market value on the date of exercise, as defined in Section 5), or partly in cash and partly in shares, unless otherwise determined by the Committee. The employee shall have none of the rights of a shareholder with respect to shares purchased upon exercise of an option until he has paid the option price in full.

11. Nontransferability of Options. An option granted under the Plan may not be transferred other than by will or by the laws of descent and distribution. Notwithstanding the foregoing, an employee may transfer any nonqualified stock option granted under this Plan to members of his immediate family (defined as his children, grandchildren and spouse) or to one or more trusts for the benefit of such family members or partnerships in which such family members are the only partners if the instrument evidencing such stock option expressly so provides (or is amended to so provide) and the employee does not receive any consideration for the transfer; provided that any such transferred stock option shall continue to be subject to the same terms and considerations that are applicable to such stock option immediately prior to its transfer (except that such transferred stock option shall not be further transferable by the transferee *inter vivos*).

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Each employee to whom an option is granted, by accepting the option, agrees with the corporation that, in the event that the Corporation merges into or consolidates with another corporation, the Corporation sells all or a substantial part of its assets, or the Corporation's Common Shares are subject to a tender or exchange offer, he will consent to the transfer or assumption of the option, or accept a new option in substitution therefor, if the Committee or the Board of Directors requests him to do so.

12. Adjustments Upon Changes in Shares. In the event of any change in the shares subject to the Plan or to any option right granted under the Plan by reason of a merger, consolidation, reorganization, recapitalization, stock dividend, stock split, exchange of shares, or other change in the corporate structure of the Corporation, the aggregate number of Common Shares as to which options may thereafter be granted under the Plan, the number of Common Shares subject to each outstanding option, and the option price for shares subject to each outstanding option shall be appropriately adjusted by the Committee.

13. Substitute Options. The Board of Directors may grant options in substitution for, or upon the assumption of, options granted by another corporation that is merged into, consolidated with, or all or a substantial part of the assets or stock of which is acquired by the Corporation or a subsidiary. Subject to the limit in Section 4 on the number of shares that may be delivered upon the exercise of options granted under this Plan, the terms and provisions of any options granted under this Section 13 may vary from the terms and provisions otherwise specified in this Plan and may, instead, correspond to the terms and provisions of the options granted by the other corporation.

14. Purchase for Investment. Each employee receiving shares upon exercise of an option may be required by the Corporation to furnish a representation that he is acquiring the shares as an investment and not with a view to distribution if the Corporation, in its sole discretion, determines that the representation is required to ensure that the resale or other disposition of the shares would not violate the Securities Act of 1933, as amended, or any applicable state securities laws. The Corporation reserves the right to place any legend or other symbol on certificates for shares delivered pursuant to the Plan, and to issue any stop transfer or similar instructions to the transfer agent, that the Corporation deems necessary and proper to assure compliance with any such representation.

15. Compliance with Securities Law. No certificate for shares shall be delivered upon exercise of an option until the Corporation has taken any action that is required to comply with the provisions of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and any applicable state securities laws and with the requirements of any exchange on which the Corporation's Common Shares may, at the time, be listed.

16. Duration and Termination of the Plan. The Plan shall remain in effect until August 31, 2000, and shall then terminate, unless terminated at an earlier date by action of the Board of directors. Except as provided in Section 18, termination of the Plan shall not affect options previously granted.

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17. Amendment of the Plan. The Board of Directors may alter or amend the Plan from time to time prior to its termination, except that, without shareholder approval, no amendment may increase the aggregate number of shares with respect to which options may be granted (except in accordance with the provisions of Section 12), reduce the option price at which options may be exercised (except in accordance with the provisions of Section 12), extend the time within which options may be granted or the time within which an option may be exercised, or change the requirements relating to eligibility or to administration of the Plan. Except in accordance with the provisions of Section 12, the Board of Directors may not, without the consent of the holder of the option, alter or impair any outstanding options previously granted under this Plan. The Committee, may, with the agreement of the affected optionee, cancel any stock option granted pursuant to the Plan. In the event of such cancellation, the Committee may authorize the grant of a new option for the same number of Common Shares specified in the cancelled stock option or for a different number of Common Shares, at such option price and upon terms and conditions which would have been applicable under the Plan had the original cancelled stock option not been granted.

18. Effective Date. This Plan was adopted by the Board of Directors and became effective on September 1, 1990, subject to approval by the Corporation's shareholders on or before October 24, 1990. Options may be granted prior to approval of the Plan by shareholders, but no such option may be exercised until after the Plan has been approved by shareholders. If the shareholders do not approve the Plan on or before October 24, 1990, all options previously granted under the Plan shall terminate.

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Exhibit (10)(m)* to Report
on Form 10-K for Fiscal
Year Ended June 30, 2001
by Parker-Hannifin Corporation

Parker-Hannifin Corporation 2002 Target Incentive Bonus Plan Description.

*Numbered in accordance with Item 601 of Regulation S-K.

PARKER-HANNIFIN CORPORATION 2002 TARGET INCENTIVE BONUS PLAN

- A. Payments earned under the Bonus Plan depend upon the Company's performance against a pre-tax return on average assets (ROAA) schedule which is based upon the Fiscal Year 2002 operating plan.
- B. The payout under the Plan ranges from 15% to 150% of each participant's target award, with 100% payout set at achievement of fiscal year 2002 planned ROAA.
- C. Any payout pursuant to the Plan that will result in the exceedance of the \$1 million cap on the tax deductibility of executive compensation will be deferred until such time in the earliest subsequent fiscal year that such cap will not be exceeded.
- D. Participants: All of the executive officers of the Company, plus Group Presidents who are not executive officers.
- E. Fiscal year 2002 Planned ROAA: 11.1%

ROAA Payout Schedule

<u>FY02</u> <u>ROAA</u>	<u>Percentage of Target</u> <u>Award Paid*</u>
< 2.6%	0%
2.6%	30%
4.0%	40%
5.2%	50%
6.5%	60%
7.6%	68%
7.7%	70%
8.9%	80%
10.0%	90%
11.1%	100%
11.7%	113%
12.3%	125%
13.0%	138%
13.6%	150%

* Fiscal year 2002 ROAA less than 7.6% will reduce the amount paid by 50%.

- F. ROAA will not include the impact of:
 - 1. Environmental costs in excess of planned amounts
 - 2. Acquisitions/divestitures
 - 3. Currency gains or losses

Exhibit (10)(q)* to Report
on Form 10-K for Fiscal
Year Ended June 30, 2001
by Parker-Hannifin Corporation

Parker-Hannifin Corporation 2002-03-04 Long Term Incentive Plan Description.

*Numbered in accordance with Item 601 of Regulation S-K.

**PARKER-HANNIFIN CORPORATION
2002-03-04
LONG TERM INCENTIVE PLAN**

The purpose of the Plan is to provide a long-term incentive portion of bonus compensation. The Plan's focus is on return on equity. It balances a competitive base salary pay structure, an annual cash bonus compensation based on a return on average assets, and a stock option plan with ten-year exercise rights. The return on equity objective is a key financial goal and comprehends return on sales at the net income level and asset utilization.

The participants in this Plan are limited to Corporate Officers and Group Presidents. They clearly can affect broadly the overall financial performance of the company.

The key elements of Parker-Hannifin's Plan are as follows:

Participation

Those key executives having a critical impact on the long term performance of the Company selected by the Chief Executive Officer and approved by the Compensation and Management Development Committee of the Board.

Performance Period

Three-year average Return on Equity with the grant to cover FY 02, 03 and 04.

Size of Awards

Commensurate with bonus compensation and stock option level of participants as determined by the CEO with approval of the Compensation and Management Development Committee.

Form of Awards

Awards will be expressed as a certain number of shares of Parker stock calculated by dividing the dollar equivalent of the award by the June 30, 2001 Parker stock price.

Performance Objective

The Return on Equity objective is 15%.

Value Range

Actual value of the payments under the Plan will be within a range of 25% to 200% of target value based on performance against the objective.

Performance Range

For performance below a threshold of 9% ROE objective, no payment will be made. For performance between 9% and 21% ROE, payments will be earned between 25% and 200% of the target value on a proportional basis above and below the target value. The Plan is capped at 200%.

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Payment

Payments earned under the Plan will be paid at the end of the three-year performance period. Payment will be made in restricted stock of the Corporation unless the participant is retired at the time of payment or has previously elected a cash payment to be deferred under the Corporation's Executive Deferral Plan. The value of the cash payment in lieu of restricted shares is determined based upon the share price of Parker-Hannifin's Common Shares on June 30, 2004. The restricted shares would be subject to a vesting schedule and such other terms and conditions determined by the Compensation Committee at the time of issuance. Any payout pursuant to this plan that will result in the exceedance of the \$1 million cap on the tax deductibility of executive compensation will be deferred until such time in the earliest subsequent fiscal year that such cap will not be exceeded.

Termination of Employment

If a participant dies, retires (with consent of the Compensation and Management Development Committee if earlier than age 60) or is disabled during the performance period, he/she will receive a pro rata portion of the award payable upon completion of the performance period. A participant who resigns or is otherwise terminated during the performance period forfeits the award.

Performance Schedule

The Plan performance schedule, based on the three-year simple average of annual report return on average equity, is as follows:

	Return on Equity							
	<9.0%	9.0%	11.0%	13.0%	15.0%	17.0%	19.0%	21.0%
Payout %	0	25	50	75	100	133	167	200

Change in Control

In the event of a "Change in Control" of the Corporation (as defined below), the payout under the Plan will be accelerated to fifteen (15) days after the Change in Control. The amount of the payout will be in cash and will be the greater of the target award or the amount the payout would have been had ROE during the Performance Period to the end of the fiscal quarter immediately preceding the date of the Change in Control continued throughout the Performance Period. The cash amount of such payout will be based upon the closing New York Stock Exchange stock price of the Corporation's Common Shares on the first day of the Performance Period or the date of the Change in Control, whichever is greater. If the Participant will reach age 65 prior to the end of the Performance Period, the payout in the event of a Change in Control will be reduced on a pro rata basis.

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"Change in Control" means the occurrence of one of the following events:

(i) any "person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the "Exchange Act") and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of Parker-Hannifin Corporation (the "Company") representing 20% or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board of Directors of the Company (the "Board") (the "Company's Voting Securities"); provided, however, that the event described in this paragraph shall not be deemed to be a Change in Control by virtue of any of the following situations: (A) an acquisition by the Company or any corporation or entity in which the Company has a direct or indirect ownership interest of 50% or more of the total combined voting power of the then outstanding securities of such corporation or other entity (a "Subsidiary"); (B) an acquisition by any employee benefit plan sponsored or maintained by the Company or any Subsidiary; (C) an acquisition by any underwriter temporarily holding securities pursuant to an offering of such securities; (D) a Non-Control Transaction (as defined in paragraph (iii)); (E) as pertains to a Plan participant (the "Executive"), any acquisition by the Executive or any group of persons (within the meaning of Sections 13(d)(3) and 14(d)(2) of the Exchange Act) including the Executive (or any entity in which the Executive or a group of persons including the Executive, directly or indirectly, holds a majority of the voting power of such entity's outstanding voting interests); or (F) the acquisition of Company Voting Securities from the Company, if a majority of the Board approves a resolution providing expressly that the acquisition pursuant to this clause (F) does not constitute a Change in Control under this paragraph (i);

(ii) individuals who, at the beginning of any period of twenty-four (24) consecutive months, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority thereof; provided, that (A) any person becoming a director subsequent to the beginning of such twenty-four (24) month period, whose election, or nomination for election, by the Company's shareholders was approved by a vote of at least two-thirds of the directors comprising the Incumbent Board who are then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be, for purposes of this paragraph (ii), considered as though such person were a member of the Incumbent Board; provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be a member of the Incumbent Board;

(iii) the consummation of a merger, consolidation, share exchange or similar form of corporate reorganization of the Company or any Subsidiary that requires the approval of the Company's shareholders, whether for such transaction or the issuance of securities in connection with the transaction or otherwise (a "Business Combination"), unless (A) immediately following such Business Combination: (1) more than 50% of the total voting power of the corporation resulting from such Business Combination (the "Surviving Corporation") or, if applicable, the ultimate parent corporation which directly or indirectly has beneficial ownership of 100% of the voting securities eligible to elect directors of the Surviving Corporation (the "Parent

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Corporation"), is represented by Company Voting Securities that were outstanding immediately prior to the Business Combination (or, if applicable, shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination, (2) no person (other than any employee benefit plan sponsored or maintained by the Surviving Corporation or the Parent Corporation) is or becomes the beneficial owner, directly or indirectly, of 20% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), and (3) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), following the Business Combination, were members of the Incumbent Board at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination (a "Non-Control Transaction") or (B) the Business Combination is effected by means of the acquisition of Company Voting Securities from the Company, and a majority of the Board approves a resolution providing expressly that such Business Combination does not constitute a Change in Control under this paragraph (iii); or

(iv) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or the sale or other disposition of all or substantially all of the assets of the Company and its Subsidiaries.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires beneficial ownership of more than 20% of the Company Voting Securities as a result of the acquisition of Company Voting Securities by the Company which, by reducing the number of Company Voting Securities outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change in Control would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities beneficially owned by such person, a Change in Control shall then occur.

Notwithstanding anything in this Plan to the contrary, if the Executive's employment is terminated prior to a Change in Control, and the Executive reasonably demonstrates that such termination was at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a Change in Control, (a "Third Party"), then for all purposes of this Plan, the date immediately prior to the date of such termination of employment shall be deemed to be the date of a Change in Control for such Executive.

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Parker-Hannifin Corporation Non-Employee Directors' Stock Plan, as amended.

*Numbered in accordance with Item 601 of Regulation S-K.

**PARKER-HANNIFIN CORPORATION NON-EMPLOYEE DIRECTORS'
STOCK PLAN**

ARTICLE A -- Purpose

The purpose of the Parker Hannifin Non-Employee Directors' Stock Plan (hereinafter referred to as the "Plan") is to strengthen the alignment of interests between non-employee directors (hereinafter referred to as "Participants") and the shareholders of Parker Hannifin Corporation (hereinafter referred to as the "Company") through the increased ownership of shares of the Company's Common Stock. This will be accomplished by allowing Participants to elect voluntarily to convert a portion of their fees for services as a director into Common Stock.

ARTICLE B -- Administration.

1. The Plan shall be administered by the Compensation and Management Development Committee (hereinafter referred to as the "Committee") of the Board of Directors of the Company (hereinafter referred to as the "Board"), or such other committee as may be designated by the Board. The Committee shall consist of not less than four (4) members of the Board who are not full-time employees of the Company, appointed by the Board from time to time and to serve at the discretion of the Board.

2. It shall be the duty of the Committee to administer this Plan in accordance with its provisions and to make such recommendations of amendments or otherwise as it deem necessary or appropriate. A decision by a majority of the Committee shall govern all actions of the Committee.

3. Subject to the express provisions of this Plan, the Committee shall have authority to allow Participants the right to elect to receive fees for services as a director partly in cash and partly in whole shares of the Common Stock of the Company, subject to such conditions or restrictions, if any, as the Committee may determine. The Committee also has the authority to make all other determinations it deems necessary or advisable for administering this Plan.

4. The Committee may establish from time to time such regulations, provisions, and procedures within the terms of this Plan as, in its opinion, may be advisable in the administration of this Plan.

5. The Committee may designate the Secretary of the Company or other employees of the Company to assist the Committee in the administration of this Plan and may grant authority to such persons to execute documents on behalf of the Committee.

ARTICLE C -- Participation.

Participation in the Plan shall be limited to Directors who are not full-time employees of the Company.

ARTICLE D -- Limitation on Number of Shares for the Plan.

1. The total number of shares of Common Stock of the Company that may be awarded each year shall not exceed 7,500 shares. The total number of shares of Common Stock of the Company that may be awarded under the plan is 50,000.

2. Shares transferred or reserved for purposes of the Plan will be subject to appropriate adjustment in the event of future stock splits, stock dividends or other changes in capitalization; following any such change, the term "Common Stock" or "shares of Common Stock" of the Company, as used in the Plan, shall be deemed to refer to such class of shares or other securities as may be applicable.

ARTICLE E -- Shares Subject to Use Under the Plan.

Shares of Common Stock to be awarded under the terms of this Plan shall be either treasury shares or authorized but unissued shares.

ARTICLE F -- Transfer of Shares.

1. The Committee may transfer Common Stock of the Company under the Plan subject to such conditions or restrictions, if any, as the Committee may determine. The conditions and restrictions may vary from time to time and may be set forth in agreements between the Company and the Participant or in the awards of stock to them, all as the Committee determines.

2. The shares awarded shall be valued at the average of the high and low quotations for Common Stock of the Company on the New York Stock Exchange on the day of the transfer to a Participant. All shares awarded shall be full shares, rounded up to the nearest whole share.

ARTICLE G -- Additional Provisions.

1. The Board may, at any time, repeal this Plan or may amend it from time to time except that no such amendment may amend this paragraph, increase the annual aggregate number of shares subject to this Plan, or alter the persons eligible to participate in this Plan. The Participants and the Company shall be bound by any such amendments as of their effective dates, but if any outstanding awards are affected, notice thereof shall be given to the holders of such awards and such amendments shall not be applicable to such holder without his or her written consent. If this Plan is repealed in its entirety, all theretofore awarded shares subject to conditions or restrictions transferred pursuant to this Plan shall continue to be subject to such conditions or restrictions.

2. Every recipient of shares pursuant to this Plan shall be bound by the terms and provisions of this Plan and the transfer of shares agreement referable thereto, and the acceptance of any transfer of shares pursuant to this Plan shall constitute a binding agreement between the recipient and the Company.

ARTICLE H --Duration of Plan.

This Plan shall become effective as of October 26, 1994 subject to ratification before December 31, 1995 by the affirmative vote of the holders of a majority of the Common Stock of the Company present, or represented, and entitled to vote at a meeting duly held. Any shares awarded prior to approval of the Plan by the shareholders must be restricted until such approval is obtained and shall be subject to immediate forfeiture in the event such approval is not obtained in which case the Participants would receive the fees they would have received for their services as Directors since October 26, 1994. This Plan will terminate on December 31, 2004 unless a different termination date is fixed by the shareholders or by action of the Board but no such termination shall affect the prior rights under this Plan of the Company or of anyone to whom shares have been transferred prior to such termination.

Parker-Hannifin Corporation Non-Employee Directors Stock Option Plan.

*Numbered in accordance with Item 601 of Regulation S-K.

PARKER-HANNIFIN CORPORATION
NON-EMPLOYEE DIRECTORS STOCK OPTION PLAN
ADOPTED: AUGUST 15, 1996

1. **Purpose.** The purpose of the Parker-Hannifin Corporation Non-Employee Directors Stock Option Plan (the "Plan") is to attract, retain and compensate highly qualified individuals who are not current employees of Parker-Hannifin Corporation (the "Company") as members of the Board of Directors and to enable them to increase their ownership of shares of common stock, \$.50 par value, of the Company ("Common Stock"). The Plan will be beneficial to the Company and its shareholders since it will allow these directors to have a greater personal financial stake in the Company through the ownership of Common Stock, in addition to underscoring their common interest and identification with stockholders in increasing the value of Common Stock.

2. **Shares Subject to Plan.** The total number of shares of Common Stock with respect to which options may be granted under the Plan shall not exceed 250,000 (as adjusted pursuant to Section 7 hereof). Shares issued upon exercise of options granted under the Plan may be either authorized and unissued shares, treasury shares, or any combination thereof. In the event that any option granted under the Plan shall terminate, expire or, with the consent of the optionee, be cancelled as to any shares of Common Stock, without having been exercised in full, new options may be granted with respect to such shares without again being charged against the maximum share limitations set forth above in this Section 2.

3. **Administration.** The Plan shall be administered by the Compensation and Management Development Committee of the Board of Directors, or any successor Committee (the "Committee"), which shall be appointed by the Board of Directors of the Company and shall consist of such number of directors, not less than two, as shall be determined by the Board of Directors, who shall serve at the pleasure of the Board of Directors, and each of whom shall be "non-employee directors" within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934, or any successor provision at the time in effect. Vacancies occurring in the membership of the Committee shall be filled by appointment by the Board of Directors. If for any reason the Committee is unable to perform its functions and duties under the Plan, the Board of Directors may perform any such functions and duties.

The Committee, from time to time, may adopt rules and regulations for carrying out the provisions and purposes of the Plan. The interpretation and construction by the Committee of any provisions of, and the determination of any questions arising under, the Plan, any such rule or regulation, or any agreement evidencing options under the Plan, shall be final, binding and conclusive on all persons interested in the Plan. The Secretary of the Company shall be authorized to implement the Plan in accordance with its terms and to take such actions of a ministerial nature as shall be necessary to effectuate the intent and purposes hereof. The validity, construction and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Ohio without regard to its conflicts of law principles.

4. **Eligibility.** All members of the Company's Board who are not current or retired employees of the Company or any of its subsidiaries at the time of option award ("Non-Employee Directors") are eligible to participate in the Plan.

5. **Types of Options.** All options granted under the Plan shall be non-statutory options not intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). Each option granted under the Plan shall provide that such option will not be treated as an "incentive stock option," as that term is defined in Section 422 of the Code. The Committee, in its sole discretion, shall determine the terms of the options granted hereunder, including, without limitation, the time or times when options shall be granted, the number of shares to be covered by each option so granted, the time or times when such options shall become exercisable, the transferability of such options and the expiration date of such options.

6. **Terms and Conditions of Options.** All options approved by the Committee under the Plan shall be evidenced by stock option agreements in writing (hereinafter referenced to as "Option Agreements"), in such form as the Committee may from time to time approve, executed on behalf of the Company by the Chairman of the Board or President of the Company. Each Option Agreement shall be subject to the Plan, and, in addition to such other terms and conditions as the Committee may deem desirable, shall provide in substance as follows:

(a) **Purchase Price.** The purchase price per share of Common Stock for which each option is exercisable shall be equal to 100% of the fair market value of a share of Common Stock ("Fair Market Value") as of the date such option is granted. Such Fair Market Value shall be the last sale price of Common Stock on the date next preceding such date as reported on the New York Stock Exchange Composite Tape or, in the event that no sale shall have taken place on the New York Stock Exchange on such next preceding day, the last sale price of Common Stock on the next preceding day on which there was a sale as reported on the New York Stock Exchange Composite Tape, or if the Common Stock is no longer traded on the New York Stock Exchange, the fair market value on such date as determined by the Committee in accordance with applicable law and regulations. The option price shall be subject to adjustment as provided in Section 7 hereof.

(b) **Manner of Exercise.** Each Option Agreement shall provide that any option therein granted shall be exercisable only by giving in each case written notice of exercise, accompanied by full payment of the purchase price either (i) in cash (including check, bank draft or money order, or wire or other transfer of funds, or advice of credit to the Company); (ii) in shares of Common Stock with a Fair Market Value equal to the purchase price of a combination of cash and shares of Common Stock which in the aggregate are equal in value to such purchase price; or (iii) from the proceeds of a sale through a broker on the date of exercise of some or all of the shares of Common Stock to which the exercise relates.

7. **Adjustment upon Changes in Stock.** The Committee shall make or provide for such adjustments in the option price and in the number or kind of shares or other securities covered by outstanding options as the Committee in its sole discretion, exercised in good faith, shall determine is equitably required to prevent dilution or enlargement of rights of optionees that would otherwise result from (a) any stock dividend, stock split, combination of shares, issuance of rights or warrants to purchase stock,

recapitalization or other changes in the capital structure of the Company, (b) any merger, consolidation, reorganization or partial or complete liquidation, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. The Committee also shall make or provide for such adjustments in the number or kind of shares of the Company's Common Stock or other securities which may be acquired pursuant to options granted under this Plan and the number of such securities to be awarded to each optionee as the Committee in its sole discretion, exercised in good faith, shall determine is appropriate to reflect any transaction or event described in the preceding sentence. The determination of the Committee as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive.

8. **Fractional Shares.** No fractional shares shall be issued pursuant to options granted hereunder, the any fractional share resulting from an adjustment pursuant to Section 7 hereof shall be eliminated.

9. **Government Regulations.** The Plan, the grant and exercise of options hereunder, and the Company's obligation to sell and deliver shares of Common Stock pursuant to any such exercise, shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any regulatory or government agency as shall be required. The Company shall not be required to issue or deliver any certificate or certificates for shares of its Common Stock prior to (a) the admission of such shares to listing on any stock exchange or national market system on which the stock shall then be listed or quoted and (b) the completion of any registration or other qualification of such shares under any state or federal law or rulings or regulations of any government body, which the Company shall, in its sole discretion, determine to be necessary or advisable.

10. **Term of the Plan.** The period during which option grants shall be made under the Plan shall terminate within 10 years from the effective date. Termination of the Plan, however, shall not affect outstanding options which have been granted prior to such termination, and all unexpired options shall continue in full force and operation after termination of the Plan, except as they shall lapse or terminate by their own terms and conditions, and the terms of the Plan shall continue to apply to such options.

11. **Amendment, Suspension or Termination of the Plan** The Committee at any time and from time to time may suspend or terminate the Plan or revise or amend the Plan in any respect whatsoever. No action may, without the consent of a participant, reduce the participant's rights under any previously granted and outstanding option.

12. **No Right to Continue as Director.** Neither the Plan, nor the granting of an option nor any other action taken pursuant to the Plan, shall constitute or be evidence of any agreement or

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understanding, express or implied, that a director has a right to continue as a director for any period of time, or at any particular rate of compensation.

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Parker-Hannifin Corporation Deferred Compensation Plan for Directors,
as amended and restated.

*Numbered in accordance with Item 601 of Regulation S-K.

**DEFERRED COMPENSATION PLAN
FOR DIRECTORS OF PARKER-HANNIFIN CORPORATION**

Parker-Hannifin Corporation has established the Deferred Compensation Plan for Directors of Parker-Hannifin Corporation to provide Directors with the opportunity to defer payment of their directors' fees in accordance with the provisions of this Plan. The Plan is hereby amended as of October 1, 2001.

ARTICLE I
DEFINITIONS

For the purposes hereof, the following words and phrases shall have the meaning indicated.

1. "Account" shall mean the aggregate of a Participant's Deferral Account and his or her Parker Stock Account, if any.
2. "Beneficiary" shall mean the person designated by a Participant in accordance with the Plan to receive payment of the remaining balance of a Participant's Account in the event of the death of the Participant prior to receipt of the entire amount credited to the Participant's Account.
3. "Change in Control" shall mean the occurrence of one of the following events:
 - (i) any "person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the "Exchange Act") and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing 20% or more of the combined voting power of the Corporation's then outstanding securities eligible to vote for the election of the Board of Directors of the Corporation (the "Board") (the "Corporation Voting Securities"); provided, however, that the event described in this paragraph shall not be deemed to be a Change in Control by virtue of any of the following situations: (A) an acquisition by the Corporation or any corporation or entity in which the Corporation has a direct or indirect ownership interest of 50% or more of the total combined voting power of the then outstanding securities of such corporation or other entity (a "Subsidiary"); (B) an acquisition by any employee benefit plan sponsored or maintained by the Corporation or any Subsidiary; (C) an acquisition by any underwriter temporarily holding securities pursuant to an offering of such securities; (D) a Non-Control Transaction (as defined in paragraph (iii)); (E) as

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pertains to a Participant, any acquisition by the Participant or any group of persons (within the meaning of Sections 13(d)(3) and 14(d)(2) of the Exchange Act) including the Participant (or any entity in which the Participant or a group of persons including the Participant, directly or indirectly, holds a majority of the voting power of such entity's outstanding voting interests); or (F) the acquisition of Corporation Voting Securities from the Corporation, if a majority of the Board approves a resolution providing expressly that the acquisition pursuant to this clause (F) does not constitute a Change in Control under this paragraph (i);

(ii) individuals who, at the beginning of any period of 24 consecutive months, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority thereof; provided, that (A) any person becoming a director subsequent to the beginning of such 24 month period, whose election, or nomination for election, by the Corporation's shareholders was approved by a vote of at least two-thirds of the directors comprising the Incumbent Board or are then on the Board (either by a specific vote or by approval of the proxy statement of the Corporation in which such person is named as a nominee for director, without objection to such nomination) shall be, for purposes of this paragraph (ii), considered as though such person were a member of the Incumbent Board; provided, however, that no individual initially elected or nominated as a director of the Corporation as a result of an actual or threatened election contest with respect to directors or any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be a member of the Incumbent Board;

(iii) the consummation of a merger, consolidation, share exchange or similar form of corporate reorganization of the Corporation or any Subsidiary that requires the approval of the Corporation's stockholders, whether for such transaction or the issuance of securities in connection with the transaction or otherwise (a "Business Combination"), unless (A) immediately following such Business Combination: (1) more than 50% of the total voting power of the corporation resulting from such Business Combination (the "Surviving Corporation") or, if applicable, the ultimate parent corporation which directly or indirectly has beneficial ownership of 100% of the voting securities eligible to elect directors of the Surviving Corporation (the "Parent Corporation"), is represented by Corporation Voting Securities that were outstanding immediately prior to the Business Combination (or, if applicable, shares into which such Corporation Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Corporation Voting Securities among the holders thereof immediately prior to the Business Combination, (2) no person (other than any employee benefit plan sponsored or maintained by the Surviving Corporation or the Parent Corporation) is or becomes the beneficial owner, directly or indirectly, of 20% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), and (3) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent

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Corporation, the Surviving Corporation), following the Business Combination, were members of the Incumbent Board at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination (a "Non-Control Transaction") or (B) the Business Combination is effected by means of the acquisition of Corporation Voting Securities from the Corporation, and a majority of the Board approves a resolution providing expressly that such Business Combination does not constitute a Change in Control under this paragraph (iii); or

(iv) the stockholders of the Corporation approve a plan of complete liquidation or dissolution of the Corporation or the sale or other disposition of all or substantially all of the assets of the Corporation and its Subsidiaries.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires beneficial ownership of more than 20% of the Corporation Voting Securities as a result of the acquisition of Corporation Voting Securities by the Corporation which, by reducing the number of Corporation Voting Securities outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change in Control would occur as a result of such an acquisition by the Corporation (if not for the operation of this sentence), and after the Corporation's acquisition such person becomes the beneficial owner of additional Corporation Voting Securities that increases the percentage of outstanding Corporation Voting Securities beneficially owned by such person, a Change in Control shall then occur.

Notwithstanding anything in this Plan to the contrary, if the Participant's employment is terminated prior to a Change in Control, and the Participant reasonably demonstrates that such termination was at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a Change in Control, then for all purposes of this Plan, the date immediately prior to the date of such termination of employment shall be deemed to be the date of a Change in Control for such Participant.

4. "Corporation" shall mean Parker-Hannifin Corporation, an Ohio corporation, its corporate successors, and the surviving corporation resulting from any merger of Parker-Hannifin Corporation with any other corporation or corporations.

5. "Deferral Account" shall mean the bookkeeping account to which is credited Fees deferred by a Director under Article II and any earnings or losses credited thereto in accordance with the Plan.

6. "Director" shall mean any member of the Board of Directors of the Corporation who is not an officer or common-law employee of the Corporation.

7. "Fees" shall mean the retainer and cash meeting fees earned by the

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Director for his or her services as such.

8. "Participant" shall mean any Director who has at any time elected to defer the receipt of Fees in accordance with Article II or with respect to whom there has been established a Parker Stock Account under Article III.

9. "Parker Stock Account" shall mean the bookkeeping account to which is credited notional stock with respect to certain Participants under Article III, and any earnings and losses credited thereto in accordance with the Plan.

10. "Plan" shall mean the deferred compensation plan as set forth herein, together with all amendments hereto, which Plan shall be called the Deferred Compensation Plan for Directors of Parker-Hannifin Corporation.

11. "Valuation Date" shall mean each day on which the New York Stock Exchange is open, except that for purposes of determining the value of a distribution under Article IV, it shall mean the 24th day (or the most recent business day preceding such date) of the month immediately preceding the month in which a distribution is to be made.

12. "Year" shall mean a calendar year.

ARTICLE II **ELECTION TO DEFER**

1. Eligibility. Any Director may elect to defer receipt of all or a specified part of his or her Fees in accordance with Section 2 of this Article.

2. Election to Defer. A Director who desires to defer the payment of all or a portion of his or her Fees shall complete and deliver to the Secretary of the Corporation an Election Agreement, as prescribed by the Corporation, to be effective as of the first day of any calendar quarter beginning after the date of the election. An election to defer Fees shall remain effective until cancelled by the Participant, provided that any such cancellation shall be effective only with respect to Fees earned after the first day of the calendar quarter beginning at least 3 months after the date of the election.

3. Deferral Account: Earnings

(a) The percentage of Fees which a Participant elects to defer shall be credited to a bookkeeping Deferral Account under the Plan as of the date the Fees otherwise would have been paid to the Participant. A Participant's Deferral Account shall be credited with gains or losses each Valuation Date based on the applicable Crediting Rate as described below. A Participant's Deferral Account shall be fully vested at all times.

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(b) The Crediting Rate shall mean any notional gains or losses equal to those that would have been generated if part or all of the Deferral Account balance had been invested in one or more of the investment portfolios designated as available by the Corporation, less any separate account fees and less any applicable administrative charges determined annually by the Corporation.

(c) The allocation of the Deferral Account shall be determined by the Participant among one or more of the available options pursuant to rules determined by the Corporation. The gains or losses shall be credited based upon the daily unit values from the portfolio(s) selected by the Participant. Gains and losses will be compounded daily. Notwithstanding the method of calculating the Crediting Rate, the Company shall be under no obligation to purchase any investments designated by a Participant.

ARTICLE III **PARKER STOCK ACCOUNTS**

1. Establishment of Parker Stock Account. There may be credits under the Plan to a bookkeeping Parker Stock Account of amounts other than Fees to which a Director may become entitled from the Corporation at the election of the Board of Directors of the Corporation. Such amounts shall be credited to the Parker Stock Account on the date of entitlement in the form of a number of bookkeeping shares (calculated to the second decimal point) calculated at the "Stock Value" as determined as follows. The "Stock Value" on a particular date shall mean the closing sale price of a share of common stock of the Corporation on the New York Stock Exchange ("NYSE") on such date as reported in the principal consolidated transaction reporting system with respect to securities listed as admitted to trading on the NYSE. A Participant's Parker Stock Account shall be fully vested at all times.

2. Earnings on Parker Stock Account. A Participant's Parker Stock Account shall be credited with gains or losses based on the "Stock Rate," determined as follows. The "Stock Rate" shall mean any notional gains or losses equal to those generated as if the Parker Stock Account balance had been invested in the common stock of the Corporation, including reinvestment of dividends on the dividend payment date at the Stock Value.

ARTICLE IV **DISTRIBUTIONS**

1. Payment of Deferral Account

- (a) With respect to a Participant who ceases to be a Director prior to October 1, 2001, the amount of a Participant's Account shall be paid to the Participant in a lump

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sum or in a number of approximately equal quarterly installments (not to exceed 20), as designated by the Participant on the Election Agreement. The lump sum payment or the first quarterly installment, as the case may be, shall be made as of the first day of the calendar quarter following termination of the Participant's services as a director. An election as to form of payment may be changed by filing a new election with the Secretary of the Corporation; provided, however, that if the election is received less than thirteen months before the date payment is to be made or begin, the Participant's Account shall be reduced by 10%. If payment is made in quarterly installments, the Account shall continue to be credited with earnings in accordance with Section 3 of Article II or Section 2 of Article III, as appropriate. The number of years over which quarterly installments shall be paid will be reduced as needed to insure that each quarterly installment is at least \$3,000.

(b) With respect to a Participant who retires on or after October 1, 2001, such Participant's Account shall be paid monthly over a period of 15 years or the number of whole years required to result in a monthly benefit of at least \$1,000, if less; provided, however, that the Participant may elect to have payment made by one of the following methods:

- (i) a single lump sum payment in cash;
- (ii) monthly installments over 5 or 10 years; provided, that if a monthly benefit is less than \$1,000, the Corporation may shorten the payout period in whole year increments to assure that each monthly payment is at least \$1,000; or
- (iii) an annual lump sum amount payable as of January 1 of each year equal to a specified whole number percentage (1-8%) of the Account balance as of the Valuation Date preceding each such annual payment, plus monthly installments of the remaining balance of the account over 5, 10 or 15 years; provided, that if a monthly benefit is less than \$1,000, the Corporation may shorten the payout period in whole year increments to assure that each monthly payment is at least \$1,000.

Payments shall be based on the value of the Account as of the Valuation Date preceding any payment and shall be made or shall begin as of the first day of the month no later than the date 60 days after the termination of the Participant's services as a Director. The Participant may change the election of the form of payment at any time, except that if the election is not filed at least 13 months prior to the scheduled date of commencement, the election shall be ineffective unless the Participant agrees to take a 10% reduction in the value of the Account.

2. Death of Participant. In the event of the death of a Participant, the value

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of the Participant's Account as of the Valuation Date preceding payment shall be paid to the Participant's designated Beneficiary within 90 days of the date of death. A Participant's Beneficiary designation may be changed at any time prior to his or her death by execution and delivery of a new Beneficiary designation form. The most recent form on file with the Corporation at the time of the Participant's death shall govern. In the absence of a Beneficiary designation or the failure of any Beneficiary to survive the Participant, the value of the Participant's Account as of the Valuation Date preceding payment shall be paid to the Participant's estate in a lump sum within 90 days after the appointment of an executor or administrator. In the event of the death of a Beneficiary or all of the Beneficiaries after the death of a Participant, but before all amounts credited to the Participant's Account have been paid to such Beneficiary or Beneficiaries, the remaining value of the Account shall be paid in a lump sum to the estate of the deceased Beneficiary or estates of the deceased Beneficiaries within 90 days after the appointment of an executor or administrator.

3. Acceleration. Notwithstanding the foregoing: (i) within 15 days following a Change in Control, the value of a Participant's Account as of the date of the Change in Control shall be paid to the Participant in a lump sum; and (ii) the Board of Directors of the Corporation may, in its sole discretion, accelerate payment of the amount of the Account of a Participant in the event of severe financial hardship of the Participant due to causes not within the control of the Participant.

ARTICLE V ADMINISTRATION

1. General. The Corporation shall be responsible for the general administration of the Plan and for carrying out the provisions hereof. The Corporation shall have all such powers as may be necessary to carry out the provisions of the Plan, including the power to determine all questions relating to eligibility for and the amount in the Account and all questions pertaining to claims for benefits and procedures for claim review; to resolve all other questions arising under the Plan, including any questions of construction; and to take such further action as the Corporation shall deem advisable in the administration of the Plan. The actions taken and the decisions made by the Corporation hereunder shall be final and binding upon all interested parties. The Corporation shall provide a procedure for handling claims of Participants or their Beneficiaries under this Plan. Such procedure shall provide adequate written notice within a reasonable period of time with respect to the denial of any such claim as well as a reasonable opportunity upon a Participant's request for a full and fair review by the Corporation of any such denial.

2. Amendment and Termination. The Corporation reserves the right to amend or terminate the Plan at any time by action of its Board of Directors; provided,

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however, that no such action shall adversely affect any Participant who has an Account or any Beneficiary.

3. Prior Plans or Agreements. The Plan supersedes all prior deferred compensation plans for Directors and all prior deferred compensation arrangements with any individual Director, except as to the obligation to make payment of the amount of the accounts of participants in the prior plans or under the prior arrangements in accordance with their respective terms. Fees earned after termination of the prior plan or arrangement will not be eligible for deferral under such plan or arrangement and deferral elections under the prior plan or arrangement will be of no force or effect with respect to Fees earned after termination.

4. Noncompetition. During the time any Participant is a Director of the Corporation, he or she shall not, directly or indirectly, as officer, director, shareholder (other than an interest of less than 1% of the stock of any publicly held company), partner, employee or in any other capacity, engage in competition with the Corporation in the manufacture, sale or distribution of products or parts thereof. In the event of a breach of this provision, a Participant shall forfeit all right and interest in the amounts credited to his or her Account, and shall not be entitled to any distribution of any deferred Fees.

ARTICLE VI MISCELLANEOUS

1. Nonalienation of Deferred Compensation. No Participant or Beneficiary shall encumber or dispose of the right to receive any payments hereunder.

2. Interest of Directors. The obligation of the Corporation under the Plan to make payment of amounts reflected on an Account merely constitutes the unsecured promise of the Corporation to make payments from its general assets as provided herein, and no Participant or Beneficiary shall have any interest in, or a lien or prior claim upon, any property of the Corporation.

3. Claims of Other Persons. The provisions of the Plan shall in no event be construed as giving any person, firm or corporation any legal or equitable right as against

the Corporation, or the officers, employees, or directors of the Corporation, except any such rights as are specifically provided for in the Plan or are hereafter created in accordance with the terms and provisions of the Plan.

4. Severability. The invalidity and unenforceability of any particular provision of the Plan shall not affect any other provision hereof, and the Plan shall be construed in all respects as if such invalid or unenforceable provision were omitted herefrom.

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5. Gender, Singular and Plural. All pronouns and variations thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.

6. Governing Law. The provisions of the Plan shall be governed and construed in accordance with the laws of the State of Ohio.

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**Exhibit (12) * to Report
on Form 10-K for Fiscal
Year Ended June 30, 2001
by Parker-Hannifin Corporation**

**Computation of Ratio of Earnings to Fixed Charges
as of June 30, 2001**

Exhibit 12

**PARKER-HANNIFIN CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(In thousands)**

	Fiscal Year Ended June 30,				
	2001	2000	1999	1998	1997
<u>EARNINGS</u>					
Income from continuing operations before income taxes	\$ 533,596	\$ 562,187	\$ 477,694	\$ 503,988	\$ 424,867
Add:					
Interest on indebtedness, exclusive of interest capitalized in accordance with FASB #34 and interest on ESOP loan guarantee	83,728	51,576	63,132	52,463	46,373
Amortization of deferred loan costs	810	659	565	324	286
Portion of rents representative of interest factor	18,663	13,457	14,093	12,355	11,102
Equity share of losses of companies for which debt obligations are not guaranteed	1,571	1,359		583	1,327
Amortization of previously capitalized interest	274	254	313	296	220
Income as adjusted	<u>\$ 638,642</u>	<u>\$ 629,492</u>	<u>\$ 555,797</u>	<u>\$ 570,009</u>	<u>\$ 484,175</u>
<u>FIXED CHARGES</u>					
Interest on indebtedness, exclusive of interest capitalized in accordance with FASB #34 and interest on ESOP loan guarantee	\$ 83,728	\$ 51,576	\$ 63,132	\$ 52,463	\$ 46,373
Capitalized interest			2	1,372	272
Amortization of deferred loan costs	810	659	565	324	286
Portion of rents representative of interest factor	18,663	13,457	14,093	12,355	11,102
Fixed charges	<u>\$ 103,201</u>	<u>\$ 65,692</u>	<u>\$ 77,792</u>	<u>\$ 66,514</u>	<u>\$ 58,033</u>
<u>RATIO OF EARNINGS TO FIXED CHARGES</u>	6.19x	9.58x	7.14x	8.57x	8.34x

Excerpts from Annual Report to Shareholders for the fiscal year ended June 30, 2001.

*Numbered in accordance with Item 601 of Regulation S-K.

Forward-Looking Statements

This Annual Report and other written reports and oral statements made from time to time by the Company may contain "forward-looking statements", all of which are subject to risks and uncertainties. All statements which address operating performance, events or developments that the Company expects or anticipates to occur in the future, including statements relating to growth, operating margin performance, earnings per share or statements expressing general opinions about future operating results or the markets in which the Company does business, are forward-looking statements.

These forward-looking statements rely on a number of assumptions concerning future events, and are subject to a number of uncertainties and other factors, many of which are outside the Company's control, that could cause actual results to differ materially from such statements. Such factors include:

- continuity of business relationships with and purchases by major customers, including, delays or cancellations in shipments,
- ability of suppliers to provide materials as needed,
- uncertainties surrounding timing, successful completion or integration of acquisitions,
- competitive market conditions and resulting effects on sales and pricing,
- increases in material and other production costs which cannot be recovered in product pricing,
- difficulties in introducing new products and entering new markets, and
- uncertainties surrounding the global economy and global market conditions, interest rate levels and the potential devaluation of currencies.

Any forward-looking statements are made based on known events and circumstances at the time. The Company undertakes no obligation to update or publicly revise these forward-looking statements to reflect events or circumstances that arise after the date of this Report.

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Discussion of Statement of Income

The Consolidated Statement of Income summarizes the Company's operating performance over the last three fiscal years. All year references are to fiscal years.

Net Sales of \$5.98 billion for 2001 were 11.0 percent higher than the \$5.39 billion for 2000. Acquisitions completed in 2001 accounted for all of the increase. Without acquisitions, the North American Industrial operations experienced lower demand within most of their markets, particularly in heavy-duty trucks, factory automation and machine tools. The Aerospace operations experienced an increase in demand for regional jets as well as an increase in commercial aircraft build rates. The Industrial International operations experienced higher volume across all businesses in Europe, Latin America and the Asia Pacific region. Currency rate changes reduced volume increases within the Industrial International operations by \$144.0 million.

Net Sales of \$5.39 billion for 2000 were 8.0 percent higher than the \$4.99 billion for 1999. Acquisitions completed in 2000 accounted for approximately two-fifths of this increase. The North American Industrial operations experienced higher demand within most of their markets, particularly in semiconductor manufacturing and telecommunications. The Aerospace operations experienced a slowdown in commercial aircraft build rates which was mitigated by an increase in demand for regional jets. The Industrial International operations were adversely affected by a struggling economy in Europe and Latin America in the first half of the year while higher volume was achieved in the Asia Pacific region. Currency rate changes reduced volume increases within the International operations by \$104.9 million.

The Company expects the North American Industrial operations to experience low sales volume through the first half of fiscal 2002 with some improvement anticipated in the second half of fiscal 2002. The European and Latin American markets are anticipated to continue to grow while the Company expects to carry on its efforts to expand its presence in the Asia Pacific region. The Aerospace operations expect the regional jet market and commercial aviation OEM business to continue to grow but the rate of growth may moderate. The defense business is projected to remain relatively constant.

Gross profit margin was 20.9 percent in 2001 compared to 22.3 percent in 2000 and 21.8 percent in 1999. The lower margins in 2001 reflect lower volume experienced in the North American Industrial operations, offset by strength experienced in the Aerospace operations, as well as the effect of business realignment charges (see pages 13-8 to 13-10 for further discussion).

The increased margins in 2000 reflected higher volume experienced in the North American Industrial operations, offset by weakness experienced in the International Industrial operations as well as the effect of business realignment charges.

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Selling, general and administrative expenses as a percent of sales increased to 11.4 percent, from 10.7 percent in 2000, and 11.0 percent in 1999. The increase in 2001 is the result of higher goodwill amortization as well as business realignment charges recorded in 2001 (see Note 3 on pages 13-22 and 13-23 for further discussion).

Interest expense increased by \$31.2 million in 2001 after a decrease of \$4.5 million in 2000. The increase in 2001 was due to increased borrowings to complete acquisitions. The decrease in 2000 was due to a lower average level of debt outstanding throughout the year as compared to 1999.

Interest and other (income), net was \$4.8 million in 2001 compared to \$4.1 million in 2000 and \$5.1 million in 1999. Fiscal 2001 includes a \$3.7 million gain on the sale of marketable equity securities and \$3.0 million of business realignment charges. Fiscal 1999 included \$1.7 million in interest income related to an IRS refund.

(Gain) loss on disposal of assets was a \$47.7 million gain in 2001, a \$5.6 million loss in 2000 and a \$2.4 million loss in 1999. The gain in 2001 includes a gain on the sale of

real property offset by certain asset impairments (see Note 3 on pages 13-22 and 13-23 for further discussion). The loss in 2000 includes \$8.4 million of business realignment charges offset by \$6.4 million of income realized on the sale of real property.

Income taxes increased to an effective rate of 35.5 percent in 2001, compared to 34.5 percent in 2000 and 35.0 percent in 1999. The increase in the rate from 2000 to 2001 was primarily the result of the nondeductibility of goodwill acquired in recent acquisitions. The decrease in the rate from 1999 to 2000 was primarily the result of the utilization of foreign operating loss carryforwards and lower foreign taxes.

Extraordinary item – extinguishment of debt – In February 2001 the Company called for redemption all of its outstanding \$100 million, 9.75 percent debentures due 2002-2021.

Net income of \$340.8 million for 2001 was 7.5 percent lower than 2000. Net income of \$368.2 million for 2000 was 18.6 percent higher than 1999. Net income as a percentage of sales was 5.7 percent in 2001, compared to 6.8 percent in 2000 and 6.2 percent in 1999.

Recently issued accounting pronouncements – In July 2001 the Financial Accounting Standards Board (FASB) issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that all business combinations be accounted for by the purchase method and SFAS No. 142 provides that goodwill should not be amortized but instead be tested for impairment annually. The Company adopted SFAS No. 141 and SFAS No. 142 as of July 1, 2001. The effect of the adoption of the new Standards is estimated to result in an increase in Net income in 2002 of approximately \$51 million or \$.44 per share.

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Discussion of Balance Sheet

The Consolidated Balance Sheet shows the Company's financial position at year end, compared with the previous year end. This statement provides information to assist in assessing factors such as the Company's liquidity and financial resources. All year references are to fiscal years.

The effect of currency rate changes during the year caused a \$89.7 million decrease in Shareholders' equity. These rate changes also caused significant decreases in accounts receivable, inventories, goodwill, plant and equipment, accounts payable and various accrual accounts.

Working capital and the current ratio were as follows:

Working Capital (millions)	2001	2000
Current Assets	\$ 2,196	\$ 2,153
Current Liabilities	1,413	1,186
Working Capital	783	967
Current Ratio	1.6	1.8

Accounts receivable are primarily receivables due from customers for sales of product (\$810.7 million at June 30, 2001, compared to \$777.1 million at June 30, 2000). The current year increase in accounts receivable is primarily due to acquisitions, partially offset by a decrease in volume experienced during the second half of 2001 in the Industrial operations. Days sales outstanding for the Company increased to 49 days in 2001 from 45 days in 2000. The increase in the allowance for doubtful accounts in 2001 is primarily due to receivables obtained through acquisitions.

Inventories increased to \$1,008.9 million at June 30, 2001, compared to \$974.2 million a year ago. The increase was primarily due to acquisitions. Months supply of inventory on hand increased slightly from 2000.

Net assets held for sale in 2001 represents the estimated net cash proceeds and estimated net earnings during the holding period of the metal forming business, which was acquired as part of the Commercial Intertech transaction and the specialty chemical and warranty businesses, which were acquired as part of the Wynn's transaction. In 2000, net assets held for sale also included the building systems business, which was acquired as part of the Commercial Intertech transaction. The net assets of this business are now included in their respective separate line items of the balance sheet. At June 30, 2001 the Company was in the process of completing the divestiture of the metal forming business.

Plant and equipment, net of accumulated depreciation, increased \$207.8 million in 2001 as a result of acquisitions and capital expenditures which exceeded annual depreciation.

Investments and other assets increased \$56.7 million in 2001 primarily as a result of increases in qualified benefit plan assets.

Excess cost of investments over net assets acquired increased \$382.9 million in 2001 as a result of acquisitions, partially offset by current year amortization. Effective July 1, 2001 the Company adopted SFAS No. 142 and therefore further amortization of goodwill has been discontinued.

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Notes payable and long-term debt payable within one year increased \$211.2 million primarily due to an increase in commercial paper borrowings which were used to fund acquisitions and the redemption of \$100 million, 9.75 percent debentures due 2002-2021.

Accounts payable, trade decreased \$4.9 million in 2001 primarily due to lower balances in the North American Industrial operations due to lower production levels, partially offset by acquisitions.

Accrued domestic and foreign taxes decreased to \$61.9 million in 2001 from \$84.2 million in 2000 primarily due to the utilization of net operating loss carryforwards and tax credits from acquisitions, as well as lower taxable income in 2001.

Other accrued liabilities increased \$39.1 million in 2001 primarily due to acquisitions, as well as an increase in accruals for business realignment charges.

Long-term debt increased \$155.3 million in 2001 compared to 2000. See the Cash Flows From Financing Activities section on page 13-7 for further discussion.

The Company's goal is to maintain no less than an "A" rating on senior debt to ensure availability and reasonable cost of external funds. To meet this objective, the Company has established a financial goal of maintaining a ratio of debt to debt-equity of 34 to 37 percent.

Debt to Debt-Equity Ratio (millions)	2001	2000
Debt	\$ 1,404	\$ 1,037
Debt & Equity	3,932	3,347

Excluding the effect of the ESOP loan guarantee on both Long-term debt and Shareholders' equity, the debt to debt-equity ratio at June 30, 2001 was 33.5 percent.

In fiscal 2002 additional borrowings are not anticipated for the stock repurchase program, capital investments, or for working capital purposes.

Pensions and other postretirement benefits increased 6.3 percent in 2001. These costs are explained further in Note 9 to the Consolidated Financial Statements.

Other liabilities increased to \$88.3 million in 2001 from \$71.1 million in 2000 primarily due to increases in deferred compensation plans.

Common stock in treasury decreased to \$3.9 million in 2001 from \$8.4 million in 2000.

Quantitative and Qualitative Disclosures About Market Risk – The Company enters into forward exchange contracts, costless collar contracts and cross-currency swap agreements to reduce its exposure to fluctuations in related foreign currencies. The total value of open contracts and any risk to the Company as a result of these arrangements as well as the market risk of changes in near term interest rates is not material to the Company's financial position, liquidity or results of operations. See the Significant Accounting Policies footnote on pages 13-21 for further discussion.

Discussion of Cash Flows

The Consolidated Statement of Cash Flows reflects cash inflows and outflows from the Company's operating, investing and financing activities. All year references are to fiscal years.

Cash and cash equivalents decreased \$44.9 million in 2001 after increasing \$35.2 million in 2000.

Cash Flows From Operating Activities – The Company's largest source of cash continues to be net cash provided by operating activities. Net cash provided by operating activities in 2001 was \$532.2 million compared to \$538.0 million in 2000. This decrease was principally due to Accounts payable using cash of \$43.7 million in 2001 compared to providing cash of \$21.8 million in 2000. Accrued domestic and foreign taxes used cash of \$6.1 million in 2001 after providing cash of \$30.1 million in 2000. Net income in 2001 decreased \$27.4 million compared to 2000, and accrued payrolls and other compensation used cash of \$13.6 million in 2001 compared to providing cash of \$8.0 million in 2000. In addition, cash provided by operating activities excluded a (Gain) on sale of plant and equipment of \$55.9 million in 2001 compared to \$5.3 million in 2000. These uses of cash in 2001 were partially offset by non-cash expenses of Depreciation and Amortization, which increased \$58.1 million in 2001 compared to 2000. Deferred income taxes increased \$32.5 million in 2001 as opposed to decreasing \$11.9 million in 2000. Net assets held for sale provided cash of \$43.1 million in 2001 after having no impact in 2000, and Accounts receivable used cash of \$6.7 million in 2001 after using cash of \$42.4 million in 2000.

Net cash provided by operating activities in 2000 was a record \$538.0 million compared to \$459.1 million in 1999. Net income in 2000 increased \$57.7 million over 1999. Accounts payable provided cash of \$21.8 million in 2000 compared to using cash of \$33.1 million in 1999 and Accrued payrolls and other compensation provided cash of \$8.0 million in 2000 after using cash of \$21.9 million in 1999. These providers of cash in 2000 were partially offset by Deferred income taxes, which decreased \$11.9 million in 2000 as opposed to increasing \$5.7 million in 1999. Other liabilities provided cash of \$5.6 million in 2000 after providing cash of \$20.7 million in 1999. Inventories provided cash of \$17.2 million in 2000 compared to providing cash of \$30.6 million in 1999 and Accounts receivable used cash of \$42.4 million in 2000 after using cash of \$31.4 million in 1999.

Cash Flows From Investing Activities – Net cash used in investing activities was \$240.1 million higher in 2001 than 2000, due to an increase in the amount spent on Acquisitions of \$232.2 million and an increase in the amount spent on Capital expenditures of \$104.3 million in 2001, partially offset by an increase of \$58.0 million in proceeds received from the sale of plant and equipment in 2001.

Net cash used in investing activities was \$266.7 million higher in 2000 than 1999, primarily due to Acquisitions using \$261.1 million more cash in 2000, partially offset by an increase of \$25.7 million in proceeds received from the sale of plant and equipment in 2000. Included in Other is an increase in cash used for equity investments in 2000.

To complete Acquisitions the Company utilized cash of \$583.3 million in 2001; \$351.0 million of cash and the issuance of common stock valued at \$184.3 million in 2000; and cash of \$89.9 million in 1999. The net assets of the acquired companies at their respective acquisition dates consisted of the following:

(in thousands)	2001	2000	1999
Assets acquired:			
Accounts receivable	\$ 87,514	\$ 72,651	\$ 16,529
Inventories	67,904	90,319	16,173
Prepaid expenses	11,730	2,329	2,509
Assets held for sale	84,640	164,000	
Deferred income taxes	10,029	27,814	
Plant & equipment	141,411	119,889	17,686
Other assets	12,072	246,915	3,783
Excess cost of investments over net assets acquired	383,878	158,230	84,589
	799,178	882,147	141,269
Liabilities and equity assumed:			
Notes payable	20,926	2,433	10,433
Accounts payable	36,545	41,315	10,105
Accrued payrolls	20,587	18,345	6,828
Accrued taxes	(5,463)	102,473	(646)
Other accrued liabilities	72,150	56,432	3,535
Long-term debt	53,823	107,195	20,090
Pensions and other postretirement benefits	2,483	22,964	471

Deferred income taxes	13,027		
Other liabilities	1,846	588	
Unearned compensation		(4,285)	
	215,924	346,872	51,404
Net assets acquired	\$583,254	\$535,275	\$ 89,865

Cash Flows From Financing Activities – In 2001 the Company increased its outstanding borrowings by a net total of \$308.1 million primarily to fund acquisitions. The majority of the funding was through the issuance of EUR 300 million (\$257.2 million on the date of issuance) of five-year Euro Notes in the European debt capital market. Additional funds were obtained through the issuance of commercial paper.

In 2000 the Company increased its outstanding borrowings by a net total of \$154.6 million primarily to fund acquisitions. The majority of the funding occurred in the second half of 2000 and was accomplished through the issuance of commercial paper.

Common share activity in 2001 primarily includes the exercise of stock options. During 2001 the Company did not purchase any shares of its common stock for treasury.

Dividends have been paid for 204 consecutive quarters, including a yearly increase in dividends for the last 45 fiscal years. The current annual dividend rate is \$.72 per share.

In summary, based upon the Company's past performance and current expectations, management believes the cash flows generated from future operating activities should provide adequate funds to support internal growth and continued improvements in the Company's manufacturing facilities and equipment. The Company's worldwide financial capabilities may be used to support planned growth as needed.

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Discussion of Business Segment Information

The Business Segment Information presents sales, operating income and assets on a basis that is consistent with the manner in which the Company's various businesses are managed for internal review and decision-making. All year references are to fiscal years. Certain prior period amounts have been reclassified to conform to the current year presentation.

Industrial Segment

	2001	2000	1999
Operating income as a percent of sales	9.8%	12.7%	11.3%
Return on average assets	12.9%	17.7%	16.0%

Sales for the Industrial North American operations increased to \$2.94 billion in 2001, 18.3 percent over 2000, following an increase in 2000 of 16.8 percent over 1999. Acquisitions accounted for all of the 2001 increase and one-third of the increase in 2000. Sales in 2001 reflect lower demand within most of the Industrial North American markets, particularly in the heavy-duty truck, agriculture, factory automation and machine tool markets. However, some overall growth was experienced in the semiconductor manufacturing, oil and gas and petrochemical markets. Sales in 2000 reflected higher volume across all businesses, particularly in the semiconductor manufacturing and telecommunications markets.

International Industrial sales increased to \$1.28 billion, 8.5 percent over 2000. Acquisitions accounted for all of the 2001 increase. Without the impact of changes in currency rates, sales for 2001 increased 20.7 percent, mostly attributable to higher volume in Europe, the Asia Pacific region and Latin America. The higher volume was experienced across virtually all of the International Industrial businesses. International Industrial sales of \$1.18 billion in 2000 represented a 2.2 percent increase from 1999, all of which was attributable to acquisitions. Without the impact of changes in currency rates, sales for 2000 increased 11.4 percent, mostly attributable to higher volume in the Asia Pacific region as well as higher market demand in Europe and Latin America in the latter part of 2000.

Industrial North American operating income decreased 14.9 percent in 2001 after an increase of 31.0 percent in 2000. Operating income in 2001 includes \$13.2 million in business realignment charges taken in response to the economic downturn experienced during the current year. Excluding this charge, Income from operations as a percent of sales was 11.4 percent in 2001 compared to 15.3 percent in 2000 and 13.6 percent in 1999. Margins in 2001 were adversely affected by lower demand, which resulted in the underabsorption of overhead costs as well as pricing pressure experienced throughout most of the North American Industrial markets. Recent acquisitions, not yet fully integrated, also negatively impacted margins. Raw material prices decreased during the year.

International operating income increased 9.8 percent in 2001 after an increase of 4.8 percent in 2000. Operating income in 2001 and 2000 includes \$5.9 million and \$9.0 million, respectively in business realignment charges that were taken to appropriately structure the European operations. Excluding these charges, income as a percent of sales in 2001 was 7.7 percent compared to 7.9 percent in 2000 and 7.0 percent in 1999. The lower margins in 2001 were the result of the higher volume and better capacity utilization experienced across most International businesses being more than offset by lower margins contributed by recent acquisitions, not yet fully integrated. Margins in 2000 benefited from higher volume in the Asia Pacific region and improved market conditions in Latin America as well as improved European market demand in the second half of 2000.

A significant downward trend in order rates in the Industrial Segment was experienced in the second half of 2001 with orders in virtually all markets continuing on the downswing heading into 2002. Order entry levels in North America are anticipated to remain soft in the first half of 2002 with an improvement in the level of orders anticipated to begin in the second half of 2002. Industrial European operations are anticipated to feel the effect of the North American economic downturn in 2002 but the benefits of the business realignment charges are expected to mitigate some of the negative effects. The Asia Pacific region and Latin American operations are expected to continue to improve as the Company continues to expand its operations into these markets.

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Backlog for the Industrial Segment was \$667.9 million at June 30, 2001, compared to \$650.8 million at the end of 2000 and \$461.7 million at the end of 1999. The modest increase in backlog is attributable to acquisitions partially offset by lower order rates experienced across most Industrial markets in the second half of 2001. The higher backlog in 2000 was due to strong order rates across all markets as well as acquisitions.

Assets for the Industrial Segment increased 22.1 percent in 2001 after an increase of 23.1 percent in 2000. The increase in 2001 and 2000 is primarily due to acquisitions partially offset by the effect of currency fluctuations. In both years net plant and equipment increased due to capital expenditures exceeding depreciation.

Aerospace Segment

	2001	2000	1999
Operating income as a percent of sales	18.2%	15.4%	15.4%
Return on average assets	30.8%	23.4%	23.1%

Sales increased 5.9 percent in 2001 after a decrease of 1.2 percent in 2000. The higher sales resulted from the continued increase in regional jet build rates and maintenance, repair and overhaul business as well as an increase in commercial aircraft builds. The decline in 2000 was due to a decline in commercial aircraft builds.

Operating income was \$218.9 million in 2001, \$175.7 million in 2000 and \$177.2 million in 1999. Operating income in 2000 included \$4.4 million in business realignment charges that were taken in response to the decline in commercial aircraft orders. Operating income in 2001, as a percent of sales, was 18.2 percent compared to 15.8 percent in 2000, excluding the charge, and 15.4 percent in 1999. The increase in margins in 2001 resulted from a higher mix of aftermarket business as well as an increase in OEM volume. The 2000 decline in margins resulted from lower volume, which resulted in lower capacity utilization.

Backlog at June 30, 2001 was \$1.21 billion compared to \$1.05 billion in 2000 and \$1.08 billion in 1999. The higher backlog in 2001 reflects the increase in commercial aircraft build rates and orders in the regional jet market. This trend in order rates is expected to continue in 2002, however the rate of the increase is expected to moderate.

Assets remained the same as the 2000 level after a 10.0 percent decline in 2000 from the 1999 level. An increase in net plant and equipment and accounts receivable were offset by a decline in inventory and net goodwill.

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Other Segment

	2001	2000	1999
Operating income as a percent of sales	7.4%	8.0%	8.5%
Return on average assets	11.7%	15.0%	15.4%

The Other Segment consists of several business units which produce motion-control and fluid power system components for use primarily in the transportation industry and a business unit which designs and manufactures custom-engineered buildings.

Sales declined 4.8 percent in 2001 following an increase in 2000 of 5.4 percent from 1999. Sales in 2001 reflect lower demand in the automotive market while the increase in sales in 2000 reflected higher volume in the automotive market. Operating income declined 12.0 percent in 2001 after 2000 operating income remained unchanged from 1999. The decline in operating income in 2001 was attributable to the lower volume and pricing pressure.

Backlog was \$109.1 million at June 30, 2001, compared to \$100.2 million at the end of 2000 and \$85.2 million at the end of 1999.

Assets increased 22.9 percent in 2001 after an increase of 2.3 percent in 2000. Assets in 2001 include those from a business classified as held for sale in 2000.

Corporate assets declined 2.8 percent in 2001 and increased 180.9 percent in 2000. The 2001 and 2000 amounts include assets held for sale as separately identified on the Consolidated Balance Sheet. The increase in 2000 is due to an increase in qualified and non-qualified benefit plan assets including those from acquisitions.

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Consolidated Statement of Income

(Dollars in thousands, except per share amounts)	For the years ended June 30,		
	2001	2000	1999
Net sales	\$ 5,979,604	\$ 5,385,618	\$ 4,986,696
Cost of sales	4,728,156	4,186,850	3,897,266
Gross profit	1,251,448	1,198,768	1,089,430
Selling, general and administrative expenses	679,963	575,906	550,681
Interest expense	90,362	59,183	63,697
Interest and other (income), net	(4,800)	(4,112)	(5,056)
(Gain) loss on disposal of assets	(47,673)	5,604	2,414
Income before income taxes	533,596	562,187	477,694
Income taxes (Note 4)	189,426	193,955	167,193
Income before extraordinary item	344,170	368,232	310,501
Extraordinary item — extinguishment of debt (Note 8)	(3,378)		
Net income	\$ 340,792	\$ 368,232	\$ 310,501
Earnings per share (Note 5)			
Basic earnings per share before extraordinary item	\$ 3.01	\$ 3.34	\$ 2.85
Extraordinary item — extinguishment of debt	(.03)		
Basic earnings per share	\$ 2.98	\$ 3.34	\$ 2.85
Diluted earnings per share before extraordinary item	\$ 2.99	\$ 3.31	\$ 2.83

Extraordinary item — extinguishment of debt		(.03)		
Diluted earnings per share	\$	2.96	\$	3.31
			\$	2.83

The accompanying notes are an integral part of the financial statements.

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Consolidated Statement of Comprehensive Income

(Dollars in thousands)	For the years ended June 30,	2001	2000	1999
Net income		\$ 340,792	\$ 368,232	\$ 310,501
Other comprehensive income (loss), net of taxes:				
Foreign currency translation adjustment		(89,659)	(32,600)	(32,832)
Net unrealized gain on marketable equity securities (Note 10)		10,586		
Comprehensive income		\$ 261,719	\$ 335,632	\$ 277,669

The accompanying notes are an integral part of the financial statements.

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Consolidated Balance Sheet

(Dollars in thousands)	June 30,	2001	2000
Assets			
Current Assets			
Cash and cash equivalents		\$ 23,565	\$ 68,460
Accounts receivable, less allowance for doubtful accounts (2001 - \$11,110; 2000 - \$10,420)		922,325	840,040
Inventories (Notes 1 and 6):			
Finished products		495,704	483,017
Work in process		344,861	344,804
Raw materials		168,299	146,375
		1,008,864	974,196
Prepaid expenses		39,486	32,706
Deferred income taxes (Notes 1 and 4)		91,439	73,711
Net assets held for sale (Note 2)		110,683	164,000
Total Current Assets		2,196,362	2,153,113
Plant and equipment (Note 1):			
Land and land improvements		152,723	138,394
Buildings and building equipment		753,909	642,770
Machinery and equipment		1,975,996	1,825,889
Construction in progress		123,436	107,197
		3,006,064	2,714,250
Less accumulated depreciation		1,457,376	1,373,335
		1,548,688	1,340,915
Investments and other assets (Note 1)		630,971	574,241
Excess cost of investments over net assets acquired (Note 1)		953,648	570,740
Deferred income taxes (Notes 1 and 4)		7,992	7,290
Total Assets		\$ 5,337,661	\$ 4,646,299

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Liabilities and Shareholders' Equity

Current Liabilities

Notes payable and long-term debt payable within one year (Notes 7 and 8)	\$	546,502	\$	335,298
Accounts payable, trade		367,806		372,666
Accrued payrolls and other compensation		173,556		169,837
Accrued domestic and foreign taxes		61,874		84,208
Other accrued liabilities		263,391		224,294
Total Current Liabilities		1,413,129		1,186,303
Long-term debt (Note 8)		857,078		701,762
Pensions and other postretirement benefits (Notes 1 and 9)		318,527		299,741
Deferred income taxes (Notes 1 and 4)		131,708		77,939

Other liabilities	88,304	71,096
Total Liabilities	2,808,746	2,336,841
Shareholders' Equity (Note 10)		
Serial preferred stock, \$.50 par value, authorized 3,000,000 shares; none issued		
Common stock, \$.50 par value, authorized 600,000,000 shares; issued 117,409,197 shares in 2001 and 116,602,195 shares in 2000 at par value	58,705	58,301
Additional capital	346,228	328,938
Retained earnings	2,426,496	2,165,625
Unearned compensation related to ESOP (Note 8)	(96,398)	(110,818)
Deferred compensation related to stock options	2,347	1,304
Accumulated other comprehensive (loss)	(204,531)	(125,458)
	2,532,847	2,317,892
Common stock in treasury at cost; 100,000 shares in 2001 and 214,487 shares in 2000	(3,932)	(8,434)
Total Shareholders' Equity	2,528,915	2,309,458
Total Liabilities and Shareholders' Equity	\$ 5,337,661	\$ 4,646,299

The accompanying notes are an integral part of the financial statements.

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Consolidated Statement of Cash Flows

(Dollars in thousands)	For the years ended June 30,	2001	2000	1999
Cash Flows From Operating Activities				
Net income		\$ 340,792	\$ 368,232	\$ 310,501
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation		200,270	167,356	164,577
Amortization		64,257	39,052	37,469
Deferred income taxes		32,509	(11,867)	5,718
Foreign currency transaction loss (gain)		4,159	5,082	(2,495)
(Gain) loss on sale of plant and equipment		(55,914)	(5,288)	1,886
Net effect of extraordinary loss		3,378	—	—
Changes in assets and liabilities, net of effects from acquisitions and dispositions:				
Accounts receivable		(6,725)	(42,386)	(31,396)
Inventories		7,865	17,248	30,606
Prepaid expenses		4,799	(7,881)	2,069
Assets held for sale		43,069		
Other assets		(66,376)	(53,105)	(56,957)
Accounts payable, trade		(43,697)	21,792	(33,075)
Accrued payrolls and other compensation		(13,586)	8,021	(21,892)
Accrued domestic and foreign taxes		(6,136)	30,124	22,091
Other accrued liabilities		(10,444)	(7,533)	(3,935)
Pensions and other postretirement benefits		18,501	3,642	13,258
Other liabilities		15,444	5,551	20,672
Net cash provided by operating activities		532,165	538,040	459,097
Cash Flows From Investing Activities				
Acquisitions (less cash acquired of \$10,143 in 2001, \$1,158 in 2000 and \$2,609 in 1999)		(583,254)	(351,011)	(89,865)
Capital expenditures		(334,748)	(230,482)	(230,122)
Proceeds from sale of plant and equipment		90,044	32,051	6,382
Other		8,130	(30,267)	548
Net cash (used in) investing activities		(819,828)	(579,709)	(313,057)

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Cash Flows From Financing Activities

Proceeds from common share activity	15,971	1,202	74,076
Proceeds from (payments of) notes payable, net	197,324	272,440	(228,896)
Proceeds from long-term borrowings	304,172	12,600	232,886
(Payments of) long-term borrowings	(193,409)	(130,419)	(152,397)
Dividends paid, net of tax benefit of ESOP shares	(79,921)	(74,963)	(69,461)
Net cash provided by (used in) financing activities	244,137	80,860	(143,792)
Effect of exchange rate changes on cash	(1,369)	(4,008)	541
Net (decrease) increase in cash and cash equivalents	(44,895)	35,183	2,789
Cash and cash equivalents at beginning of year	68,460	33,277	30,488

Cash and cash equivalents at end of year	\$	23,565	\$	68,460	\$	33,277
Supplemental Data:						
Cash paid during the year for:						
Interest, net of capitalized interest	\$	84,183	\$	56,341	\$	62,997
Income taxes		183,546		167,211		129,893
Non-cash investing activities:						
Stock issued for acquisitions				184,263		
Non-cash financing activities:						
Capital lease obligations						7,346
ESOP debt guarantee						112,000

The accompanying notes are an integral part of the financial statements.

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**Business Segment Information
By Industry**

(Dollars in thousands)	2001	2000	1999
Net sales:			
Industrial:			
North America	\$ 2,941,697	\$ 2,486,372	\$ 2,127,895
International	1,275,516	1,175,880	1,151,172
Aerospace	1,205,624	1,138,328	1,152,390
Other	556,767	585,038	555,239
	\$ 5,979,604	\$ 5,385,618	\$ 4,986,696
Segment operating income:			
Industrial:			
North America	\$ 322,786	\$ 379,251	\$ 289,599
International	92,561	84,317	80,489
Aerospace	218,851	175,710	177,213
Other	41,451	47,084	47,416
Total segment operating income	675,649	686,362	594,717
Corporate administration	85,738	58,210	54,176
Income before interest expense and other	589,911	628,152	540,541
Interest expense	90,362	59,183	63,697
Other	(34,047)	6,782	(850)
Income before income taxes	\$ 533,596	\$ 562,187	\$ 477,694
Identifiable assets:			
Industrial	\$ 3,528,652	\$ 2,889,895	\$ 2,346,835
Aerospace	710,555	709,731	789,174
Other	390,006	317,462	310,311
	4,629,213	3,917,088	3,446,320
Corporate (a)	708,448	729,211	259,568
	\$ 5,337,661	\$ 4,646,299	\$ 3,705,888
Property additions: (b)			
Industrial	\$ 412,042	\$ 307,360	\$ 190,352
Aerospace	37,152	20,720	36,993
Other	14,935	22,291	18,878
Corporate	12,030	-	1,585
	\$ 476,159	\$ 350,371	\$ 247,808
Depreciation:			
Industrial	\$ 160,577	\$ 126,377	\$ 124,857
Aerospace	19,729	21,342	19,523
Other	16,262	15,701	16,057
Corporate	3,702	3,936	4,140
	\$ 200,270	\$ 167,356	\$ 164,577

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

The accounting policies of the business segments are the same as those described in the Significant Accounting Policies footnote except that the business segment results are prepared on a management basis that is consistent with the manner in which the Company disaggregates financial information for internal review and decision-making.

- (a) Corporate assets are principally cash and cash equivalents, domestic deferred income taxes, investments, benefit plan assets, headquarters facilities, assets held for sale and the major portion of the Company's domestic data processing equipment.

- (b) Includes value of net plant and equipment at the date of acquisition of acquired companies accounted for by the purchase method (2001 - \$141,411; 2000 - \$119,889; 1999 - \$17,686).

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By Geographic Area (c)
(Dollars in thousands)

	2001	2000	1999
Net sales:			
North America	\$ 4,561,217	\$ 4,075,865	\$ 3,704,895
International	1,418,387	1,309,753	1,281,801
	\$ 5,979,604	\$ 5,385,618	\$ 4,986,696
Long-lived assets:			
North America	\$ 1,186,834	\$ 969,788	\$ 873,222
International	361,854	371,127	327,647
	\$ 1,548,688	\$ 1,340,915	\$ 1,200,869

- (c) Net sales are attributed to countries based on the location of the selling unit. North America includes the United States, Canada and Mexico. No country other than the United States represents greater than 10% of consolidated sales. Long-lived assets are comprised of property, plant and equipment based on physical location.

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Notes to Consolidated Financial Statements
(Dollars in thousands, except per share amounts)

Note 1
Significant Accounting Policies

The significant accounting policies followed in the preparation of the accompanying consolidated financial statements are summarized below.

Nature of Operations – The Company is a leading worldwide producer of motion control products, including fluid power systems, electromechanical controls and related components. The Company evaluates performance based on segment operating income before Corporate general and administrative expenses, Interest expense and Income taxes.

The Company operates in two principal business segments: Industrial and Aerospace. The Industrial Segment is an aggregation of several business units which produce motion-control and fluid power system components for builders and users of various types of manufacturing, packaging, processing, transportation, agricultural, construction, and military machinery, vehicles and equipment. Industrial Segment products are marketed primarily through field sales employees and independent distributors. The North American Industrial business represents the largest portion of the Company's manufacturing plants and distribution networks and primarily services North America. The International Industrial operations bring Parker products and services to countries throughout Europe, Asia Pacific and Latin America.

The Aerospace Segment produces hydraulic, pneumatic and fuel systems and components which are utilized on virtually every domestic commercial, military and general aviation aircraft and also performs a vital role in naval vessels, land-based weapons systems, satellites and space vehicles. This Segment serves original equipment and maintenance, repair and overhaul customers worldwide. Aerospace Segment products are marketed by field sales employees and are sold directly to the manufacturer and to the end user.

The Company also reports an Other Segment consisting of several business units which produce motion-control and fluid power system components for use primarily in the transportation industry and a business unit which designs and manufactures custom-engineered buildings. The products in this segment are marketed primarily through field sales employees and independent distributors.

See the table of Business Segment Information "By Industry" and "By Geographic Area" on pages 13-17 and 13-18 for further disclosure of business segment information.

There are no individual customers to whom sales are five percent or more of the Company's consolidated sales. Due to the diverse group of customers throughout the world the Company does not consider itself exposed to any concentration of credit risks.

The Company manufactures and markets its products throughout the world. Although certain risks and uncertainties exist, the diversity and breadth of the Company's products and geographic operations mitigate significantly the risk that adverse changes would materially affect the Company's operating results.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Basis of Consolidation – The consolidated financial statements include the accounts of all domestic and foreign subsidiaries. All material intercompany transactions and profits have been eliminated in the consolidated financial statements. Within the Business Segment Information, intersegment and interarea sales are recorded at fair market value and are immaterial in amount.

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Revenue Recognition – Revenue is recognized when the risks and rewards of ownership and title to the product has transferred to the customer. On December 3, 1999 the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements," (SAB 101). SAB 101 reflects the basic principles of revenue recognition in accounting principles generally accepted in the United States of America. No significant changes to the Company's revenue recognition policies were necessary to comply with SAB 101.

In the fourth quarter of 2001 the Company adopted Emerging Issues Task Force (EITF) Issue 00-10, "Accounting for Shipping and Handling Fees and Costs," which requires amounts billed to customers for shipping and handling to be included as a component of sales. The Company restated its Net sales for the first three quarters of 2001 and total year Net sales for 2000 and 1999, resulting in an increase in both Net sales and Cost of sales of \$23,164, \$30,281 and \$27,896, respectively.

Cash – Cash equivalents consist of short-term highly liquid investments, with a three-month or less maturity, carried at cost plus accrued interest, which are readily convertible

into cash.

Inventories – Inventories are stated at the lower of cost or market. The majority of domestic inventories are valued by the last-in, first-out method and the balance of the Company's inventories are valued by the first-in, first-out method.

Long-term Contracts – The Company enters into long-term contracts for the production of aerospace products and the manufacture of custom-engineered buildings. For financial statement purposes, sales are recorded as deliveries are made (units of delivery method of percentage-of-completion). Unbilled costs on these contracts are included in inventory. Progress payments are netted against the inventory balances. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

Plant, Equipment and Depreciation – Plant and equipment are recorded at cost and are depreciated principally using the straight-line method for financial reporting purposes. Depreciation rates are based on estimated useful lives of the assets, generally 40 years for buildings; 15 years for land improvements and building equipment; 10 years for machinery; and seven years for equipment. Improvements which extend the useful life of property are capitalized, and maintenance and repairs are expensed. When property is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the appropriate accounts and any gain or loss is included in current income.

Investments and Other Assets – Investments in joint-venture companies in which ownership is 50% or less and in which the Company does not have operating control are stated at cost plus the Company's equity in undistributed earnings. These investments and the related earnings are not material to the consolidated financial statements.

Excess Cost of Investments – The excess cost of investments over net assets acquired is being amortized, on a straight-line basis, over periods ranging from 15 years to 40 years. Unamortized cost in excess of associated expected operating cash flows is considered to be impaired and is written down to fair value. The Financial Accounting Standards Board (FASB) has issued SFAS No. 142, "Goodwill and Other Intangible Assets." This Standard provides that goodwill should not be amortized but instead be tested for impairment annually at the reporting unit level. The Company adopted the new Standard as of July 1, 2001 and therefore ceased amortizing goodwill as of that date. The effect of the new Standard is estimated to result in an increase in Net income in 2002 of approximately \$51 million or \$.44 per share. The Company currently does not anticipate recognizing a charge for impairment of existing goodwill as a result of the transitional goodwill impairment test required to be performed within six months of adopting SFAS No. 142.

Income Taxes – Income taxes are provided based upon income for financial reporting purposes. Deferred income taxes arise from temporary differences in the recognition of income and expense for tax purposes. Tax credits and similar tax incentives are applied to reduce the provision for income taxes in the year in which the credits arise.

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Foreign Currency Translation – Assets and liabilities of most foreign subsidiaries are translated at current exchange rates, and income and expenses are translated using weighted average exchange rates. The effects of these translation adjustments, as well as gains and losses from certain intercompany transactions, are reported in the Accumulated other comprehensive (loss) component of Shareholders' equity. Such adjustments will affect Net income only upon sale or liquidation of the underlying foreign investments, which is not contemplated at this time. Exchange gains and losses from transactions in a currency other than the local currency of the entity involved, and translation adjustments in countries with highly inflationary economies, are included in Net income.

Financial Instruments – The Company's financial instruments consist primarily of investments in cash, cash equivalents and long-term investments as well as obligations under notes payable and long-term debt. The carrying values for Cash and cash equivalents, Investments and other assets and Notes payable approximate fair value.

The Company enters into forward exchange contracts (forward contracts), costless collar contracts, and cross-currency swap agreements to reduce its exposure to fluctuations in related foreign currencies. These contracts are with major financial institutions and the risk of loss is considered remote. The Company does not hold or issue derivative financial instruments for trading purposes. Effective July 1, 2000 the Company adopted the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." Due to the immaterial amount of derivative and hedging activity within the Company, the effect of adopting SFAS No. 133 on the Company's results of operations and financial position was immaterial.

Gains or losses on forward contracts that hedge specific transactions are recognized in Net income, offsetting the underlying foreign currency gains or losses. Gains or losses on costless collar contracts are recognized in Net income when the spot rate of the contract falls outside the collar range.

Cross-currency swap agreements are recorded in Long-term debt as dollar-denominated receivables with offsetting foreign-currency payables. If the receivables more than offset the payables, the net difference is reclassified to an asset. Gains or losses are accrued monthly as an adjustment to Net income, offsetting the underlying foreign currency gains or losses. The differential between interest to be received and interest to be paid is accrued monthly as an adjustment to Interest expense.

In addition, the Company's foreign locations, in the ordinary course of business, enter into financial guarantees, through financial institutions, which enable customers to be reimbursed in the event of nonperformance by the Company.

The total value of open contracts and any risk to the Company as a result of the above mentioned arrangements is not material.

Stock Options – The Company applies the intrinsic-value based method to account for stock options granted to employees or outside Directors to purchase common shares. The option price equals the market price of the underlying common shares on the date of grant, therefore no compensation expense is recognized.

Reclassifications – Certain prior period amounts have been reclassified to conform to the current year presentation.

Note 2

Acquisitions and Net Assets Held for Sale

On July 21, 2000 the Company completed the acquisition of Wynn's International, Inc. (Wynn's). Wynn's is a leading manufacturer of precision-engineered sealing media for the automotive, heavy-duty truck and aerospace markets. On September 29, 2000 the Company acquired the pneumatics business of Invensys plc, which specializes in the design and production of equipment and controls for automated processes. On April 30, 2001 the Company acquired the Miller Fluid Power and Wilkerson businesses of CKD-Creatic. Miller Fluid Power manufactures both pneumatic and hydraulic cylinders and Wilkerson manufactures a complete line of compressed air treatment and control products. Combined annual sales for these operations, for their most recent fiscal year prior to acquisition, were approximately \$713 million. Total purchase price for these businesses was approximately \$506 million in cash and assumed debt of \$65 million.

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On February 3, 2000 the Company acquired the assets of Dana Corporation's Gresen Hydraulics business, located in Minneapolis, Minnesota and Sarasota, Florida, a manufacturer of a wide range of hydraulic pumps, motors, cylinders, control valves, filters and electronic controls for on- and off-highway vehicles. On April 11, 2000 the Company completed its merger with Commercial Intertech Corp. of Youngstown, Ohio with the Company being the surviving corporation. Commercial Intertech's hydraulics business manufactures gear pumps and motors, control valves and telescopic cylinders for use on heavy-duty mobile equipment. On May 30, 2000 the Company acquired the assets of Whatman's Industrial Filtration Business, based in Haverill, Massachusetts and Maidstone, United Kingdom, a manufacturer of high quality purification products and gas generators for a variety of industrial applications. Combined annual sales for these operations, for their most recent fiscal year prior to acquisition, were approximately \$716 million. Total purchase price for these businesses was approximately \$339 million in cash, 4.3 million shares of common stock valued at \$184 million and assumed debt of \$104 million.

The Company is currently soliciting offers for the purchase of the specialty chemical and warranty businesses of Wynn's. These businesses are valued at the estimated net cash proceeds from their sale plus estimated net earnings during the holding period and are reflected as Net assets held for sale on the Consolidated Balance Sheet. The Company has decided to suspend its efforts to sell the building systems business of Commercial Intertech. As such, the net assets of the building systems business have been consolidated on the Consolidated Balance Sheet at June 30, 2001 and the results of operations of the building systems business have been included in the Consolidated Statement of Income beginning in the fourth quarter of fiscal 2001. At June 30, 2001 the Company was in the process of completing the divestiture of the metal forming business of Commercial Intertech. This business is valued at the estimated net cash proceeds from its sale and is reflected as Net assets held for sale on the Consolidated Balance Sheet. During 2001, \$22,350 of income from operations and \$6,564 of interest expense were excluded from the Consolidated Statement of Income and included in the carrying value of Net assets held for sale.

On July 14, 1998 the Company acquired the equity of B.A.G. Acquisition Ltd., the parent company of Veriflo Corporation, a manufacturer of high-purity regulators and valves based in Richmond, California. On August 27, 1998 the Company acquired the equity of Fluid Power Systems, a manufacturer of hydraulic valves and electrohydraulic systems and controls located in Lincolnshire, Illinois. Combined annual sales for these operations, for their most recent fiscal year prior to acquisition, were approximately \$107 million. Total purchase price for these businesses was approximately \$85.2 million cash.

These acquisitions were accounted for by the purchase method, and results are included as of the respective dates of acquisition.

**Note 3
Gain on Sale of Real Property and Charges Related to Business Realignment**

In 2001 the Company recorded a \$55,548 gain (\$34,662 after tax or \$.30 per share) realized on the sale of real property located in Southern California. The property had served as a headquarters and manufacturing locale for the Company's Aerospace Group and several of its divisions. Such operations have relocated to other previously owned or leased facilities in the area. The Company does not currently anticipate additional property sales of this magnitude occurring in the future. The gain is reflected in the Consolidated Statement of Income in the (Gain) loss on disposal of assets caption.

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In 2001 the Company recorded a \$28,724 charge (\$18,474 after-tax or \$.16 per share) related to costs of appropriately structuring its businesses in response to current economic conditions. The business realignment charge includes severance costs and employee-related benefits of \$17,673 and \$11,051 of other costs, primarily certain asset impairments. The severance costs and employee-related benefits is attributable to approximately 1,126 employees associated with the Industrial North American operations, 310 employees associated with the Industrial International operations and 27 employees associated with operations in the Other segment. All severance and employee-related benefit payments are expected to be made by the end of fiscal 2002. The asset impairment portion represents the amount by which the carrying value of the assets exceeded their estimated future undiscounted cash flows. The business realignment charge is presented in the Consolidated Statement of Income for 2001 in the following captions: \$12,071 in Cost of sales; \$6,691 in Selling, general and administrative expenses; \$3,009 in Interest and other (income), net; and \$6,953 in (Gain) loss on disposal of assets.

In 2000 the Company recorded a \$8,555 charge (\$5,560 after-tax or \$.05 per share) related to the costs of appropriately structuring its businesses to operate in their current economic environment. The charge primarily related to severance costs attributable to approximately 250 employees principally associated with the Industrial International operations. As of June 30, 2000, the Company had made all severance payments. A change in the future utilization of long-lived assets at certain locations triggered an impairment review of these long-lived assets during 2000. The Company evaluated the recoverability of the long-lived assets and determined that the estimated future undiscounted cash flows were below the carrying value of these assets. Accordingly, the Company recorded a non-cash impairment loss of \$4,875 (\$3,169 after-tax or \$.03 per share). Of the pre-tax amount, \$3,499 relates to the Aerospace Segment and \$1,376 relates to the Industrial Segment. The severance and impairment loss is presented in the Consolidated Statement of Income for 2000 in the following captions: \$2,552 in Cost of sales; \$2,476 in Selling, general and administrative expenses; and \$8,402 in (Gain) loss on disposal of assets.

**Note 4
Income Taxes**

Income taxes before extraordinary items include the following:

	2001	2000	1999
Federal	\$ 103,215	\$ 140,663	\$ 113,011
Foreign	30,791	29,393	34,309
State and local	10,518	11,099	11,236
Deferred	44,902	12,800	8,637
	\$ 189,426	\$ 193,955	\$ 167,193

A reconciliation of the Company's effective income tax rate to the statutory Federal rate follows:

	2001	2000	1999
Statutory Federal income tax rate	35.0%	35.0%	35.0%
State and local income taxes	1.9	1.5	1.8
FSC income not taxed	(2.4)	(1.7)	(2.3)
Foreign tax rate difference	(1.1)	(1.1)	.7
Nondeductible goodwill	2.3	1.2	1.3
Other	(.2)	(.4)	(1.5)
Effective income tax rate	35.5%	34.5%	35.0%

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of assets and liabilities. The differences comprising the net deferred taxes shown on the Consolidated Balance Sheet at June 30 were as follows:

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	2001	2000
Postretirement benefits	\$(10,951)	\$ 1,710
Other liabilities and reserves	66,281	58,077

Long-term contracts	9,046	5,347
Operating loss carryforwards	39,537	45,182
Foreign tax credit carryforwards	8,171	3,356
Valuation allowance	(20,629)	(26,887)
Depreciation and amortization	(135,502)	(95,138)
Inventory	12,500	10,532
<hr/>		
Net deferred tax (liability) asset	\$(31,547)	\$2,179
<hr/>		
Change in net deferred tax (liability) asset:		
Provision for deferred tax	\$(44,902)	\$(12,800)
Items of other comprehensive (loss) income	(7,528)	320
Acquisitions	18,704	(49,432)
<hr/>		
Total change in net deferred tax	\$(33,726)	\$(61,912)

At June 30, 2001, the Company has operating loss carryforwards of \$39,537 for tax purposes, some of which can be carried forward indefinitely and others which can be carried forward from three to 20 years. A valuation allowance has been established due to the uncertainty of realizing certain foreign operating loss carryforwards. The recognition of any future tax benefit resulting from the reduction of \$18,765 of the valuation allowance will reduce any goodwill related to the Commercial Intertech acquisition remaining at the time of the reduction.

Provision has not been made for additional U.S. or foreign taxes on undistributed earnings of certain international operations as those earnings will continue to be reinvested. It is not practicable to estimate the additional taxes, including applicable foreign withholding taxes, that might be payable on the eventual remittance of such earnings.

Accumulated undistributed earnings of foreign operations reinvested in their operations amounted to \$333,796, \$276,481 and \$205,756, at June 30, 2001, 2000 and 1999, respectively.

Note 5 Earnings Per Share

Earnings per share have been computed according to SFAS No. 128, "Earnings per Share." Basic earnings per share is computed using the weighted average number of shares of common stock outstanding during the year.

Diluted earnings per share is computed using the weighted average number of common shares and common share equivalents outstanding during the year. Common share equivalents represent the dilutive effect of outstanding stock options. The computation of net income per share was as follows:

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	2001	2000	1999
<hr/>			
<u>Numerator:</u>			
Net income applicable to common shares	\$ 340,792	\$ 368,232	\$ 310,501
<hr/>			
<u>Denominator:</u>			
Basic — weighted average common shares	114,304,977	110,330,711	108,799,974
Increase in weighted average from dilutive effect of exercise of stock options	759,470	913,921	878,985
<hr/>			
Diluted — weighted average common shares, assuming exercise of stock options	115,064,447	111,244,632	109,678,959
<hr/>			
Basic earnings per share	\$ 2.98	\$ 3.34	\$ 2.85
Diluted earnings per share	\$ 2.96	\$ 3.31	\$ 2.83

Note 6 Inventories

Inventories valued on the last-in, first-out cost method are approximately 44% in 2001 and 43% in 2000 of total inventories. The current cost of these inventories exceeds their valuation determined on the LIFO basis by \$147,300 in 2001 and \$141,187 in 2000. Progress payments of \$18,969 in 2001 and \$20,279 in 2000 are netted against inventories.

Note 7 Financing Arrangements

The Company has committed lines of credit totaling \$820,765 through several multi-currency unsecured revolving credit agreements with a group of banks, of which \$321,293 was available at June 30, 2001. The majority of these agreements expire October 2003. The interest on borrowings is based upon the terms of each specific borrowing and is subject to market conditions. The agreements also require facility fees of up to 8/100ths of one percent of the commitment per annum. Covenants in some of the agreements include a limitation on the Company's ratio of debt to tangible net worth.

The Company has other lines of credit, primarily short-term, aggregating \$125,429 from various foreign banks, of which \$91,600 was available at June 30, 2001. Most of these agreements are renewed annually.

During fiscal 2001 the Company did not issue any medium-term notes leaving \$530,000 available for issuance at June 30, 2001.

The Company is authorized to sell up to \$800 million of short-term commercial paper notes, rated A-1 by Standard & Poor's, P-1 by Moody's and F-1 by Fitch, Inc. At June 30, 2001 there were \$489,848 of commercial paper notes outstanding which were supported by the available domestic lines of credit.

Commercial paper, along with short-term borrowings from foreign banks, primarily make up the balance of Notes payable. The balance and weighted average interest rate of the Notes payable at June 30, 2001 and 2000 were \$526,809 and 5.9% and \$314,365 and 5.6%, respectively.

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**Note 8
Debt**

June 30,	2001	2000
Domestic:		
Debentures		
7.3%, due 2011	\$ 100,000	\$ 100,000
9.75%, due 2002-2021		100,000
Medium-term notes		
5.65% to 7.39%, due 2004-2019	370,000	370,000
ESOP loan guarantee		
6.34%, due 2009	88,595	99,741
Variable rate demand bonds		
2.75% to 2.85%, due 2010-2025	20,035	20,035
Foreign:		
Bank loans, including revolving credit		
1.0% to 12.0%, due 2002-2018	17,032	24,764
Euro Notes		
6.25%, due 2006	255,090	
Other long-term debt, including capitalized leases	26,019	8,155
Total long-term debt	876,771	722,695
Less long-term debt payable within one year	19,693	20,933
Long-term debt, net	\$ 857,078	\$ 701,762

In November 2000 the Company issued EUR 300 million (\$257.2 million on the date of issuance) of five-year Euro Notes in the European debt capital market. The Notes bear interest payable annually and mature in a balloon payment in 2006. Proceeds from the Note issuance were used to retire the principal and interest due on a bridge loan created to help finance the Wynn's acquisition.

In February 2001 the Company redeemed its outstanding \$100,000, 9.75% debentures due 2002-2021. The extraordinary loss for this transaction, including an early-redemption premium and the write-off of deferred issuance costs, was \$5,413 (\$3,378 after-tax or \$.03 per share). Commercial paper borrowings were used to finance the redemption.

Principal amounts of Long-term debt payable in the five years ending June 30, 2002 through 2006 are \$19,693, \$20,059, \$195,116, \$15,814 and \$268,024, respectively. The carrying value of the Company's Long-term debt (excluding leases and cross-currency swaps) was \$868,826 and \$714,540 at June 30, 2001 and 2000, respectively, and was estimated to have a fair value of \$857,755 and \$668,864, at June 30, 2001 and 2000, respectively. The estimated fair value of the Long-term debt was estimated using discounted cash flow analyses based on the Company's current incremental borrowing rate for similar types of borrowing arrangements.

ESOP loan guarantee – In 1999 the Company's Employee Stock Ownership Plan (ESOP) was leveraged when the ESOP Trust borrowed \$112,000 and used the proceeds to purchase 3,055,413 shares of the Company's common stock from the Company's treasury. The Company used the proceeds to pay down commercial paper borrowings. The loan is unconditionally guaranteed by the Company and therefore the unpaid balance of the borrowing is reflected on the Consolidated Balance Sheet as Long-term debt. A corresponding amount representing Unearned compensation is recorded as a deduction from Shareholders' equity.

Lease Commitments – Future minimum rental commitments as of June 30, 2001, under noncancelable operating leases, which expire at various dates, are as follows: 2002-\$48,994; 2003-\$35,460; 2004-\$22,990; 2005-\$14,318; 2006-\$11,448 and after 2006-\$29,394. Rental expense in 2001, 2000 and 1999 was \$55,989, \$40,371 and \$42,280, respectively.

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**Note 9
Retirement Benefits**

Pensions – The Company has noncontributory defined benefit pension plans covering eligible employees, including certain employees in foreign countries. Plans for most salaried employees provide pay-related benefits based on years of service. Plans for hourly employees generally provide benefits based on flat-dollar amounts and years of service. The Company also has contractual arrangements with certain key employees which provide for supplemental retirement benefits. In general, the Company's policy is to fund these plans based on legal requirements, tax considerations, local practices and investment opportunities. The Company also sponsors defined contribution plans and participates in government-sponsored programs in certain foreign countries.

Pension (income) costs for all plans were \$(14,503), \$9,304 and \$23,644 for 2001, 2000 and 1999, respectively. Pension (income) costs for all defined benefit plans accounted for using SFAS No. 87, "Employers' Accounting for Pensions," were as follows:

	2001	2000	1999
Service cost	\$43,382	\$ 38,179	\$ 34,890
Interest cost	84,526	68,807	63,257
Expected return on plan assets	(146,908)	(102,346)	(83,798)
Net amortization and deferral and other	1,837	(375)	4,081
Net periodic benefit (income) cost	\$(17,163)	\$ 4,265	\$ 18,430

Change in benefit obligation	2001	2000
Benefit obligation at beginning of year	\$ 1,167,614	\$ 962,663
Service cost	43,382	38,179
Interest cost	84,526	68,807
Actuarial loss (gain)	27,695	(11,812)
Benefits paid	(57,031)	(42,659)
Plan amendments	62,258	7,775
Acquisitions	53,810	157,189
Liability transferred from other postretirement benefits	117,645	
Other	(23,454)	(12,528)
Benefit obligation at end of year	\$ 1,476,445	\$1,167,614

Change in plan assets

Fair value of plan assets at beginning of year	\$ 1,582,085	\$1,099,989
Actual (loss) return on plan assets	(136,584)	122,534
Employer contributions	14,523	14,295
Benefits paid	(51,495)	(38,543)
Acquisitions	47,442	393,134
Other	(16,956)	(9,324)
Fair value of plan assets at end of year	\$ 1,439,015	\$1,582,085

Funded status

Plan assets (under) over benefit obligation	\$ (37,430)	\$ 414,471
Unrecognized net actuarial loss (gain)	138,787	(175,644)
Unrecognized prior service cost	82,867	27,683
Unrecognized initial net (asset)	(4,763)	(7,173)
Net amount recognized	\$ 179,461	\$ 259,337

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Amounts recognized on the Consolidated Balance Sheet

Prepaid benefit cost	\$ 362,136	\$ 355,922
Accrued benefit liability	(182,675)	(96,585)
Net amount recognized	\$ 179,461	\$ 259,337

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were \$763,442, \$646,434 and \$531,724, respectively, at June 30, 2001, and \$147,286, \$124,354 and \$37,208, respectively, at June 30, 2000.

The plans' assets consist primarily of listed common stocks and corporate and government bonds. At June 30, 2001 and 2000, the plans' assets included Company stock with market values of \$44,520 and \$18,203, respectively.

The assumptions used to measure the benefit obligations and to compute the expected long-term return on assets for the Company's significant defined benefit plans are:

	2001	2000	1999
U.S. defined benefit plans			
Discount rate	7.25%	7.5%	7.5%
Average increase in compensation	4.9%	4.9%	4.9%
Expected long-term return on assets	9.5%	10%	10%
Non-U.S. defined benefit plans			
Discount rate	4.5 to 6.75%	4.75 to 7%	4.5 to 6.5%
Average increase in compensation	3 to 4%	3 to 4%	1.5 to 4%
Expected long-term return on assets	5 to 8%	6 to 8.5%	6 to 9%

Employee Savings Plan – The Company sponsors employee stock ownership plans (a Parker ESOP and a Commercial Intertech ESOP, collectively referred to as ESOPs) as part of its existing savings and investment 401(k) plans. The ESOPs are available to eligible domestic employees. Parker Hannifin common stock is used to match contributions made by employees to the ESOPs up to a maximum of 4.0 percent of an employee's annual compensation. Prior to May 1, 2001, the Company matched contributions made by employees to the ESOPs up to a maximum of 3.5 percent of annual compensation. A breakdown of shares held by the ESOPs is as follows:

	2001	2000	1999
Allocated shares	8,882,757	8,660,550	7,866,152

Committed-to-be-released shares	77,038	77,038	
Suspense shares	2,936,821	3,373,734	3,055,413
Total shares held by the ESOPs	11,896,616	12,111,322	10,921,565
Fair value of suspense shares	\$124,639	\$115,550	\$139,785

In 1999 the Parker ESOP was leveraged and the loan was unconditionally guaranteed by the Company. The Company's matching contribution and dividends on the shares held by the Parker ESOP are used to repay the loan, and shares are released from the suspense account as the principal and interest are paid. Shares in the Parker ESOP suspense account are not considered outstanding for purposes of earnings per share computations until they are released. Company contributions to the ESOPs, recorded as compensation and interest expense, were \$32,086 in 2001, \$26,984 in 2000 and \$24,319 in 1999. Dividends earned by the suspense shares and interest income within the ESOPs totaled \$2,264 in 2001, \$1,214 in 2000 and \$519 in 1999.

In addition to shares within the ESOPs, as of June 30, 2001 employees have elected to invest in 2,554,751 shares of common stock within the Company Stock Fund of the Parker Retirement Savings Plan.

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Other Postretirement Benefits – The Company provides postretirement medical and life insurance benefits to certain retirees and eligible dependents. Most plans are contributory, with retiree contributions adjusted annually. The plans are unfunded and pay stated percentages of covered medically necessary expenses incurred by retirees, after subtracting payments by Medicare or other providers and after stated deductibles have been met. For most plans, the Company has established cost maximums to more effectively control future medical costs. The Company has reserved the right to change or eliminate these benefit plans. Effective May 1, 2001 the Company amended its postretirement medical plan for certain employees to make the plan fully employee paid and to provide employees instead with supplements in the funded defined benefit pension plans. The supplements were calculated to be in the aggregate at least equivalent to the value provided by the Company paid portion of the retiree medical coverage. As such, the benefit obligation as of May 1, 2001 related to the postretirement medical coverage is now reflected as a benefit obligation of the defined pension benefit plans. Postretirement benefit costs included the following components:

	2001	2000	1999
Service cost	\$ 4,690	\$ 4,499	\$ 4,301
Interest cost	12,283	10,762	11,158
Net amortization and deferral	(3,047)	(2,758)	(1,683)
Net periodic benefit cost	\$ 13,926	\$ 12,503	\$ 13,776

Change in benefit obligation	2001	2000
Benefit obligation at beginning of year	\$ 170,587	\$ 155,282
Service cost	4,690	4,499
Interest cost	12,283	10,762
Actuarial loss (gain)	11,882	(13,838)
Benefits paid	(11,414)	(7,923)
Acquisitions and other	(5,478)	21,805
Liability transferred to defined benefit pension plans	(117,645)	
Benefit obligation at end of year	\$ 64,905	\$ 170,587

Funded status

Benefit obligation in excess of plan assets	\$ (64,905)	\$ (170,587)
Unrecognized net actuarial (gain)	(9,596)	(22,472)
Unrecognized prior service cost	(16,858)	(12,224)
Net amount recognized	\$ (91,359)	\$ (205,283)

Amounts recognized on the Consolidated Balance Sheet:

Accrued benefit liability	\$ (91,359)	\$ (205,283)
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The assumptions used to measure the postretirement benefit obligations are:

	2001	2000	1999
Discount rate	7.25%	7.5%	7.5%
Current medical cost trend rate	8.5%	9%	9.5%
Ultimate medical cost trend rate	5.5%	5.5%	5.5%
Medical cost trend rate decreases to ultimate in year	2007	2007	2007

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A one percentage point change in assumed health care cost trend rates would have the following effects:

	1% Increase	1% Decrease
Effect on total of service and interest cost components	\$2,579	\$(1,991)
Effect on postretirement benefit obligation	\$9,146	\$(7,387)

Other — The Company has established nonqualified deferred compensation programs which permit officers, directors and certain management employees annually to elect to defer a portion of their compensation, on a pre-tax basis, until their retirement. The retirement benefit to be provided is based on the amount of compensation deferred, Company match, and earnings on the deferrals. Deferred compensation expense was \$3,374, \$17,157 and \$17,849 in 2001, 2000 and 1999, respectively.

The Company has invested in corporate-owned life insurance policies to assist in funding these programs. The cash surrender values of these policies are in a rabbi trust and are recorded as assets of the Company.

Note 10
Shareholders' Equity

Common Shares	2001	2000	1999
Balance July 1	\$ 58,301	\$ 55,973	\$ 55,906
Shares issued under stock option plans (2001 – 807,293; 2000 – 331,421; 1999 – 133,514)	404	164	67
Shares issued for purchase acquisition		2,164	
Balance June 30	\$ 58,705	\$ 58,301	\$ 55,973

Additional Capital

Balance July 1	\$ 328,938	\$ 132,227	\$ 139,726
Net increase (decrease) for common shares issued under stock option plans	17,818	3,760	(2,194)
Shares issued for purchase acquisition		190,379	35
Restricted stock (surrendered)	(104)		(24)
Shares related to ESOP	(424)	2,572	(5,316)
Balance June 30	\$ 346,228	\$ 328,938	\$ 132,227

Retained Earnings

Balance July 1	\$ 2,165,625	\$ 1,872,356	\$ 1,631,316
Net income	340,792	368,232	310,501
Cash dividends paid on common shares, net of tax benefit of ESOP shares	(79,921)	(74,963)	(69,461)
Balance June 30	\$ 2,426,496	\$ 2,165,625	\$ 1,872,356

Unearned Compensation Related to ESOP

Balance July 1	\$ (110,818)	\$ (112,000)	\$
Unearned compensation related to ESOP debt guarantee	14,420	13,747	(112,000)
ESOP shares related to acquisition		(12,565)	
Balance June 30	\$ (96,398)	\$ (110,818)	\$ (112,000)

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Deferred Compensation Related to Stock Options

Balance July 1	\$ 1,304	\$	\$
Deferred compensation related to stock options	1,043	1,304	
Balance June 30	\$ 2,347	\$ 1,304	\$

Accumulated Other Comprehensive (Loss)

Balance July 1	\$ (125,458)	\$ (92,858)	\$ (60,026)
Foreign currency translation	(89,659)	(32,600)	(32,832)
Unrealized gain on marketable			

securities (net of tax of \$7,768)	12,919		
Realized (gain) on marketable securities (net of tax of \$1,406)	(2,333)		
Balance June 30	\$ (204,531)	\$ (125,458)	\$ (92,858)

Common Stock in Treasury

Balance July 1	\$ (8,434)	\$ (1,836)	\$ (83,472)
Shares purchased at cost (2000 – 288,543; 1999 – 1,538,633)		(11,132)	(48,734)
Shares issued under stock option plans (2001 – 82,047; 2000 – 122,957; 1999 – 369,847)	3,226	4,964	14,420
Shares issued for purchase acquisition		(17)	166
Restricted stock issued (surrendered)	1,276	(413)	(1,532)
Shares sold to ESOP			117,316
Balance June 30	\$ (3,932)	\$ (8,434)	\$ (1,836)

Shares surrendered upon exercise of stock options; 2001 - 269,771; 2000 - 235,386; 1999 - 88,188.

Share Repurchases – The Board of Directors has authorized the repurchase of a total of 5.05 million of the Company's common shares. At June 30, 2001, the remaining authorization to repurchase was 3.28 million shares. Repurchases are made on the open market, at prevailing prices, and are funded from operating cash flows. The shares are initially held as treasury stock.

Note 11

Stock Incentive Plans

Employees' Stock Options – The Company's stock option and stock incentive plans provide for the granting of nonqualified options to officers and key employees to purchase shares of common stock at a price not less than 100 percent of the fair market value of the stock on the dates options are granted. Outstanding options generally are exercisable either one or two years after the date of grant and expire no more than ten years after grant.

The Company derives a tax deduction measured by the excess of the market value over the option price at the date nonqualified options are exercised. The related tax benefit is credited to Additional capital.

As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation," the Company continues to account for its stock option and stock incentive plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and makes no charges against capital with respect to options granted. SFAS No. 123 does, however, require the disclosure of pro forma information regarding Net Income and Earnings per share determined as if the Company had accounted for its stock options under the fair value method. For purposes of this pro forma disclosure the estimated fair value of the options is amortized to expense over the options' vesting period.

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		2001	2000	1999
Net income:	As reported	\$ 340,792	\$ 368,232	\$ 310,501
	Pro forma	\$ 329,776	\$ 361,753	\$ 308,028
Earnings per share:				
Basic	As reported	\$ 2.98	\$ 3.34	\$ 2.85
	Pro forma	\$ 2.89	\$ 3.28	\$ 2.83
Diluted	As reported	\$ 2.96	\$ 3.31	\$ 2.83
	Pro forma	\$ 2.87	\$ 3.25	\$ 2.81

The fair value for the significant options granted in 2001, 2000 and 1999 were estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	Aug/00	Aug/99	Jan/99	Aug/98
Risk-free interest rate	6.1%	6.1%	4.7%	5.3%
Expected life of option	4.6 yrs	4.6 yrs	4.3 yrs	4.3 yrs
Expected dividend yield of stock	1.6%	1.7%	1.9%	1.9%
Expected volatility of stock	36.2%	33.8%	30.7%	28.4%

Options exercisable and shares available for future grant on June 30:

	2001	2000	1999
Options exercisable	3,256,705	3,483,071	3,065,577
Weighted-average option price per share of options exercisable	\$ 30.40	\$ 25.51	\$ 22.48
Weighted-average fair value of options granted during the year	\$ 12.44	\$ 14.62	\$ 8.35
Shares available for grant	1,436,436	2,225,012	2,053,189

A summary of the status and changes of shares subject to options and the related average price per share follows:

	Shares Subject To Options	Average Option Price Per Share
Outstanding June 30, 1999	4,252,846	\$ 24.77
Granted	1,078,799	44.48
Assumed	429,485	26.44
Exercised	(689,764)	18.96
Canceled	(101,464)	
Outstanding June 30, 2000	4,969,902	\$ 30.03
Granted	1,464,311	36.00
Exercised	(1,159,111)	21.70
Canceled	(81,886)	
Outstanding June 30, 2001	5,193,216	\$ 33.33

The "Assumed" line identifies the options the Company assumed in the merger with Commercial Intertech and converted to options to purchase Parker Hannifin common stock. The exercise prices of the assumed options range from \$11.53 to \$49.75 after conversion into equivalent exercise prices of Parker Hannifin common stock. All other terms of the assumed options were unchanged.

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The range of exercise prices and the remaining contractual life of options as of June 30, 2001 were:

Range of exercise prices	\$11-\$22	\$24-\$38	\$41-\$50
Options outstanding:			
Outstanding as of June 30, 2001	584,183	3,404,498	1,204,535
Weighted-average remaining contractual life	2.7yrs	7.4yrs	7.7yrs
Weighted-average exercise price	\$ 17.51	\$ 32.06	\$ 44.56
Options exercisable:			
Outstanding as of June 30, 2001	584,183	1,965,308	707,214
Weighted-average remaining contractual life	2.7yrs	6.1yrs	7.5yrs
Weighted-average exercise price	\$ 17.51	\$ 29.23	\$ 44.30

Restricted stock – Restricted stock was issued, under the Company's 1993 Stock Incentive Program, to certain key employees under the Company's 1998-99-00, 1997-98-99 and 1996-97-98 Long Term Incentive Plans (LTIP). Value of the payments was set at the market value of the Company's common stock on the date of issuance. Shares were earned and awarded, and an estimated value was accrued, based upon attainment of criteria specified in the LTIP over the cumulative years of each 3-year Plan. Plan participants are entitled to cash dividends and to vote their respective shares, but the shares are restricted as to transferability for three years following issuance.

Restricted Shares for LTIP Plan	2001	2000	1999
Number of shares issued	26,976	8,023	15,774
Per share value on date of issuance	\$ 39.32	\$ 42.04	\$ 40.53
Total value	\$ 1,061	\$ 337	\$ 639

Under the Company's 1999-00-01 LTIP, a payout of 17,206 shares of restricted stock, from the Company's 1993 Stock Incentive Program, will be issued to certain key employees in 2002. The balance of the 1999-00-01 LTIP payout will be made in cash or as deferred cash compensation, as individually elected by the participants. The total payout, valued at \$5,349, has been accrued over the three years of the plan.

In addition, non-employee members of the Board of Directors have been given the opportunity to receive all or a portion of their fees in the form of restricted stock. These shares vest ratably, on an annual basis, over the term of office of the director. In 2001, 2000 and 1999, 5,464, 6,012 and 5,867 shares were issued, respectively, in lieu of directors' fees.

Non-employee Directors' Stock Options – In August 1996, the Company adopted a stock option plan for non-employee directors to purchase shares of common stock at a price not less than 100 percent of the fair market value of the stock on the date the options are granted. Outstanding options are exercisable either one or two years after the date of grant and expire no more than ten years after grant.

A summary of the status and changes of shares subject to options and the related average price per share follows:

	Shares Subject To Options	Average Option Price Per Share
Outstanding June 30, 1999	29,000	\$ 31.81
Granted	7,650	45.00
Exercised	(3,250)	30.95
Canceled	(2,250)	

Outstanding June 30, 2000	31,150	\$ 35.21
Granted	9,900	35.94
Canceled	(4,500)	
Outstanding June 30, 2001	36,550	\$ 35.96

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As of June 30, 2001, 22,825 options were exercisable and 326,950 shares were available for grant.

At June 30, 2001, the Company had 7,028,599 common shares reserved for issuance in connection with its stock incentive plans.

Note 12
Shareholders' Protection Rights Agreement

The Board of Directors of the Company declared a dividend of one Right for each share of Common Stock outstanding on February 17, 1997 in relation to the Company's Shareholder Protection Rights Agreement. As of June 30, 2001, 117,309,197 shares of Common Stock were reserved for issuance under this Agreement. Under certain conditions involving acquisition of or an offer for 15 percent or more of the Company's Common Stock, all holders of Rights, except an acquiring entity, would be entitled to purchase, at an exercise price of \$100, a value of \$200 of Common Stock of the Company or an acquiring entity, or at the option of the Board, to exchange each Right for one share of Common Stock. The Rights remain in existence until February 17, 2007, unless earlier redeemed (at one cent per Right), exercised or exchanged under the terms of the agreement. In the event of an unfriendly business combination attempt, the Rights will cause substantial dilution to the person attempting the business combination. The Rights should not interfere with any merger or other business combination that is in the best interest of the Company and its shareholders since the Rights may be redeemed.

Note 13
Research and Development

Research and development costs amounted to \$115,004 in 2001, \$94,781 in 2000 and \$86,953 in 1999. Customer reimbursements included in the total cost for each of the respective years were \$17,143, \$16,409 and \$15,239. Costs include those costs related to independent research and development as well as customer reimbursed and unreimbursed development programs.

Note 14
Contingencies

The Company is involved in various litigation arising in the normal course of business, including proceedings based on product liability claims, workers' compensation claims and alleged violations of various environmental laws. The Company is self-insured in the U.S. for health care, workers' compensation, general liability and product liability up to predetermined amounts, above which third party insurance applies. The Company purchases third party product liability insurance for products manufactured by its international operations and for products that are used in aerospace applications. Management regularly reviews the probable outcome of these proceedings, the expenses expected to be incurred, the availability and limits of the insurance coverage, and the established accruals for uninsured liabilities. While the outcome of pending proceedings cannot be predicted with certainty, management believes that any liabilities that may result from these proceedings will not have a material adverse effect on the Company's liquidity, financial condition or results of operations.

Environmental – The Company is currently involved in environmental remediation at 22 manufacturing facilities presently or formerly operated by the Company and has been named as a "potentially responsible party," along with other companies, at two off-site waste disposal facilities and one regional Superfund site.

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As of June 30, 2001, the Company has a reserve of \$17,870 for environmental matters which are probable and reasonably estimable. This reserve is recorded based upon the best estimate of net costs to be incurred in light of the progress made in determining the magnitude of remediation costs, the timing and extent of remedial actions required by governmental authorities, the amount of the Company's liability in proportion to other responsible parties and any recoveries receivable. This reserve is net of \$2,640 for discounting, at a 7.5% annual rate, a portion of the costs at five locations to operate and maintain remediation treatment systems as well as gauge treatment system effectiveness through monitoring and sampling over periods ranging from five to 23 years. The Company also has an account receivable, presented separately from the recorded liability on the Consolidated Balance Sheet, of \$219 for anticipated insurance recoveries. The significant increase in environmental reserve from June 30, 2000 is a result of the addition of the environmental liabilities and corresponding environmental reserves from the Wynn's acquisition.

The Company's estimated total liability for the above mentioned sites ranges from a minimum of \$17,870 to a maximum of \$40,782. The actual costs to be incurred by the Company will be dependent on final determination of remedial action required, negotiations with federal and state agencies, changes in regulatory requirements and technology innovation, the effectiveness of remedial technologies employed, the ability of other responsible parties to pay, and any insurance or third party recoveries.

Note 15
Quarterly Information (Unaudited)

2001(a)	1st	2nd	3rd	4th	Total
Net sales	\$1,485,131	\$1,467,619	\$1,542,058	\$1,484,796	\$5,979,604
Gross profit	326,102	315,255	320,815	289,276	1,251,448
Income before extraordinary					
Item	125,046	78,314	91,452	49,358	344,170
Net income	125,046	78,314	88,074	49,358	340,792
Diluted earnings per share					
before extraordinary item	1.09	.68	.80	.42	2.99
Diluted earnings					
per share	1.09	.68	.77	.42	2.96
2000 (b)	1st	2nd	3rd	4th	Total
Net sales	\$1,249,212	\$1,246,117	\$1,401,587	\$1,488,702	\$5,385,618
Gross profit	265,672	267,909	319,526	345,661	1,198,768

Net income	73,594	74,963	106,703	112,972	368,232
Diluted earnings per share	.67	.68	.97	.99	3.31

- (a) Results for the first quarter include a gain on the sale of real property of \$55,548 (\$34,662 after-tax or \$.30 per share) and a charge of \$8,437 (\$5,815 after-tax or \$.05 per share) primarily related to certain asset impairments. Results for the fourth quarter include a charge of \$28,008 (\$17,477 after-tax or \$.15 per share) related primarily to business realignment costs and certain corporate accruals.
- (b) Results for the first quarter include a charge of \$8,555 (\$5,560 after-tax or \$.05 per share) related to business realignment costs and a non-cash impairment loss of \$4,875 (\$3,169 after-tax or \$.03 per share) related to certain long-lived assets.

As a result of the adoption of EITF 00-10 in the fourth quarter of 2001, Net sales have been restated for the first three quarters of 2001 and each of the quarters in 2000. Net sales increased \$7,765, \$7,543 and \$7,856 in the 1st, 2nd and 3rd quarters of 2001 and \$6,919, \$6,910, \$7,928 and \$8,524 in the 1st, 2nd, 3rd and 4th quarters of 2000, respectively.

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Note 16
Stock Prices and Dividends (Unaudited)

(In dollars)		1 st	2 nd	3 rd	4 th	Full Year
2001	High	\$ 39.69	\$ 47.44	\$ 46.75	\$ 50.10	\$ 50.10
	Low	31.00	31.25	37.66	38.50	31.00
	Dividends	.170	.170	.180	.180	.700
2000	High	\$ 48.13	\$ 51.44	\$ 54.00	\$ 48.31	\$ 54.00
	Low	43.13	41.19	33.94	34.25	33.94
	Dividends	.170	.170	.170	.170	.680
1999	High	\$ 38.75	\$ 38.31	\$ 39.75	\$ 50.50	\$ 50.50
	Low	26.56	27.00	29.50	34.00	26.56
	Dividends	.150	.150	.170	.170	.640

Common Stock Listing: New York Stock Exchange, Stock Symbol PH

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Report of Management

The Company's management is responsible for the integrity and accuracy of the financial information contained in this annual report. Management believes that the financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America appropriate in the circumstances and that the other information in this annual report is consistent with those statements. In preparing the financial statements, management makes informed judgments and estimates where necessary to reflect the expected effects of events and transactions that have not been completed.

Management is also responsible for maintaining an internal control system designed to provide reasonable assurance at reasonable cost that assets are safeguarded against loss or unauthorized use and that financial records are adequate and can be relied upon to produce financial statements in accordance with accounting principles generally accepted in the United States of America. The system is supported by written policies and guidelines, by careful selection and training of financial management personnel and by an internal audit staff which coordinates its activities with the Company's independent accountants. To foster a strong ethical climate, the Parker Hannifin Code of Ethics, which is publicized throughout the Company, addresses, among other things, compliance with all laws and accuracy and integrity of books and records. The Company maintains a systematic program to assess compliance.

PricewaterhouseCoopers LLP, independent accountants, is retained to conduct an audit of Parker Hannifin's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and to provide an independent assessment that helps ensure fair presentation of the Company's consolidated financial position, results of operations and cash flows.

The Audit Committee of the Board of Directors is composed entirely of independent outside directors. The Committee meets periodically with management, internal auditors and the independent accountants to discuss internal accounting controls and the quality of financial reporting. Financial management, as well as the internal auditors and the independent accountants, have full and free access to the Audit Committee.

/s/ D. E. Washkewicz

/s/ M. J. Hiemstra

Donald E. Washkewicz
President and
Chief Executive Officer

Michael J. Hiemstra
Executive Vice President -
Finance and Administration
and Chief Financial Officer

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Report of Independent Accountants

To the Shareholders and Board of Directors
Parker Hannifin Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, comprehensive income and cash flows present fairly, in all material respects, the financial position of Parker Hannifin Corporation (the "Company") and its subsidiaries at June 30, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2001, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Cleveland, Ohio
July 27, 2001

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Five-Year Financial Summary

(Amounts in thousands, except per share information)

	2001 (a)	2000	1999	1998 (a)	1997
Net sales	\$ 5,979,604	\$5,385,618	\$4,986,696	\$4,658,229	\$ 4,113,339
Cost of sales	4,728,156	4,186,850	3,897,266	3,576,198	3,175,246
Selling, general and administrative expenses	679,963	575,906	550,681	532,134	475,180
Non-recurring charges — Restructuring & Asset impairment					
Interest expense	90,362	59,183	63,697	52,787	46,659
Income taxes	189,426	193,955	167,193	180,762	150,828
Income — continuing operations	344,170	368,232	310,501	323,226	274,039
Net income	340,792	368,232	310,501	319,551	274,039
Basic earnings per share — continuing operations	3.01	3.34	2.85	2.91	2.46
Diluted earnings per share — continuing operations	2.99	3.31	2.83	2.88	2.44
Basic earnings per share	2.98	3.34	2.85	2.88	2.46
Diluted earnings per share	\$ 2.96	\$ 3.31	\$ 2.83	\$ 2.85	\$ 2.44
Average number of shares outstanding — Basic	114,305	110,331	108,800	110,869	111,602
Average number of shares outstanding — Diluted	115,064	111,245	109,679	111,959	112,518
Cash dividends per share	\$.700	\$.680	\$.640	\$.600	\$.506
Net income as a percent of net sales	5.7%	6.8%	6.2%	6.9%	6.7%
Return on average assets	6.8%	8.8%	8.6%	9.8%	9.3%
Return on average equity	14.1%	17.7%	17.6%	19.8%	18.7%
Book value per share	\$ 21.99	\$ 20.31	\$ 17.03	\$ 15.32	\$ 13.87
Working capital	\$ 783,233	\$ 966,810	\$1,020,171	\$ 791,305	\$ 783,550
Ratio of current assets to current liabilities	1.6	1.8	2.4	1.8	2.1
Plant and equipment, net	\$ 1,548,688	\$1,340,915	\$1,200,869	\$1,135,225	\$ 1,020,743
Total assets	5,337,661	4,646,299	3,705,888	3,524,821	2,998,946
Long-term debt	857,078	701,762	724,757	512,943	432,885
Shareholders' equity	\$ 2,528,915	\$2,309,458	\$1,853,862	\$1,683,450	\$ 1,547,301
Debt to debt-equity percent	35.7%	31.0%	29.8%	31.6%	24.5%
Depreciation	\$ 200,270	\$ 167,356	\$ 164,577	\$ 153,633	\$ 146,253
Capital expenditures	\$ 334,748	\$ 230,482	\$ 230,122	\$ 236,945	\$ 189,201
Number of employees	46,302	43,895	38,928	39,873	34,927
Number of shareholders	50,731	47,671	39,380	44,250	43,014
Number of shares outstanding at year-end	114,989	113,707	108,846	109,873	111,527

Note: Net Sales and Cost of sales have been restated for 2000, 1999, 1998 and 1997 to include shipping costs charged to customers as a component of Net sales.
(a) Includes an extraordinary item for the early retirement of debt.

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Exhibit (21)* to Report
on Form 10-K for Fiscal
Year Ended June 30, 2001
by Parker-Hannifin Corporation

Listed below, are the subsidiaries of the Company and their jurisdictions of organization. Except where otherwise noted, all of such subsidiaries are either directly or indirectly wholly-owned by the Company. Ownership of subsidiaries indirectly owned by the Company is indicated by indentations.

<u>Name</u>	<u>Incorporated</u>	<u>Percentage Owned(1)</u>
Acadia International Insurance Limited	Ireland	100
Alkid Corporation	California	100
Astron Buildings S.A.	Luxembourg	100
Astron Buildings S.r.o.	Czech Republic	100
Astron SARL	France	100
Bond-Flex Rubber Co., Inc.	Indiana	100
Dynamic Seals, Inc.	Delaware	100
Miller Potencia Fluida, S.A. de C.V.	Mexico	100
Parker de Puerto Rico, Inc.	Delaware	100
Parker Finance Corp.	Delaware	100
Parker-Hannifin (Africa) Proprietary Limited	South Africa	100
Parker Hannifin Argentina SAIC	Argentina	100
Parker Hannifin Climate & Industrial Controls, Ltd.	Korea	100
Parker Hannifin Connectors Ltd.	Korea	100
Parker Hannifin Corp. Chile Limitada	Chile	100
Parker Hannifin Customer Support Inc.	California	100
Parker Hannifin Denmark A/S	Denmark	100
Parker Hannifin Fluid Power Systems & Components (Shanghai) Co., Ltd.	China	100
Parker Hannifin Hong Kong Limited	Hong Kong	100
Parker-Hannifin India Private Ltd.	India	100
Parker-Hannifin International Corp.	Delaware	100
Parker AIP Corp.	Delaware	100
Parker Enzed (N.Z.) Limited	New Zealand	100
Parker Hannifin (Australia) Pty. Ltd.	Australia	100
Commercial Hydraulics Pty.	Australia	100
Parker Enzed (Australia) Pty. Ltd.	Australia	100
Parker Enzed Equipment (Australia) Pty. Ltd.	Australia	100
Parker Enzed Technologies Pty. Ltd.	Australia	100
UCC Australia Pty. Ltd.	Australia	100
Parker Hannifin B.V.	Netherlands	100(2)
Parker Filtration B.V.	Netherlands	100
Parker-Hannifin N.V. S.A.	Belgium	100
Parker Hannifin Finance B.V.	Netherlands	100

<u>Name</u>	<u>Incorporated</u>	<u>Percentage Owned(1)</u>
<i>Parker-Hannifin International Corp. (Continued)</i>		
Parker Hannifin (Espana) SA	Spain	100
Parker Hannifin Portugal, Lda.	Portugal	100
Parker Hannifin Foreign Sales Corp.	Guam	100
Parker Hannifin Holding GmbH	Germany	100
Parker Hannifin GesmbH	Austria	100
Parker Hannifin GmbH	Germany	100
Wilkerson GmbH	Germany	100
Parker Hannifin Industrial s.r.o.	Czech Republic	100
Parker Hannifin Sp. z.o.o.	Poland	100
Parker-Hannifin s.r.o.	Czech Republic	100
Sachsenhydraulik GmbH	Germany	100
Commercial Intertech GmbH	Germany	100
Parker Hannifin (Holdings) Ltd.	United Kingdom	100
Alenco (Holdings) Ltd.	United Kingdom	100
Parker Hannifin A/S	Norway	100
Parker Hannifin plc	United Kingdom	100
Commercial Intertech Limited	United Kingdom	100
Parker Hannifin Pension Trustees Ltd.	United Kingdom	100
Parker Sales (Ireland) Limited	Ireland	100
Commercial Intertech Holdings Limited	United Kingdom	100
Commercial Hydraulics Pensions Limited	United Kingdom	100
Parker Hannifin (UK) Ltd.	United Kingdom	100
PH Trading Ltd.	United Kingdom	100
Parker Hannifin de Venezuela, S.A.	Venezuela	100
Parker Hidráulica Ltda.	Brazil	100
Parker Hannifin Industria e Comercio Ltda.	Brazil	100
Parker Italy Holding Co.	Delaware	100
Parker Korea Ltd.	Korea	100
PH Canada Holding Co.	Delaware	100(3)
Parker Canada Holding Co.	Canada	100
Parker Canada Investment Co.	Canada	100
Parker Hannifin AB	Sweden	100
Parker Hannifin Canada	Canada	100(4)
Parker Hannifin Japan Ltd.	Japan	100
Parker Hannifin (Malaysia) Sdn Bhd	Malaysia	100
Parker Hannifin Motion & Control (Shanghai) Co. Ltd.	China	100

Parker Hannifin (N.Z.) Limited	New Zealand	100
Parker Hannifin Oy	Finland	100
Parker Hannifin SA	France	100
Parker-Hannifin Singapore Pte. Ltd.	Singapore	100
Parker Hannifin S.p.A.	Italy	100
Parker Seals S.p.A.	Italy	100

<u>Name</u>	<u>Incorporated</u>	<u>Percentage Owned(1)</u>
<i>Parker Hannifin S.p.A. (Continued)</i>		
SBC Elettronica S.p.A.	Italy	100
Parker Hannifin Taiwan Ltd.	Taiwan	100
Parker Hannifin (Thailand) Co., Ltd.	Thailand	100
Parker Hannifin (1997) Co., Ltd.	Thailand	100(5)
Parker Keeper, Inc.	Delaware	80
Parker Lucifer S.A.	Switzerland	100
Parker Sistemas de Automatizacion S.A. de C.V.	Mexico	100
Parker Automation Servicios S.A. de C.V.	Mexico	100
Parker Baja Servicios S.A. de C.V.	Mexico	100
Parker Brownsville Servicios S.A. de C.V.	Mexico	100
Parker Fluid Connectors S.A. de C.V.	Mexico	100
Parker Hannifin de Mexico S.A. de C.V.	Mexico	100
Parker Servicios de Mexico S.A. de C.V.	Mexico	100
Travel 17325 Inc.	Delaware	100
WEC 99J-9 LLC	Delaware	100
WEC 99J-12 LLC	Delaware	100
WEC 99J-59 LLC	Delaware	100
Wilkerson International, Inc.	U.S. Virgin Islands	100
Wynn Oil Company	California	100
Medallion Warranty Services, Inc.	California	100
Wynn Oil (N.Z.) Limited	New Zealand	100
Wynn Oil Venezuela, S.A.	Venezuela	51
Wynn's Canada, Ltd.	Canada	100
Wynn's Deutschland GmbH	Germany	100
Wynn's Espana, S.A.	Spain	100
Wynn's Extended Care, Inc.	California	100
Wynn Oil Holdings B.V.	Netherlands	100
Wynn Oil (South Africa) (Pty.) Limited	South Africa	100
Wynn's Australia Pty. Limited	Australia	100
Wynn's Belgium N.V.	Belgium	100
Wynn's Italia SpA	Italy	100
Wynn's Mekuba India Private Limited	India	51
Wynn's Nederland B.V.	Netherlands	100
Wynn's France, S.A.	France	100
Wynn's Automotive France (Professional)	France	100
Wynn's Reseau S.A.	France	100
Wynn's Automotive France S.A.	France	100
Wynn's Industrie S.N.C.	France	100
Wynn's Friction Proofing de Mexico S. A. de C.V.	Mexico	100

- (1) Excludes directors' qualifying shares
- (2) Owned 77.5% by Parker-Hannifin International Corp. and 22.5% by Parker AIP Corp.
- (3) Owned 91.2% by Parker-Hannifin International Corp. and 8.8% by Parker-Hannifin Corporation
- (4) Ontario general partnership
- (5) Owned 51% by Parker Hannifin (Thailand) Co., Ltd. and 49% by Parker-Hannifin Corporation

All of the foregoing subsidiaries are included in the Company's consolidated financial statements. In addition to the foregoing, the Company owns sixteen inactive or name holding companies.

*Numbered in accordance with Item 601 of Regulation S-K.

Exhibit (23) * to Report
On Form 10-K for Fiscal
Year Ended June 30, 2001
By Parker-Hannifin Corporation

Consent of Independent Accountants

*Numbered in accordance with Item 601 of Regulation S-K

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement Forms S-3 (No. 333-47955, 333-02761, and 333-96453) and Forms S-8 (No. 33-53193, 33-43938, 2-66732, 333-95477 and 333-34542) of Parker-Hannifin Corporation of our report dated July 27, 2001 relating to the consolidated financial statements, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated July 27, 2001 relating to the financial statement schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Cleveland, Ohio
September 27, 2001

Exhibit (24)* to Report
on Form 10-K for Fiscal
Year Ended June 30, 2001
by Parker-Hannifin Corporation

Power of Attorney

*Numbered in accordance with Item 601 of Regulation S-K.

Securities and Exchange Commission
Washington, D.C. 20549

Re: Parker-Hannifin Corporation

Commission File No. 1-4982
Annual Report on Form 10-K
Authorized Representatives

Gentlemen:

Parker-Hannifin Corporation (the "Company") is the issuer of Securities registered under Section 12(b) of the Securities Exchange Act of 1934 (the "Act"). Each of the persons signing his name below confirms, as of the date appearing opposite his signature, that each of the following "Authorized Representatives" is authorized on his behalf to sign and to submit to the Securities and Exchange Commission Annual Reports on Form 10-K and amendments thereto as required by the Act:

Authorized Representatives

Donald E. Washkewicz
Michael J. Hiemstra
Dennis W. Sullivan
Thomas A. Piraino, Jr.

Each person so signing also confirms the authority of each of the Authorized Representatives named above to do and perform, on his behalf, any and all acts and things requisite or necessary to assure compliance by the signing person with the Form 10-K filing requirements. The authority confirmed herein shall remain in effect as to each person signing his name below until such time as the Commission shall receive from such person a written communication terminating or modifying the authority.

	<u>Date</u>		<u>Date</u>
/s/ D. E. Washkewicz D. E. Washkewicz, Principal Executive Officer and Director	9/12/01	/s/ G. Mazzalupi G. Mazzalupi Director	9/12/01
/s/ M. J. Hiemstra M. J. Hiemstra, Principal Financial Officer	9/12/01	/s/ K. P. Müller K. P. Müller, Director	9/14/01
/s/ Dana A. Dennis D. A. Dennis Principal Accounting Officer	9/12/01	/s/ Hector R. Ortino H. R. Ortino, Director	9/14/01
/s/ D. E. Collins D. E. Collins, Chairman of the Board of Directors	9/12/01	/s/ Allan L. Rayfield A. L. Rayfield, Director	9/24/01
/s/ John G. Breen J. G. Breen, Director	9/20/01	/s/ Wolfgang R. Schmitt W. R. Schmitt, Director	9/17/01
/s/ Paul C. Ely, Jr. P. C. Ely, Jr., Director	9/13/01	/s/ Debra L. Starnes D. L. Starnes, Director	9/12/01
/s/ W. E. Kassling W. E. Kassling, Director	9/13/01	/s/ D. W. Sullivan D. W. Sullivan, Director	9/12/01
/s/ P. W. Likins P. W. Likins, Director	9/18/01		