

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

FORM 10-Q

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

For the quarterly period ended March 31, 2003

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 number 1-4982

PARKER-HANNIFIN CORPORATION

(Exact name of registrant as specified in its charter)

OHIO
(State or other jurisdiction of
incorporation or organization)

34-0451060
(IRS Employer
Identification No.)

6035 Parkland Blvd., Cleveland, Ohio
(Address of principal executive offices)

44124-4141
(Zip Code)

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

Indicate by check mark whether 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 whether Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No .

Number of Common Shares outstanding at March 31, 2003 118,128,152

PART I—FINANCIAL INFORMATION

PARKER-HANNIFIN CORPORATION
CONSOLIDATED STATEMENT OF INCOME
(Dollars in thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2003	2002	2003	2002
Net sales	\$1,646,844	\$1,578,332	\$4,749,949	\$4,491,529
Cost of sales	1,368,430	1,309,245	3,927,147	3,710,763
Gross profit	278,414	269,087	822,802	780,766
Selling, general and administrative expenses	182,378	171,764	535,775	502,062
Interest expense	20,349	20,924	59,399	62,933
Interest and other expense (income), net	1,731	(161)	3,935	(267)
Income before income taxes	73,956	76,560	223,693	216,038
Income taxes	25,293	24,203	76,503	74,038
Net income	<u>\$ 48,663</u>	<u>\$ 52,357</u>	<u>\$ 147,190</u>	<u>\$ 142,000</u>
Earnings per share—Basic	\$.42	\$.45	\$ 1.27	\$ 1.23
Earnings per share—Diluted	\$.42	\$.45	\$ 1.26	\$ 1.23
Cash dividends per common share	\$.19	\$.18	\$.55	\$.54

See accompanying notes to consolidated financial statements.

PARKER-HANNIFIN CORPORATION
CONSOLIDATED BALANCE SHEET
(Dollars in thousands)
(Unaudited)

	March 31, 2003	June 30, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 52,696	\$ 46,384
Accounts receivable, net	991,131	1,006,313
Inventories:		
Finished products	514,020	531,821
Work in process	384,330	353,410
Raw materials	129,589	166,737
	1,027,939	1,051,968
Prepaid expenses	43,265	48,532
Deferred income taxes	85,329	82,421
	2,200,360	2,235,618
Total current assets	2,200,360	2,235,618
Plant and equipment	3,483,936	3,354,258
Less accumulated depreciation	1,822,222	1,657,293
	1,661,714	1,696,965
Goodwill	1,091,795	1,083,768
Intangible assets, net	56,223	51,286
Other assets	745,995	684,946
	\$5,756,087	\$5,752,583
LIABILITIES		
Current liabilities:		
Notes payable	\$ 410,278	\$ 416,693
Accounts payable, trade	395,658	443,525
Accrued liabilities	468,744	451,310
Accrued domestic and foreign taxes	34,700	48,309
	1,309,380	1,359,837
Total current liabilities	1,309,380	1,359,837
Long-term debt	948,164	1,088,883
Pensions and other postretirement benefits	515,378	508,313
Deferred income taxes	133,242	76,955
Other liabilities	126,032	135,079
	3,032,196	3,169,067
Total liabilities	3,032,196	3,169,067
SHAREHOLDERS' EQUITY		
Serial preferred stock, \$.50 par value; authorized 3,000,000 shares; none issued	—	—
Common stock, \$.50 par value; authorized 600,000,000 shares; issued 118,263,311 shares at March 31 and 118,124,294 shares at June 30	59,132	59,062
Additional capital	383,297	378,918
Retained earnings	2,557,259	2,473,808
Unearned compensation related to guarantee of ESOP debt	(66,126)	(79,474)
Deferred compensation related to stock options	2,347	2,347
Accumulated other comprehensive (loss)	(207,013)	(247,497)
	2,728,896	2,587,164
Less treasury shares, at cost:		
135,159 shares at March 31 and 100,130 shares at June 30	(5,005)	(3,648)
	2,723,891	2,583,516
Total shareholders' equity	2,723,891	2,583,516
	\$5,756,087	\$5,752,583
Total liabilities and shareholders' equity	\$5,756,087	\$5,752,583

See accompanying notes to consolidated financial statements.

PARKER-HANNIFIN CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Nine Months Ended March 31,	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 147,190	\$ 142,000
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	182,334	172,181
Amortization	8,684	8,776
Deferred income taxes	46,472	6,699
Foreign currency transaction loss	4,309	4,418
Loss on sale of plant and equipment	3,457	859
Changes in assets and liabilities:		
Accounts receivable, net	41,989	85,374
Inventories	49,911	59,839
Prepaid expenses	6,436	13,135
Net assets held for sale	—	15,353
Other assets	(73,682)	(2,522)
Accounts payable, trade	(59,703)	(64,941)
Accrued payrolls and other compensation	(13,156)	(22,891)
Accrued domestic and foreign taxes	(5,585)	6,097
Other accrued liabilities	4,546	(2,813)
Pensions and other postretirement benefits	1,638	(8,507)
Other liabilities	(18,672)	44,927
Net cash provided by operating activities	326,168	457,984
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions (less cash acquired of \$7 in 2003 and \$3,117 in 2002)	(1,999)	(383,144)
Capital expenditures	(112,863)	(157,452)
Proceeds from sale of plant and equipment	10,595	12,262
Other	3,127	(50,722)
Net cash (used in) investing activities	(101,140)	(579,056)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from common share activity	3,091	3,930
Payments of notes payable, net	(384,535)	(8,547)
Proceeds from long-term borrowings	258,981	208,531
Payments of long-term borrowings	(34,494)	(9,852)
Dividends	(63,739)	(62,058)
Net cash (used in) provided by financing activities	(220,696)	132,004
Effect of exchange rate changes on cash	1,980	(2,580)
Net increase in cash and cash equivalents	6,312	8,352
Cash and cash equivalents at beginning of year	46,384	23,565
Cash and cash equivalents at end of period	\$ 52,696	\$ 31,917

See accompanying notes to consolidated financial statements.

PARKER-HANNIFIN CORPORATION
BUSINESS SEGMENT INFORMATION BY INDUSTRY
(Dollars in thousands)
(Unaudited)

The Company operates in two principal industry segments: Industrial and Aerospace. The Industrial Segment is the largest and includes a significant portion of International operations.

Industrial—This segment produces a broad range of motion control and fluid systems and components used in all kinds of manufacturing, packaging, processing, transportation, mobile construction, agricultural and military machinery and equipment. Sales are made directly to major original equipment manufacturers (OEMs) and through a broad distribution network to smaller OEMs and the aftermarket.

Aerospace—This segment designs and manufactures products and provides aftermarket support for commercial, military and general aviation aircraft, missile and spacecraft markets. The Aerospace Segment provides a full range of systems and components for hydraulic, pneumatic and fuel applications.

The Company also reports an Other Segment consisting of several business units which produce motion-control and fluid power control components for use primarily in the transportation industry and refrigeration and air conditioning industry; a business unit which designs and manufactures custom-engineered buildings; and a business unit which develops and manufactures chemical car care and industrial products. In June 2002, the Company divested the businesses which were part of the Other Segment which administered vehicle service contract programs and product-related service programs. Net sales and segment operating income of the divested businesses for the three months ended March 31, 2002 were \$28,913 and \$1,800, respectively. Net sales and segment operating income of the divested businesses for the nine months ended March 31, 2002 were \$83,941 and \$5,671, respectively.

Business Segment Results by Industry

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2003	2002	2003	2002
Net sales				
Industrial:				
North America	\$ 727,060	\$ 726,808	\$ 2,124,542	\$ 2,023,947
International	416,434	325,754	1,156,014	912,491
Aerospace	280,020	284,989	832,741	885,801
Other	223,330	240,781	636,652	669,290
Total	\$ 1,646,844	\$ 1,578,332	\$ 4,749,949	\$ 4,491,529
Segment operating income				
Industrial:				
North America	\$ 42,166	\$ 38,090	\$ 120,634	\$ 102,131
International	23,852	17,126	72,819	50,161
Aerospace	38,140	48,682	123,324	152,020
Other	20,039	18,358	51,328	44,779
Total segment operating income	124,197	122,256	368,105	349,091
Corporate general and administrative expenses	22,662	17,550	62,155	50,163
Income before interest expense and other	101,535	104,706	305,950	298,928
Interest expense	20,349	20,924	59,399	62,933
Other expense	7,230	7,222	22,858	19,957
Income before income taxes	\$ 73,956	\$ 76,560	\$ 223,693	\$ 216,038

PARKER-HANNIFIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in thousands, except per share amounts

1. Management representation

In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the financial position as of March 31, 2003, the results of operations for the three and nine months ended March 31, 2003 and 2002 and cash flows for the nine months then ended. Certain prior period amounts have been reclassified to conform to the current period presentation.

2. Stock Incentive Plans

In January 2003 the Company adopted the provisions of SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure." SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation and amends the disclosure requirements of SFAS No. 123. The Company continues to apply the intrinsic-value based method to account for stock options.

The following table illustrates the effect on net income and earnings per share as if the fair value based method had been applied to all outstanding and unvested awards in each period.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2003	2002	2003	2002
Net income, as reported	\$ 48,663	\$ 52,357	\$ 147,190	\$ 142,000
Add: Stock-based employee compensation expense included in reported net income, net of tax	(103)	123	160	351
Deduct: Total stock-based employee compensation expense determined under fair value method, net of tax	4,756	3,922	14,392	11,213
Pro forma net income	\$ 43,804	\$ 48,558	\$ 132,958	\$ 131,138
Earnings per share:				
Basic—as reported	\$.42	\$.45	\$ 1.27	\$ 1.23
Basic—pro forma	\$.38	\$.42	\$ 1.15	\$ 1.13
Diluted—as reported	\$.42	\$.45	\$ 1.26	\$ 1.23
Diluted—pro forma	\$.38	\$.42	\$ 1.14	\$ 1.13

3. New accounting pronouncements

Effective July 1, 2002 the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 143, "Accounting for Asset Retirement Obligations," SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," and SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." The implementation of these accounting pronouncements did not have a material effect on the Company's results of operations, financial position or cash flows.

In December 2002 the Company adopted the provisions of FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." The implementation of this accounting pronouncement did not have a material effect on the Company's results of operations, financial position or cash flows.

Effective February 1, 2003 the Company adopted the provisions of FASB Interpretation No. 46, "Consolidation of Variable Interest Entities." The implementation of this accounting pronouncement did not have a material effect on the Company's results of operations, financial position or cash flows.

4. Product warranty

In the ordinary course of business, the Company warrants its products against defect in design, materials and workmanship over various time periods. The warranty accrual as of March 31, 2003 and June 30, 2002 is immaterial to the financial position of the Company and the change in the accrual for the current quarter and first nine months of fiscal 2003 is immaterial to the Company's results of operations and cash flows.

5. Earnings per share

The following table presents a reconciliation of the denominator of basic and diluted earnings per share for the three and nine months ended March 31, 2003 and 2002.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2003	2002	2003	2002
Numerator:				
Net income applicable to common shares	\$ 48,663	\$ 52,357	\$ 147,190	\$ 142,000
Denominator:				
Basic—weighted average common shares	116,506,352	115,503,613	116,339,433	115,226,875
Increase in weighted average from dilutive effect of exercise of stock options	384,128	778,462	532,820	657,706
Diluted—weighted average common shares, assuming exercise of stock options	116,890,480	116,282,075	116,872,253	115,884,581
Basic earnings per share	\$.42	\$.45	\$ 1.27	\$ 1.23
Diluted earnings per share	\$.42	\$.45	\$ 1.26	\$ 1.23

5. Earnings per share, continued

For the three months ended March 31, 2003 and 2002, 4,028,298 and 27,156 common shares, respectively, subject to stock options were excluded from the computation of diluted earnings per share because the effect of their exercise would be anti-dilutive. For the nine months ended March 31, 2003 and 2002, 3,048,218 and 1,871,641 common shares, respectively, subject to stock options were excluded from the computation of diluted earnings per share because the effect of their exercise would be anti-dilutive.

6. Stock repurchase program

The Board of Directors has approved a program to repurchase the Company's common shares on the open market, at prevailing prices. The repurchase is primarily funded from operating cash flows and the shares are initially held as treasury stock. During the three-month period ended March 31, 2003 the Company purchased 30,000 shares of its common shares at an average price of \$37.54 per share. Year-to-date, the Company has purchased 45,000 shares at an average price of \$37.64 per share.

7. Comprehensive income

The Company's items of other comprehensive income (loss) are foreign currency translation adjustments and unrealized gains (losses) on marketable equity securities. Comprehensive income for the three and nine months ended March 31, 2003 and 2002 was as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2003	2002	2003	2002
Net income	\$ 48,663	\$ 52,357	\$ 147,190	\$ 142,000
Foreign currency translation adjustments	18,935	(8,645)	41,810	2,479
Unrealized gains (losses) on marketable equity securities	(396)	1,537	(1,326)	(3,368)
Comprehensive income	\$ 67,202	\$ 45,249	\$ 187,674	\$ 141,111

The unrealized gains (losses) on marketable equity securities is net of taxes of \$239 and \$799 for the three and nine months ended March 31, 2003, respectively, and \$926 and \$2,029 for the three and nine months ended March 31, 2002, respectively.

8. Charges related to business realignment and equity investment adjustment

During the third quarter of fiscal 2003, the Company recorded a \$7,453 charge (\$4,956 after-tax or \$.04 per diluted share) for the costs to structure its businesses in light of current and anticipated customer demand. The Company believes the realignment actions taken will positively impact future results of operations, but will have no material effect on liquidity and sources and uses of capital. The charge primarily relates to severance costs attributable to 340 people in the Industrial Segment, 17 people in the Aerospace Segment and 53 people in the Other Segment. The majority of severance payments have been made with the remaining payments expected to be made by June 30, 2003. Of the pre-tax amount, \$5,405 related to the Industrial Segment, \$137 related to the Aerospace Segment and \$1,911 related to the Other Segment.

8. Charges related to business realignment and equity investment adjustment, continued

During the first nine months of fiscal 2003 the Company recorded charges of \$14,585 (\$9,699 after-tax or \$.08 per diluted share) for business realignment costs primarily related to the Industrial Segment and a charge of \$2,565 (\$2,565 after-tax or \$.02 per diluted share) related to an adjustment to fair market value of an equity investment in a publicly traded Japanese company with whom the Company has established an alliance. Of the pre-tax business realignment amount, \$11,332 related to the Industrial Segment, \$1,048 related to the Aerospace Segment and \$2,205 related to the Other Segment. The business realignment costs and equity investment adjustment are presented in the Consolidated Statement of Income for the three and nine months ended March 31, 2003 as follows: \$7,362 and \$13,593, respectively, in Cost of sales and \$91 and \$3,557, respectively, in Selling, general and administrative expenses.

During the third quarter of fiscal 2002, the Company recorded a \$3,878 charge (\$2,540 after-tax or \$.02 per diluted share) for the costs to structure appropriately its businesses to operate in their then current economic environment. The business realignment charge consisted of \$2,824 of severance costs and \$1,054 of costs relating to the consolidation of manufacturing product lines. The severance portion of the charge was attributable to 178 employees in the Industrial Segment, 52 employees in the Aerospace Segment and 105 employees in the Other Segment. Of the pre-tax amount, \$2,778 related to the Industrial Segment, \$492 related to the Aerospace Segment and \$608 related to the Other Segment. All severance payments have been made.

During the first nine months of fiscal 2002, the Company recorded charges of \$16,254 (\$10,646 after-tax or \$.09 per diluted share) for business realignment costs. Of the pre-tax amount, \$9,985 related to the Industrial Segment, \$3,547 related to the Aerospace Segment and \$2,722 related to the Other Segment. Also during the first nine months of fiscal 2002, the Company recorded a \$4,973 charge (\$4,973 after-tax or \$.04 per diluted share) related to an adjustment to fair market value of an equity investment in a publicly traded Japanese company with whom the Company has established an alliance.

The business realignment costs and equity investment adjustment are presented in the Consolidated Statement of Income for the three and nine months ended March 31, 2002 as follows: \$3,530 and \$14,519, respectively, in Cost of sales and \$348 and \$6,708, respectively, in Selling, general and administrative expenses.

9. Goodwill and intangible assets

The Company is currently conducting its annual goodwill impairment test. At this time, the Company is required to perform the additional steps required by FASB Statement No. 142 for only one reporting unit whose goodwill balance is approximately \$8.0 million. It is unknown at this time whether an impairment loss will be required to be recognized.

The changes in the carrying amount of goodwill for the nine months ended March 31, 2003 are as follows:

	Industrial Segment	Aerospace Segment	Other Segment	Total
Balance as of June 30, 2002	\$ 829,044	\$ 76,216	\$ 178,508	\$ 1,083,768
Acquisitions	3,472			3,472
Foreign currency translation adjustments	12,831	51	7,068	19,950
Goodwill adjustments	(16,922)		1,527	(15,395)
Balance as of March 31, 2003	<u>\$ 828,425</u>	<u>\$ 76,267</u>	<u>\$ 187,103</u>	<u>\$ 1,091,795</u>

“Goodwill adjustments” primarily represent final adjustments to the purchase price allocation for acquisitions completed within the last twelve months.

9. Goodwill and intangible assets, continued

Intangible assets are amortized on the straight-line method over their legal or estimated useful lives. The following summarizes the gross carrying value and accumulated amortization for each major category of intangible assets:

	March 31, 2003		June 30, 2002	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents	\$ 23,296	\$ 11,500	\$ 22,356	\$ 9,930
Trademarks	20,280	1,427	17,058	644
Engineering drawings and other	30,742	5,168	24,576	2,130
Total	\$ 74,318	\$ 18,095	\$ 63,990	\$ 12,704

Total intangible amortization expense for the nine months ended March 31, 2003 was \$4,291. The estimated amortization expense for the five years ending June 30, 2003 through 2007 is \$7,530, \$7,577, \$6,485, \$5,175 and \$4,775, respectively.

PARKER-HANNIFIN CORPORATION
FORM 10-Q
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2003
AND COMPARABLE PERIODS ENDED MARCH 31, 2002

CONSOLIDATED STATEMENT OF INCOME

Net sales increased 4.3 percent for the current quarter and 5.8 percent for the first nine months of fiscal 2003. For both the current quarter and first nine months of fiscal 2003, an increase in sales attributable to the effects of acquisitions and currency-rate changes was more than offset by lower volume experienced throughout virtually all businesses and the absence of sales from a prior-year divestiture.

Income from operations was \$96.0 million for the current quarter and \$287.0 million for the first nine months of fiscal 2003, a decrease of 1.3 percent from the prior-year quarter and an increase of 3.0 percent from the prior-year nine months. As a percent of sales, income from operations for the current quarter was 5.8 percent compared to 6.2 percent and was 6.0 percent for the first nine months of fiscal 2003 compared to 6.2 percent. For the current quarter and first nine months of the fiscal year, higher margins in the Industrial and Other Segments were more than offset by lower margins in the Aerospace operations. Included in income from operations are business realignment charges and a reduction in an equity investment of \$7.5 million and \$17.2 million for the current quarter and first nine months of fiscal 2003, respectively, and \$3.9 million and \$21.2 million for the prior-year quarter and first nine months of fiscal 2002, respectively (see Note 8 beginning on page 8 for further discussion).

Selling, general and administrative expenses, as a percent of sales, increased to 11.1 percent from 10.9 percent for the current quarter and increased to 11.3 percent from 11.2 percent for the first nine months of fiscal 2003. The higher selling, general and administrative expenses were primarily due to an increase in expenses associated with employee health and welfare benefits. Included in selling, general and administrative expenses are business realignment charges of \$0.1 million and \$3.6 million for the current quarter and first nine months of fiscal 2003, respectively, and \$0.3 million and \$6.7 million for the prior-year quarter and first nine months of fiscal 2002, respectively (see Note 8 beginning on page 8 for further discussion).

Interest expense decreased 2.7 percent in the current quarter and 5.6 percent for the first nine months of fiscal 2003 primarily due to lower weighted-average interest rates and lower average debt outstanding.

Interest and other expense, net for the current quarter and first nine months of fiscal 2003 includes losses resulting from the sale of fixed assets in the ordinary course of business at levels higher than in the comparable prior periods.

The effective tax rate was 34.2 percent for the first nine months of fiscal 2003 compared to 34.3 percent for the first nine months of fiscal 2002.

Net income decreased 7.1 percent in the current quarter and increased 3.7 percent for the first nine months of fiscal 2003, as compared to the prior year comparable periods. As a percent of sales, Net income decreased to 3.0 percent from 3.3 percent for the current quarter and decreased to 3.1 percent from 3.2 percent for the first nine months of fiscal 2003. Net income in the current quarter and first nine months of fiscal 2003 was adversely affected by an additional expense of approximately \$4.6 million and \$13.9 million, respectively, related to domestic qualified benefit plans, resulting primarily from the lower market value of plan assets. Included in net income are business realignment charges and a reduction in an equity investment of \$5.0 million and \$12.3 million for the current quarter and first nine months of fiscal 2003, respectively, and \$2.5 million and \$15.6 million for the prior-year quarter and first nine months of fiscal 2002, respectively (see Note 8 beginning on page 8 for further discussion).

Backlog was \$1.86 billion at March 31, 2003 compared to \$1.93 billion in the prior year and remained the same since June 30, 2002. The decrease in backlog from the prior-year quarter reflects shipments exceeding new order rates in the Aerospace and Industrial North American businesses partially offset by an increase in orders across most Industrial International businesses.

RESULTS BY BUSINESS SEGMENT

INDUSTRIAL—The Industrial Segment operations experienced the following percentage changes in net sales in the current year compared to the equivalent prior-year period:

	Period ending March 31,	
	Three months	Nine months
Industrial North America—as reported	0.0%	5.0%
Acquisitions	0.6%	4.4%
Currency	0.0%	(0.1)%
Industrial North America—without acquisitions and currency	(0.6)%	0.7%
Industrial International—as reported	27.8%	26.7%
Acquisitions	4.4%	10.4%
Currency	17.4%	10.9%
Industrial International—without acquisitions and currency	6.0%	5.4%
Total Industrial Segment—as reported	8.7%	11.7%
Acquisitions	1.8%	6.3%
Currency	5.4%	3.3%
Total Industrial Segment—without acquisitions and currency	1.5%	2.1%

The above presentation reconciles the percentage changes in net sales of the Industrial operations reported in accordance with U.S. GAAP to percentage changes in net sales adjusted to remove the effects of acquisitions made within the prior four fiscal quarters as well as the effects of currency exchange rates. The effects of acquisitions and currency exchange rates are removed to allow investors and the Company to meaningfully evaluate the percentage changes in sales on a comparable basis from period to period.

Excluding the effect of acquisitions and currency rate changes, Industrial North American sales for the third quarter and first nine months of fiscal 2003 remained flat reflecting a stagnant level of end-user demand experienced in virtually all markets. Excluding the effects of acquisitions and currency rate changes, sales in the Industrial International businesses for the current quarter and first nine months of fiscal 2003 increased as a result of higher demand across most businesses in the Asia Pacific region and Latin America, while sales in the European businesses were slightly higher for the current quarter but were flat for the first nine months.

Operating income for the Industrial segment increased 19.6 percent for the current quarter and 27.0 percent for the first nine months of fiscal 2003. Industrial North American operating income increased 10.7 percent for the current quarter and 18.1 percent for the first nine months of fiscal 2003, and Industrial International operating income increased 39.3 percent for the current quarter and 45.2 percent for the first nine months of fiscal 2003. Industrial North American operating income, as a percent of sales, increased to 5.8 percent from 5.2 percent for the current quarter and increased to 5.7 percent from 5.0 percent for the first nine months of fiscal 2003. Industrial International operating income, as a percent of sales, increased to 5.7 percent from 5.3 percent for the current quarter and increased to 6.3 percent from 5.5 percent for the first nine months of fiscal 2003.

The increase in Industrial North American margins was primarily due to operating efficiencies and product mix. Although overall Industrial North American sales volume was flat, an increase in sales was experienced in higher margin businesses in the current quarter and first nine months of fiscal 2003. The increase in Industrial International margins was due to the higher volume in the Asia Pacific region and Latin America, especially in higher margin businesses, as well as operating efficiencies experienced in most of the European businesses.

Included in Industrial North American operating income are business realignment charges of \$2.2 million and \$5.2 million in the current quarter and first nine months of fiscal 2003, respectively, and \$1.3 million and \$6.3 million in the prior-year quarter and first nine months of fiscal 2002, respectively. Included in Industrial International operating income are business realignment charges of \$3.2 million and \$6.1 million in the current quarter and first nine months of fiscal 2003, respectively, and \$1.5 million and \$3.7 million in the prior-year quarter and first nine months of fiscal 2002, respectively. The business realignment charges resulted from actions the Company took to structure the Industrial operations to operate in their economic environment and primarily consisted of severance costs and costs relating to the consolidation of manufacturing product lines.

Total Industrial Segment backlog decreased 3.0 percent from March 31, 2002 and decreased 6.7 percent since June 30, 2002. The decline in backlog is primarily due to shipments exceeding new order rates within most Industrial North American markets partially offset by an increase in order rates within most Industrial International markets.

The volatility of the global economy, including the effect of the Severe Acute Respiratory Syndrome, and the uncertainty associated with the war with Iraq make it difficult to assess the business conditions likely to be experienced by the Industrial Segment for the remainder of fiscal 2003 and into fiscal 2004. At the present time, the Company expects the Industrial North American and Industrial International operations to experience similar overall business conditions as those experienced in the third quarter of fiscal 2003 for the remainder of the fiscal year. The Company expects to continue to take the necessary actions to structure appropriately the Industrial Segment operations to operate in their economic environment. Such actions may include the necessity to record additional business realignment charges in the fourth quarter of fiscal 2003.

AEROSPACE—Net sales of the Aerospace Segment decreased 1.7 percent for the current quarter and 6.0 percent for the first nine months of fiscal 2003. The decrease in sales was primarily due to a decline in both commercial OEM and aftermarket volume, partially offset by an increase in military volume. Operating income for the Aerospace Segment decreased 21.7 percent for the current quarter and 18.9 percent for the first nine months of fiscal 2003. Operating income, as a percent of sales, declined to 13.6 percent from 17.1 percent for the current quarter and declined to 14.8 percent from 17.2 percent for the first nine months of fiscal 2003. The lower margins were primarily due to lower sales in the commercial OEM and aftermarket businesses partially offset by an increase in volume in military business. Included in Aerospace operating income are business realignment charges of \$0.1 million and \$1.0 million in the current quarter and first nine months of fiscal 2003, respectively, and \$0.5 million and \$3.5 million in the prior-year quarter and first nine months of fiscal 2002, respectively.

Backlog for the Aerospace Segment decreased 5.2 percent compared to March 31, 2002 and increased 3.0 percent since June 30, 2002. The increase in backlog since June 30, 2002 is primarily due to higher military order rates. For the remainder of fiscal 2003, commercial OEM and aftermarket order rates are expected to continue at the current quarter level while order rates in the military and defense market are expected to increase marginally. Uncertainty associated with the war with Iraq and the effect of the Severe Acute Respiratory Syndrome on global travel may negatively impact commercial OEM and aftermarket order rates.

OTHER—The Other Segment operations experienced the following percentage changes in net sales in the current year compared to the equivalent prior-year period:

	Period ending March 31,	
	Three months	Nine months
Other Segment—as reported	(7.3)%	(4.9)%
Acquisitions and divestitures	12.7%	10.3%
Currency	(5.5)%	(3.7)%
Other Segment—without acquisitions and divestitures and currency	(0.1)%	1.7%

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

Without the effect of acquisitions and divestitures and currency rate changes, sales for the current quarter were flat as a result of lower demand in the automotive market. The increase in sales for the first nine months of fiscal 2003 is a result of higher demand in the refrigeration and air conditioning markets as well in the automotive market in the earlier part of the fiscal year. Operating income increased 9.2 percent for the current quarter and 14.6 percent for the first nine months of fiscal 2003. Operating income, as a percent of sales, increased to 9.0 percent from 7.6 percent for the current quarter and increased to 8.1 percent from 6.7 percent for the first nine months of fiscal 2003. The increase in margins in the current quarter and first nine months of fiscal 2003 was primarily due to operating efficiencies. Included in operating income are business realignment charges of \$1.9 million and \$2.2 million in the current quarter and first nine months of fiscal 2003, respectively and \$0.6 million and \$2.7 million in the prior-year quarter and first nine months of fiscal 2002, respectively. Operating income for the prior-year quarter and first nine months of fiscal 2002 includes \$1.8 million and \$5.7 million, respectively, of income from divested businesses.

Backlog for the Other Segment increased 4.1 percent compared to a year ago and 5.5 percent since June 30, 2002. The increase in backlog is primarily the result of an increase in orders in the transportation market as well as an increase in orders for custom-engineered buildings. For the remainder of fiscal 2003, business conditions in the Other Segment are expected to be similar to those of the Industrial North American operations.

Corporate general and administrative expenses increased to \$22.7 million from \$17.6 million for the current quarter and increased to \$62.2 million from \$50.2 million for the first nine months of fiscal 2003. As a percent of sales, corporate general and administrative expenses increased to 1.4 percent from 1.1 percent for the current quarter and increased to 1.3 percent from 1.1 percent for the first nine months of fiscal 2003. The increases are primarily due to an increase in certain corporate accruals.

Other expense (in the Business Segment Results by Industry) includes a charge of \$2.6 million and \$5.0 million for the current year and prior-year first nine months, respectively, related to an adjustment to the fair market value of an equity investment in a publicly-traded Japanese company with whom the Company has established an alliance.

BALANCE SHEET

Working capital increased to \$891.0 million at March 31, 2003 from \$875.8 million at June 30, 2002, with the ratio of current assets to current liabilities increasing slightly to 1.7:1. The increase in working capital was primarily due to a decrease in Accounts payable, trade, partially offset by a decrease in Inventories.

Accounts receivable decreased to \$991.1 million at March 31, 2003 from \$1,006.3 million at June 30, 2002 with days sales outstanding decreasing slightly since June 30, 2002. Inventories decreased \$24.0 million since June 30, 2002, with days supply decreasing to 85 days from 87 days at June 30, 2002.

Plant and equipment, net of accumulated depreciation, decreased \$35.3 million since June 30, 2002, primarily as a result of depreciation exceeding capital expenditures.

Other assets increased \$61.0 million since June 30, 2002, primarily as a result of a discretionary cash contribution made by the Company to its qualified defined benefit plans.

Accounts payable, trade decreased to \$395.7 million at March 31, 2003 from \$443.5 million at June 30, 2002, as purchasing levels throughout the Company's operations were lower.

Long-term deferred income taxes increased \$56.3 million since June 30, 2002 primarily as a result of the related taxes on the discretionary cash contribution made by the Company to its qualified defined benefit plans.

Due to the weakening of the dollar against certain currencies, foreign currency translation adjustments resulted in an increase in net assets of \$41.8 million during the first nine months of fiscal 2003. The translation adjustments primarily affected Accounts receivable, Inventories, Goodwill, Plant and equipment and Long-term debt.

STATEMENT OF CASH FLOWS

Cash and cash equivalents increased \$6.3 million for the first nine months of fiscal 2003 after increasing \$8.4 million during the same period of fiscal 2002.

Net cash provided by operating activities was \$326.2 million for the nine months ended March 31, 2003 compared to \$458.0 million for the same nine months of 2002. The decrease in net cash provided by operating activities in 2003 was primarily the result of a \$108.0 million cash contribution to the Company's qualified defined benefit plans. Lower cash flows provided by working capital items, particularly Accounts receivable, also contributed to the decrease in cash flows from operating activities.

Net cash used in investing activities was \$101.1 million for the first nine months of fiscal 2003 compared to \$579.1 million for the first nine months of fiscal 2002. The significant decrease in the amount of cash used in investing activities in 2003 is attributable to a reduction in acquisition activity and capital expenditures. The reduction of capital expenditures in 2003 can be attributed to the consolidation of manufacturing facilities, lean manufacturing initiatives, and a decline in product demand. Included in Other was an increase in cash used for equity investments in fiscal 2002.

Net cash used in financing activities was \$220.7 million in fiscal 2003 compared to providing cash of \$132.0 million in fiscal 2002. In fiscal 2003 the Company decreased its outstanding borrowings by a net total of \$160.0 million compared to an increase of \$190.1 million in fiscal 2002. The decrease in the borrowing level in 2003 was due to the decline in acquisition activity and capital expenditure requirements.

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. The debt to debt-equity ratio at March 31, 2003 decreased to 33.3 percent compared to 36.8 percent as of June 30, 2002.

During the third quarter of fiscal 2003 the Company issued \$225 million of fixed rate senior notes due 2013 utilizing its universal shelf registration statement. The proceeds from this issuance were used to reduce commercial paper note borrowings. After giving effect to this issuance, the Company now has the availability to issue securities with an aggregate initial offering price of up to \$775 million.

QUANTITATIVE AND QUALITATIVE DISCLOSURE 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. 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. 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 carrying and fair value of open contracts and any risk to the Company as a result of these arrangements is not material to the Company's financial position, liquidity or results of operations.

The Company's debt portfolio contains variable rate debt, inherently exposing the Company to interest rate risk. The Company's objective is to maintain a 60/40 mix between fixed rate and variable rate debt thereby limiting its exposure to changes in near term interest rates. In addition, the Company has entered into an interest rate swap agreement for a \$200 million contract amount. The agreement is with a major financial institution and the risk of loss is considered remote. The carrying value and fair value of the swap agreement is not material to the Company's financial position, liquidity or results of operations.

FORWARD-LOOKING STATEMENTS

Forward-looking statements contained in this Report on Form 10-Q and other written reports and oral statements are made based on known events and circumstances at the time of release, and as such, are subject in the future to unforeseen uncertainties and risks. All statements regarding future performance, earnings projections, events or developments are forward-looking statements. It is possible that the Company's future performance and earnings projections may differ materially from current expectations, depending on economic conditions within both the industrial and aerospace markets, and the Company's ability to achieve anticipated benefits associated with announced realignment activities and strategic initiatives to improve operating margins. Among other factors which may affect future performance are:

- changes in business relationships with and purchases by or from major customers or suppliers, including delays or cancellations in shipments,
- uncertainties surrounding timing, successful completion or integration of acquisitions,
- threats associated with and efforts to combat terrorism, including the war with Iraq,
- the impact of Severe Acute Respiratory Syndrome on global travel,
- competitive market conditions and resulting effects on sales and pricing,
- increases in raw-material costs that cannot be recovered in product pricing, and
- global economic factors, including currency exchange rates, difficulties entering new markets and general economic conditions such as interest rates.

The Company 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.

CONTROLS AND PROCEDURES

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, of the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) within 90 days prior to the filing of this Form 10-Q. Based on this evaluation, the principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures are effective.

The Company periodically conducts an evaluation, under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer as well as the Company's Audit Committee and independent auditors, of its internal controls and procedures. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect the Company's internal controls subsequent to the date of the most recent evaluation.

Item 2. Changes in Securities and Use of Proceeds.

On January 2, 2003, the Registrant issued 745 shares of Common Stock, \$.50 par value, valued at \$47.010 per share to a non-employee director pursuant to the Registrant's Non-Employee Directors Stock Plan in lieu of a portion of her annual retainer. This transaction was exempt from the registration provisions of the Securities Act of 1933, as amended, pursuant to Section 4(2) of such Act for transactions not involving a public offering based on the fact that the shares were issued to an accredited investor.

Item 5. Other Information.

The following disclosure is being provided in accordance with the Securities and Exchange Commission's transition period guidance regarding the provision of notice to the SEC of certain information relating to a pension fund blackout period pursuant to new Item 11 of Form 8-K.

On January 6, 2003, the Registrant received notice from the plan administrator required by Section 101(i)(2)(E) of the Employment Retirement Income Security Act of 1974 of an impending pension fund blackout. On January 28, 2003, the Registrant sent a notice to its directors and executive officers informing them that a blackout period for the Parker Retirement Savings Plan (the "Plan") would be in effect as a result of a change in the recordkeeper and trustee for the Plan to Fidelity Investments®. The blackout period began on February 21, 2003 and ended on March 6, 2003. During the blackout period the participants in the Plan were unable to: (i) transfer between or reallocate among their existing investment options; (ii) request a loan, a hardship or after-tax withdrawal or a full distribution/rollover; (iii) change either payroll contribution percentages or the way future contributions are invested; (iv) inquire about account balances; (v) prepay existing loan balances; and (vi) rollover into the Plan a balance from other employers' retirement plans. Also, no new enrollments were accepted during the blackout period.

Under Section 306(a) of the Sarbanes-Oxley Act of 2002, the Registrant's directors and officers (and family members who reside in the same household, partnerships, trusts and any other affiliates who are subject to Section 16 of the Securities Exchange Act of 1934) were prohibited from purchasing, selling or otherwise acquiring or transferring any of the Registrant's common stock and exercising stock options during this blackout period. This prohibition, however, did not include certain exempt transactions.

Any questions regarding this blackout were directed to either Thomas L. Meyer, Parker-Hannifin Corporation, 6035 Parkland Boulevard, Cleveland, OH 44124, (216) 896-2809 or Thomas A. Piraino, Jr., Parker-Hannifin Corporation, 6035 Parkland Boulevard, Cleveland, OH 44124, (216) 896-2704.

Item 6. Exhibits and Reports on Form 8-K.

(a) The following documents are furnished as exhibits and are numbered pursuant to Item 601 of Regulation S-K:

Exhibit 10(a) Indemnification Agreement entered into as of August 8, 2002 between the Registrant and Robert J. Kohlhepp

Exhibit 99(a) Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to §906 of the Sarbanes-Oxley Act of 2002

(b) During the quarter ended March 31, 2003, the Registrant filed the following reports on Form 8-K:

1. On February 6, 2003, to file as exhibits to the Registrant's Registration Statement on Form S-3 (File No. 333-82806) the Underwriting Agreement, the Opinion of Jones Day relating to the legality of certain notes and the Consent of Jones Day; and

2. On February 7, 2003, to file as exhibits to the Registrant's Registration Statement on Form S-3 (File No. 333-82806) the Opinion of Jones Day relating to certain tax matters and the Consent of Jones Day.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PARKER-HANNIFIN CORPORATION
(Registrant)

/s/ Timothy K. Pistell

Timothy K. Pistell
Vice President—Finance and
Administration and Chief Financial Officer

Date: May 2, 2003

CERTIFICATIONS

I, Donald E. Washkewicz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Parker-Hannifin Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this quarterly report;
4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and
6. The Registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 2, 2003

/s/ Donald E. Washkewicz

Donald E. Washkewicz
President and Chief Executive Officer

I, Timothy K. Pistell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Parker-Hannifin Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this quarterly report;
4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and
6. The Registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 2, 2003

/s/ Timothy K. Pistell

Timothy K. Pistell
Vice President—Finance and
Administration and Chief Financial Officer

EXHIBIT INDEX

Exhibit No.

Description of Exhibit

10(a)	Indemnification Agreement entered into as of August 8, 2002 between the Registrant and Robert J. Kohlhepp
99(a)	Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to §906 of the Sarbanes-Oxley Act of 2002

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT ("Agreement") is made as of the 8th day of August, 2002 between Parker-Hannifin Corporation, an Ohio corporation (the "Corporation"), and Robert J. Kohlhepp (being referred to herein as the "Indemnified Representative" and collectively with other individuals who may execute substantially similar agreements as the "Indemnified Representatives"), with reference to the following background:

A. The Indemnified Representative currently is serving as a director or officer of the Corporation.

B. The Corporation has purchased, at the Corporation's sole expense, directors' and officers' liability insurance to protect directors and officers of the Corporation and its subsidiaries and other affiliates from certain liabilities. The Corporation recognizes that obtaining such insurance for adequate levels of coverage at a reasonable cost has become increasingly difficult for corporations with outstanding securities held by the public. At the same time, directors and officers of corporations are being increasingly subject to expensive and time-consuming litigation and other Proceedings (as hereafter defined), including matters that traditionally would be brought only against such corporations or their subsidiaries and other affiliates. The Indemnified Representative has requested that he be offered the protection afforded by this Agreement from such Proceedings.

C. To induce the Indemnified Representative to continue to serve the Corporation and in consideration for such continued service, and to assist in the recruitment of qualified directors and officers in the future, the Corporation agrees to indemnify, and to advance expenses to, the Indemnified Representative upon the terms set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises, the Corporation and the Indemnified Representative agree as follows:

1. Scope of Agreement. This Agreement shall not be deemed either an employment contract or a contract for continued services between the Corporation or any of its affiliates and the Indemnified Representative.

2. Indemnification.

(a) Except as provided in Section 3, the Corporation shall indemnify the Indemnified Representative against any Liability (as hereafter defined) incurred by the Indemnified Representative in connection with any Proceeding (as hereafter defined) in which the Indemnified Representative may be involved as a party or otherwise, by reason of the fact that the Indemnified Representative is or was serving in an Indemnified Capacity (as hereafter defined), including, without limitation, any Liability resulting from actual or alleged breach or neglect of duty, error, misstatement or misleading statement, negligence, gross negligence, omission, act or failure to act or act giving rise to strict or products liability, occurring on or after the date of this Agreement. If the Indemnified Representative is entitled to indemnification in

respect of a portion, but not all, of any Liability, the Corporation shall indemnify the Indemnified Representative to the maximum extent for such portion of any Liability.

(b) Notwithstanding the provisions of subsection (a), the Corporation shall not indemnify the Indemnified Representative under or pursuant to this Agreement for any Liability incurred in a Proceeding initiated (which shall not be deemed to include counter-claims or affirmative defenses) or participated in as an intervenor or *amicus curiae* by the Indemnified Representative unless such initiation of or participation in the Proceeding by the Indemnified Representative is authorized, either before or after commencement of the Proceeding, by the affirmative vote of a majority of the Board of Directors of the Corporation then in office. This subsection (b) does not apply to reimbursement of expenses incurred in successfully prosecuting or defending the rights granted to the Indemnified Representative by or pursuant to this Agreement.

(c) As used in this Agreement:

(i) "Indemnified Capacity" means any and all past, present or future service by an Indemnified Representative: (A) as a director or officer of the Corporation, or, at the request of the Corporation while serving as a director, officer, manager, member, employee, agent, fiduciary or trustee of another corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other entity or enterprise; or (B) in the capacity of an agent of the Corporation if such capacity is designated as an "indemnified capacity" for purposes of this Agreement by the Board of Directors of the Corporation;

(ii) "Liability" means any damage, judgment, amount paid in settlement, fine, penalty, punitive damages, excise tax assessed with respect to an employee benefit plan, or cost or expense of any nature (including, without limitation, attorneys' fees and disbursements); and,

(iii) "Proceeding" means any threatened, pending or completed action, suit, appeal, or other proceeding of any nature, whether civil, criminal, administrative or investigative, whether formal or informal, and whether brought by or in the right of the Corporation, a class of its security holders, third parties or otherwise.

3. Exclusions.

(a) The Corporation shall not be liable under Section 2 of this Agreement to make any indemnification payment in connection with any Liability incurred by the Indemnified Representative and arising from acts or failures to act if it is proven by clear and convincing evidence in a court of competent jurisdiction or pursuant to Section 5(d) hereof that the Indemnified Representative failed to act in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation or, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(b) Any fact, act or omission pertaining to any other director, officer, employee or agent of the Corporation shall not be imputed to the Indemnified Representative hereunder for the purposes of determining the applicability of any exclusion set forth herein.

(c) The termination of a proceeding by judgment, order, settlement, conviction or upon a plea of *nolo contendere* or its equivalent shall not, of itself, create a presumption that the Indemnified Representative is not entitled to indemnification under Section 2 of this Agreement.

(d) The Corporation shall not be liable under this Agreement to make any payment if the making of such payment is expressly prohibited by applicable law or has been finally determined in a final adjudication pursuant to Section 5(d) or otherwise to be unlawful.

4. Mandatory Advancement of Expenses. The Corporation shall pay any Liability incurred in good faith by the Indemnified Representative in advance of the final disposition of a Proceeding upon receipt of an undertaking by or on behalf of the Indemnified Representative: (x) if the Indemnified Representative is a director of the Corporation (whether or not the Indemnified Representative is also an officer or other agent of the Corporation) to repay all amounts so advanced if (but only if) it is proved by clear and convincing evidence in a court of competent jurisdiction that his omission or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the Corporation or undertaken with reckless disregard for the best interests of the Corporation; and (y) if the Indemnified Representative is an officer or other agent of the Corporation other than a director, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such Indemnified Representative is not entitled to be indemnified under Section 2 of this Agreement or otherwise. The financial ability of the Indemnified Representative to repay an advance shall not be a prerequisite to the making of such advance. The advances to be made hereunder shall be paid by the Corporation to or for the benefit of the Indemnified Representative within twenty (20) days following delivery of a written request therefor, accompanied by true and complete copies of invoices therefor, by the Indemnified Representative to the Corporation.

5. Indemnification Procedure.

(a) The Indemnified Representative shall use such Indemnified Representative's best efforts promptly to notify the Secretary of the Corporation of the commencement of any Proceeding or the occurrence of any event which might give rise to a Liability under this Agreement, but the failure so to notify the Corporation shall not relieve the Corporation of any liability which it may have to the Indemnified Representative under this Agreement or otherwise.

(b) The Corporation shall be entitled, upon notice to the Indemnified Representative, to assume the defense of any such Proceeding with counsel reasonably satisfactory to the Indemnified Representative involved in such Proceeding, or a majority of the Indemnified Representatives involved in such Proceeding if there be more than one. If the Corporation notifies the Indemnified Representative of its election to defend the Proceeding, the Corporation shall have no liability for the expenses (including attorneys' fees) of the Indemnified Representative incurred in connection with the defense of such Proceeding subsequent to such notice, unless: (i) such expenses (including attorneys' fees) have been authorized by the Corporation; (ii) the Corporation shall not, in fact, have employed counsel reasonably satisfactory to such Indemnified Representative or such majority of Indemnified Representatives

to assume the defense of such Proceeding; or (iii) it shall have been determined pursuant to Section 5(d) that the Indemnified Representative was entitled to indemnification for such expenses under this Agreement or otherwise. Notwithstanding the foregoing, the Indemnified Representative may elect to retain counsel at the Indemnified Representative's own cost and expense to participate in the defense of such Proceeding.

(c) Except with respect to criminal matters and injunctive or other non-monetary relief, the Corporation shall not be required to obtain the consent of the Indemnified Representative to the settlement of any Proceeding which the Corporation has undertaken to defend if the Corporation assumes full and sole responsibility for such settlement and the settlement grants the Indemnified Representative an unqualified release in respect of all Liabilities at issue in the Proceeding. The Corporation shall not be liable for any amount paid by an Indemnified Representative in settlement of any Proceeding that is not defended by the Corporation, unless the Corporation has consented in writing to such settlement (which consent shall not be unreasonably withheld or delayed).

(d) Any dispute related to the right to indemnification or advancement of expenses hereunder, except with respect to indemnification for Liabilities arising under the Securities Act of 1933 which the Corporation has undertaken to submit to a court for adjudication, shall be enforceable only by arbitration in the City of Cleveland, Ohio, in accordance with the commercial arbitration rules then in effect of the American Arbitration Association, before a panel of three (3) arbitrators, one of whom shall be selected by the Corporation, the second of whom shall be selected by the Indemnified Representative and the third of whom shall be selected by the other two (2) arbitrators. In the absence of the American Arbitration Association or if for any reason arbitration under the arbitration rules of the American Arbitration Association cannot be initiated or if the arbitrators selected by the Corporation and the Indemnified Representative cannot agree on the selection of the third arbitrator within thirty (30) days after such time as the Corporation and the Indemnified Representative have each been notified of the selection of the other's arbitrator, the necessary arbitrator or arbitrators shall be selected by the presiding judge of the court of general jurisdiction in the metropolitan area where arbitration under this subsection would otherwise have been conducted. Each arbitrator selected as provided herein is required to be or have been a director of a corporation whose shares of common stock were listed during at least one year of such service on the New York Stock Exchange. The party or parties challenging the right of an Indemnified Representative to the benefits of this Agreement shall have the burden of proof. The Corporation shall reimburse the Indemnified Representative for the expenses (including attorneys' fees and disbursements) incurred in successfully prosecuting or defending such arbitration. Any award entered by the arbitrators shall be final, binding and nonappealable and judgment may be entered thereon by either party in accordance with applicable law in any court of competent jurisdiction; provided, however, that if the conduct giving rise to the Liability for which indemnification is being sought has been the subject of another proceeding not directly involving the Indemnified Representative's right to indemnification under this Agreement or otherwise, the Corporation shall be entitled to interpose, as a defense in any judicial enforcement proceeding on the arbitrators' award, any prior final judicial determination adverse to the Indemnified Representative in such other proceeding. This arbitration provision shall be specifically enforceable.

(e) Upon a payment to the Indemnified Representative under this Agreement, the Corporation shall be subrogated to the extent of such payment to all of the rights of the Indemnified Representative to recover against any person for such Liability, and the Indemnified Representative shall execute all documents and instruments required and shall take such other actions as may be necessary to secure such rights, including the execution of such documents as may be necessary for the Corporation to bring suit to enforce such rights.

6. Discharge of Duty. The Indemnified Representative shall be deemed to have discharged such person's duty to the Corporation if he has relied in good faith on information, opinions, reports or statements, including financial statements and other financial data, prepared by:

(a) one or more officers or employees of the Corporation whom the Indemnified Representative reasonably believes to be reliable and competent with respect to the matter presented;

(b) legal counsel, public accountants or other persons as to matters that the Indemnified Representative reasonably believes are within the person's professional or expert competence; or

(c) a committee of the Board of Directors of the Corporation upon which he does not serve as to matters within its area of designated authority, which committee he reasonably believes to merit confidence.

7. No Restriction of Other Indemnification Rights. The Corporation shall not adopt any amendment to, or restate or modify, its Articles of Incorporation or Regulations the effect of which amendment, restatement or modification would be to deny, diminish or encumber the Indemnitee's rights to indemnity pursuant to the Articles of Incorporation, the Regulations, the Ohio General Corporation Law or any other applicable law as applied to any act or failure to act occurring in whole or in part prior to the date (the "Effective Date") upon which the amendment shall apply only to acts or failure to act occurring entirely after the Effective Date thereof, unless the Indemnitee shall have voted in favor of the amendment as a director or holder of record of the Corporation's common stock, as the case may be.

8. Merger or Consolidation. In the event that the Company shall be a constituent corporation in a merger, consolidation or other reorganization, the Corporation, if it shall not be the surviving, resulting or acquiring corporation therein, shall require, as a condition thereto, that the surviving, resulting, or acquiring corporation agree to indemnify the Indemnitee to the full extent provided in this Agreement and to adopt and assume the Corporation's obligations under this Agreement. Whether or not the Corporation is the surviving, resulting or acquiring corporation in any such transaction, the Indemnitee shall also stand in the same position under this Agreement as he would have with respect to the Corporation if its separate existence had continued.

9. Non-Exclusivity. The indemnification rights granted to the Indemnified Representative pursuant to this Agreement: (a) shall not be deemed exclusive of any other right to which the Indemnified Representative may be entitled under any statute, by-law, certificate or

articles of incorporation, agreement, vote of shareholders or directors or otherwise, both as to action in an Indemnified Capacity and in any other capacity; and (b) shall continue as to a person who has ceased to be an Indemnified Representative in respect of matters arising prior to such cessation.

10. Reliance on Provisions. The Indemnified Representative shall be deemed to be acting in such person's respective official capacity or capacities in reliance upon the rights provided by this Agreement.

11. Severability and Reformation. Any provision of this Agreement which is adjudicated to be invalid or unenforceable in any jurisdiction or under any circumstance shall be ineffective to the extent of such invalidity or unenforceability only and shall be deemed reformed so as to continue to apply to the maximum extent and to provide the maximum indemnification permissible under the applicable law of such jurisdiction. Any such adjudication shall not invalidate or render unenforceable the remaining provisions hereof and shall not invalidate or render unenforceable such provision in any other jurisdiction or under any other circumstances.

12. Notices. Any notice, claim, request or demand required or permitted hereunder shall be in writing and shall be deemed given if delivered personally or sent by telegram or by registered or certified mail, postage prepaid: (a) if to the Corporation, to 6035 Parkland Boulevard, Cleveland, OH 44124-4141, or to such other address to which the executive offices of the Corporation may be moved, Attention: Corporate Secretary; or (b) if to any Indemnified Representative to the address of such Indemnified Representative listed on the signature page hereof; or to such other address as either party hereto shall have specified in a notice duly given in accordance with this Section.

13. Amendments and Binding Effect. No amendment, modification, waiver, termination or cancellation of this Agreement shall be effective as to the Indemnified Representative unless signed in writing by the Corporation and the Indemnified Representative. This Agreement shall be binding upon the Corporation and its successors and assigns and shall inure to the benefit of the heirs, executors, administrators and personal representatives of the Indemnified Representative.

14. Governing Law. This Agreement shall be governed by, interpreted and enforced in accordance with the internal substantive laws of the State of Ohio, without reference to the principles governing the conflict of laws applicable in that or any other jurisdiction.

15. Gender and Number. Words used herein, regardless of the gender or number specifically used, shall be deemed to include any other gender, masculine, feminine or neuter, and any other number, singular or plural, as the context may require.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the day and year first set forth above signature page hereof; or to such other address as either party

PARKER-HANNIFIN CORPORATION

By: /s/ Thomas A. Piraino, Jr.

Name: Thomas A. Piraino, Jr
Title: Vice President, General
Counsel and Secretary

INDEMNIFIED REPRESENTATIVE

/s/ Robert J. Kohlhepp

Name: Robert J. Kohlhepp
Address: Cintas Corporation
P.O. Box 625737
Cincinnati, OH 45262

Certification Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
§906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Quarterly Report on Form 10-Q of Parker-Hannifin Corporation (the "Company") for the quarterly period ended March 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, that, to such officer's knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Dated: May 2, 2003

/s/ Donald E. Washkewicz

Name: Donald E. Washkewicz
Title: President and Chief Executive Officer

/s/ Timothy K. Pistell

Name: Timothy K. Pistell
Title: Vice President—Finance and
Administration and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. 1350 and is not being filed as part of the Quarterly Report or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.