SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

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

For the fiscal year ended June 30, 1998

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 (State of Incorporation)	34-0451060 (I.R.S. Employer Identification No.)
6035 Parkland Boulevard, Cleveland, Ohio (Address of Principal Executive Offices)	44124-4141 (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, as amended, during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes X 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 [X].

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of August 31, 1998, excluding, for purposes of this computation, only stock holdings of the Registrant's Directors and Officers. $3,078,571,850.

The number of Common Shares outstanding on August 31, 1998 was 109,307,965.

Portions of the following documents are incorporated by reference:

(1) Annual Report to Shareholders of the Company for the fiscal year ended June 30,1998. Incorporated by reference into Parts I, II and IV hereof.

(2) Definitive Proxy Statement for the Company's 1998 Annual Meeting of Shareholders. Incorporated by reference into Part III hereof.

PARKER-HANNIFIN CORPORATION

FORM 10-K

Fiscal Year Ended June 30, 1998

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 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 remove contaminants 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.

The Company was incorporated in Ohio in 1938. Its principal executive offices are located at 6035 Parkland Boulevard, Mayfield Heights, 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 36 states, Puerto Rico and worldwide in 37 foreign countries. Its motion control technology is used in the products of its two business Segments: Industrial and Aerospace. 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 and more than 7,500 independent distributors. Parker products are supplied to approximately 400,000 customers in virtually every significant manufacturing, transportation and processing industry. For the fiscal year ended June 30, 1998, net sales were $4,633,023,000; Industrial Segment products accounted for 79% of net sales and Aerospace Segment products for 21%.

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 400,000 customers who purchase the Company's parts are found throughout virtually every significant manufacturing, transportation and processing industry. No customer accounted for more than 6% 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 equipment, electronic equipment, fabricated metals, food production, industrial machinery, lumber and paper, machine tools, marine, medical equipment, mining, mobile equipment, chemicals, robotics, semi-conductor equipment, textiles, transportation and every other major production and processing industry. Products manufactured by the Industrial Segment's Climate and Industrial Controls Group are utilized principally in automotive and industrial mobile air conditioning systems, industrial refrigeration systems and home and commercial air conditioning equipment. 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.

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, air preparation units, indexers, stepper and servo drives, multi-axis positioning tables, electric and pneumatic cylinders, structural extrusions, vacuum products, pneumatic logic and human/machine interface hardware and software. The Climate and Industrial Controls Group manufactures components for use in industrial, residential and automotive air conditioning and refrigeration systems and other automotive applications, including pressure regulators, solenoid valves, expansion valves, filter-dryers, gerotors and hose assemblies. The Seal Group manufactures sealing devices, including o-rings and o-seals, gaskets and packings which insure leak-proof connections and electromagnetic interference shielding and thermal management products. The Filtration Group manufactures filters 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 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, ball, plug and needle valves, packless ultra-high-purity valves, Teflon(r) fittings, 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 7,500 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 most commercial and military airframe and engine programs in production in the Western world today.

The Aerospace Segment offers complete hydraulic systems, as well as 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.

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.

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 its major product markets, 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 fluid control systems and components and, thereby, to 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.

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 $83,117,000 in fiscal 1998, $103,155,000 in fiscal 1997 and $91,706,000 in fiscal 1996. Reimbursements of customer-sponsored research included in the total cost for each of the respective years were $15,753,000, $35,986,000, and $33,018,000.

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, 1998 was approximately $1,649,377,000 and at June 30, 1997 was approximately $1,486,981,000. Approximately 75% of the Company's backlog at June 30, 1998 is scheduled for delivery in the succeeding twelve months. The Company's business generally is not seasonal in nature.

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. 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. The information set forth in Footnote 14 to the Financial Statements contained on page 37 of the Company's Annual Report to Shareholders for the fiscal year ended June 30, 1998 ("Annual Report"), as specifically excerpted on pages 13-37 and 13-38 of Exhibit 13 hereto, is incorporated herein by reference.

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.

Steel, brass, aluminum and elastomeric materials 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 39,873 persons as of June 30, 1998, of whom 14,322 were employed by foreign subsidiaries.

BUSINESS SEGMENT INFORMATION

The net sales, income from operations before corporate general and administrative expenses and identifiable assets by business segment and by geographic area for the past three fiscal years, as set forth on page 29 of the Annual Report and specifically excerpted on pages 13-17 to 13-19 of Exhibit 13 hereto, is incorporated herein by reference.

ITEM 1A. EXECUTIVE OFFICERS OF THE COMPANY

The Company's Executive Officers are as follows:

Name	Position	Officer Since(1)	Age
Duane E. Collins	President, Chief Executive Officer, Member of Office of the President and Director	1983	62
Dennis W. Sullivan	Executive Vice President, Member of Office of the President and Director	1978	59

Lawrence M. Zeno	Vice President and Member of Office of the President	1993	56
Paul L. Carson	Vice President - Information Services	1993	62
Daniel T. Garey	Vice President - Human Resources	1995	55
Stephen L. Hayes	Vice President and President, Aerospace	1993	57
Michael J. Hiemstra	Vice President - Finance and Administration and Chief Financial Officer	1987	51
John D. Myslenski	Vice President and President, Fluid Connectors	1997	47
John K. Oelslager	Vice President and President, Automation	1997	55
Thomas A. Piraino, Jr.	Vice President, General Counsel and Secretary	1998	49
Nickolas W. Vande Steeg	Vice President and President, Seal	1995	55
Donald E. Washkewicz	Vice President and President, Hydraulics	1997	48
William D. Wilkerson	Vice President - Technical Director	1987	62
Harold C. Gueritey, Jr.	Controller	1980	59
Timothy K. Pistell	Treasurer	1993	51

(1) Officers of Parker-Hannifin 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. Collins, Hayes, Hiemstra, Pistell, Wilkerson and Gueritey have served in the executive capacities indicated above during the past five years.

Mr. Sullivan was elected as Executive Vice President in 1981 and a Member of the Office of the President in April 1996.

Mr. Zeno was elected as a Vice President in October 1993 and a Member of the Office of the President in July 1997. He was President of the Motion and Control Group (formerly the Fluidpower Group) from January 1994 to June 1997 and was Vice President-Operations of the Motion and Control Group from July 1988 to December 1993.

Mr. Carson was elected as a Vice President in October 1993. He was Vice President of Management Information Systems from July 1, 1983 to October 1993.

Mr. Garey was elected as a Vice President effective in January 1995. He was Group Vice President Human Resources of the Motion and Control Group (formerly the Fluidpower Group) from July 1982 to December 1994.

Mr. Myslenski was elected as a Vice President in October 1997 and named President of the Fluid Connectors Group in July 1997. He was Vice President Operations of the Fluid Connectors Group from March 1989 to June 1997.

Mr. Oelslager was elected as a Vice President in October 1997 and named President of the Automation Group in July 1997. He was Vice President Operations of the Motion and Control Group from July 1995 to June 1997; and General Manager of the Cylinder Division from July 1993 to July 1995.

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

Mr. Vande Steeg was elected as Vice President effective in September 1995. He has been President of the Seal Group since May 1986.

Mr. Washkewicz was elected as a Vice President and named President of the Hydraulics Group in October 1997. He was Vice President Operations of the Fluid Connectors Group from October 1994 to October 1997; and was a General Manager of the Parflex Division from July 1982 to September 1994.

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 and a "(2)" indicates properties occupied by the Aerospace Segment.

UNITED STATES

State	City
Alabama	Boaz(1)
	Decatur(1)
	Huntsville(1)
	Jacksonville(1)
Arizona	Glendale(2)
	Tolleson(2)
	Tucson*(1)
Arkansas	Siloam Springs(1)
	Trumann(1)
California	Irvine(1)(2)
	Lakewood*(2)
	Long Beach*(2)
	Modesto(1)
	Newbury Park*(1)
	Richmond(1)
	Rohnert Park(1)

State	City
	San Diego(1)
	San Luis Obispo*(1)
Connecticut	New Britain(1)
Florida	Longwood(1)
	Miami*(1)
Georgia	Dublin(2)
Idaho	Boise*(1)
Illinois	Broadview(1)
	Des Plaines(1)
	Hampshire(1)
	Lincolnshire*(1)
	Rockford(1)
Indiana	Albion(1)
	Ashley(1)
	Ft. Wayne(1)
	Lebanon(1)
	Tell City(1)
Iowa	Red Oak(1)
Kansas	Manhattan(1)
Kentucky	Berea(1)
	Lexington(1)
Louisiana	Harvey*(1)
Maine	Portland(1)
Massachusetts	Ayre(2)
	Woburn(1)
Michigan	Kalamazoo(2)
	Lakeview(1)
	Otsego(1)
	Oxford(1)
	Richland(1)
	Troy*(1)
Minnesota	Golden Valley(1)
Mississippi	Batesville(1)
	Booneville(1)
	Madison(1)
Missouri	Kennett(1)
Nebraska	Lincoln(1)
Nevada	Carson City(1)
New Hampshire	Hollis*(1)
	Hudson(1)
	Portsmouth*(1)
New Jersey	Belleville*(1)
	Fairfield*(1)
New York	Clyde(2)
	Lyons(1)
	Smithtown(2)
North Carolina	Forest City(1)
	Hillsborough(1)
	Mooresville(1)

State	City
	Sanford(1)
	Wake Forest*(1)
Ohio	Akron(1)
	Andover(2)
	Avon(2)
	Brookville(1)
	Columbus(1)
	Cuyahoga Falls*(1)
	Eastlake(1)
	Eaton(1)
	Elyria(1)(2)
	Forest(2)
	Green Camp(1)
	Kent(1)
	Lewisburg(1)
	Mayfield Heights(1)(2)
	Mentor(2)
	Metamora(1)
	Milford*(1)
	Ravenna(1)
	St. Marys(1)
	Wadsworth(1)
	Wickliffe(1)
Oklahoma	Henryetta*(1)
Oregon	Eugene(1)
Pennsylvania	Canton(1)
	Harrison City(1)
	Reading(1)
South Carolina	Beaufort(2)
	Inman(1)
	Spartanburg(1)
Tennessee	Greenfield(1)
	Greenville(1)
	Memphis*(1)
Texas	Cleburne(1)
	Ft. Worth(1)
	Mansfield(1)
Utah	Ogden(2)
	Salt Lake City(1)
Washington	Seattle*(1)
Wisconsin	Butler*(1)
	Chetek(1)
	Grantsburg(1)
	Mauston(1)

Territory	City
Puerto Rico	Ponce*(2)

FOREIGN COUNTRIES

Country	City
Argentina	Buenos Aires(1)
Australia	Castle Hill(1)
	Wodonga(1)
Austria	Wiener Neustadt(1)
Belgium	Brussels*(1)
Brazil	Jacarei(1)
	Sao Paulo(1)
Canada	Grimsby(1)
	Owen Sound(1)
Czech Republic	Chomutov*(1)
	Prague*(1)
	Sadska*(1)
Denmark	Espergarde(1)
	Ishoj(1)
England	Barnstaple(1)
	Buxton(1)
	Cannock(1)
	Derby(1)
	Dewsbury(1)
	Hemel Hempstead(1)
	Littlehampton(1)
	Marlow*(1)
	Morley(1)
	Ossett(1)
	Poole*(1)
	Rotherham(1)
	Thetford(1)
	Watford(1)
Finland	Hyrynsalmi*(1)
	Urjala(1)
	Vantaa(1)
France	Annemasse(1)
	Contamine(1)
	Evreux(1)
	Pontarlier(1)
	Wissembourg(1)
Germany	Berlin*(1)
	Bielefeld(1)
	Bietigheim-Bissingen(1)
	Chemnitz*(1)
	Cologne(1)
	Erfurt(1)
	Hochmossingen(1)
	Kaarst(1)
	Lampertheim(1)
	Mainz-Kastel(2)
	Mucke(1)

FOREIGN COUNTRIES

Country	City
	Offenburg*(1)
	Pleidelsheim(1)
	Queckborn(1)
	Velbert*(1)
Greece	Athens*(1)
Hong Kong	Hong Kong*(1)
Hungary	Budapest*(1)
India	Bombay*(1)
Italy	Adro(1)
	Arsago Seprio(1)
	Corsico(1)
	Gessate(1)
Japan	Yokohama(1)(2)
Jordan	Amman*(1)
Malaysia	Selangor*(1)
Mexico	Matamoros(1)
	Monterrey(1)
	Naucalpan*(1)
	Tijuana(1)
	Toluca(1)
Netherlands	Hendrik-Ido-Ambacht(1)
	Hoogezand(1)
	Oldenzaal(1)
New Zealand	Mt. Wellington(1)
Norway	Langhus(1)
Peoples Republic of China	Beijing*(1)(2)
	Shanghai*(1)
Philippines	Manila*(1)
Poland	Warsaw*(1)
	Wroclaw*(1)
Russia	Moscow*(1)
Singapore	Singapore*(1)(2)
South Africa	Kempton Park(1)
South Korea	Chonan(1)
	Seoul*(1)
	Yangsan(1)
Spain	Madrid*(1)
Sweden	Boras(1)
	Falkoping(1)
	Flen(1)
	Spanga(1)
	Trollhatten(1)
	Ulricehamn(1)
Switzerland	Geneva(1)
Taiwan	Taipei*(1)
Thailand	Bangkok*(1)
Venezuela	Caracas*(1)
	Puerto Ordaz*(1)

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, 1998, the approximate number of shareholders of record of the Company was 4,647 and the approximate number of beneficial owners was 44,250. The Company's common shares are traded on the New York Stock Exchange ("NYSE"). Set forth below is a quarterly summary of the high and low sales prices on the NYSE for the Company's common shares and dividends declared for the two most recent fiscal years:

FISCAL YEAR		1ST	2ND	3RD	4TH	FULL YEAR
1998	High	$ 48-7/8	$ 51-1/4	$ 52-5/8	$ 52-3/8	$ 52-5/8
	Low	39-1/4	39-13/16	41-1/2	36-15/16	36-15/16
	Dividends	.150	.150	.150	.150	.600
1997	High	$ 29-3/8	$ 28-1/4	$ 30-7/8	$ 41	$ 41
	Low	22-1/4	24-1/8	24-7/8	27	22-1/4
	Dividends	.120	.120	.133	.133	.506

ITEM 6. SELECTED FINANCIAL DATA. The information set forth on pages 38 and 39 of the Annual Report, as specifically excerpted on page 13-41 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 21, 22, 24, 26 and 28 of the Annual Report, 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 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 non-performance by the Company. The total 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.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA. The information set forth on pages 20, 21, 23, 25, 27 and 29 to 37 of the Annual Report, as specifically excerpted on pages 13-11 to 13-40 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 as to the Directors of the Company is contained on pages 1 to 3 of the Company's definitive Proxy Statement dated September 28, 1998 (the "Proxy Statement") under the caption "Election of Directors." The foregoing information is incorporated herein by reference. Information as to the executive officers of the Company is included in Part I hereof.

ITEM 11. EXECUTIVE COMPENSATION. The information set forth under the caption "Compensation of Directors" on pages 3 and 4 of the Proxy Statement and under the caption "Executive Compensation" on pages 7 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 pages 10 and 11 of the Proxy Statement and under the caption "Principal Shareholders of the Corporation" on page 12 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 Schedules

   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.

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. 1. The Registrant filed a report on Form 8-K on April 6, 1998, in order to file certain Exhibits to its Registration Statement on Form S-3 (File No. 333-47955), which was declared effective on March 23, 1998.

2. The Registrant filed a report on Form 8-K on July 9, 1998 with respect to the computation of the ratio of earnings to fixed charges.

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

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

September 15, 1998

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report on Form 10-K has been signed below by the following persons in the capacities and on the date indicated.

Signature and Title

PATRICK S. PARKER, Chairman of the Board of Directors; DUANE E. COLLINS, President, Chief Executive Officer and Director; HAROLD C. GUERITEY, JR., Controller and Principal Accounting Officer; JOHN G. BREEN, Director; PAUL C. ELY, JR., Director; ALLEN H. FORD, Director; PETER W. LIKINS, Director; HECTOR R. ORTINO, Director; PAUL G. SCHLOEMER, Director; WOLFGANG R. SCHMITT, Director; DEBRA L. STARNES, Director; STEPHANIE A. STREETER, Director; and DENNIS W. SULLIVAN, Director.

Date: September 15, 1998

Michael J. Hiemstra
Michael J. Hiemstra, Vice President - Finance and Administration, Principal Financial Officer and Attorney-in-Fact

PARKER-HANNIFIN CORPORATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

	Reference Form 10-K Annual Report (Page)	Excerpt from Annual Report as set forth in Exhibit 13 (Page)
Data incorporated by reference from the Annual Report as specifically excerpted in Exhibit 13 hereto:		
Report of Independent Accountants	---	13-40
Consolidated Statement of Income for the years ended June 30, 1998, 1997 and 1996	---	13-11
Consolidated Balance Sheet at June 30, 1998 and 1997	---	13-13 and 13-14
Consolidated Statement of Cash Flows for the years ended June 30, 1998, 1997 and 1996	---	13-15 and 13-16
Notes to Consolidated Financial Statements	---	13-20 to 13-38
Report of Independent Accountants on the Financial Statement Schedule	F-2	---
Schedule:		
II - Valuation and Qualifying Accounts	F-3	---

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.

REPORT OF INDEPENDENT ACCOUNTANTS ON THE
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 30, 1998 included in the 1998 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.

PricewaterhouseCoopers LLP

Cleveland, Ohio
July 30, 1998

PARKER-HANNIFIN CORPORATION

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED JUNE 30, 1996, 1997 and 1998
(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, 1996	$ 6,613	$ 2,158	$ (2,326)	$ 6,445
Year ended June 30, 1997	6,445	1,288	(1,829)	5,904
Year ended June 30, 1998	5,904	2,267	833	9,004

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

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(B).
(4)	Instruments Defining Rights of Security Holders:
(4)(a)	Rights Agreement, dated January 31, 1997, between the Registrant and Wachovia National Bank, as successor to Key Bank National Association(C).
	The Registrant is a party to other instruments, copies of which will be furnished to the Commission upon request, defining the rights of holders of its long-term debt identified in Note 7 of the Notes to Consolidated Financial Statements appearing on page 33 of the Annual Report as specifically excerpted on pages 13-27 and 13-28 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 certain executive officers, dated as of August 15, 1996(D).*
(10)(b)	Parker-Hannifin Corporation Change in Control Severance Plan, as amended(E).*
(10)(c)	Form of Indemnification Agreement entered into by the Registrant and its directors and certain executive officers (F).
(10)(d)	Parker-Hannifin Corporation Supplemental Executive Retirement Benefits Program (August 15, 1996 Restatement)(G).*
(10)(e)	Parker-Hannifin Corporation 1987 Employees Stock Option Plan, as amended(H).*
(10)(f)	Parker-Hannifin Corporation 1990 Employees Stock Option Plan, as amended(I).*
(10)(g)	Parker-Hannifin Corporation 1993 Stock Incentive Program, as amended(J).*

Exhibit No.	Description of Exhibit
(10)(h)	Parker-Hannifin Corporation 1998 Target Incentive Bonus Plan Description (K).*
(10)(i)	Parker-Hannifin Corporation 1999 Target Incentive Bonus Plan Description.*
(10)(j)	Parker-Hannifin Corporation 1996-97-98 Long Term Incentive Plan Description, as amended(L).*
(10)(k)	Parker-Hannifin Corporation 1997-98-99 Long Term Incentive Plan Description, as amended(M).*
(10)(l)	Parker-Hannifin Corporation 1998-99-00 Long Term Incentive Plan Description(N).*
(10)(m)	Parker-Hannifin Corporation 1999-00-01 Long Term Incentive Plan Description.*
(10)(n)	Parker-Hannifin Corporation Savings Restoration Plan, as amended(O).*
(10)(o)	Parker-Hannifin Corporation Pension Restoration Plan, as amended(P).*
(10)(p)	Parker-Hannifin Corporation Executive Deferral Plan, as amended.*
(10)(q)	Parker-Hannifin Corporation Volume Incentive Plan(Q).*
(10)(r)	Parker-Hannifin Corporation Non-Employee Directors' Stock Plan, as amended(R).*
(10)(s)	Parker-Hannifin Corporation Non-Employee Directors Stock Option Plan(S).*
(10)(t)	Parker-Hannifin Corporation Deferred Compensation Plan for Directors, as amended(T).*
(10)(u)	Parker-Hannifin Corporation Stock Option Deferral Plan.*
(11)	Computation of Common Shares Outstanding and Earnings Per Share is incorporated by reference to Note 4 of the Notes to Consolidated Financial Statements appearing on pages 32 and 33 of the Annual Report as specifically excerpted on pages 13-25 and 13-26 of Exhibit 13 hereto
(12)	Computation of Ratio of Earnings to Fixed Charges as of June 30, 1998.

Exhibit No.	Description of Exhibit
(13)	Excerpts from Annual Report to Shareholders for the fiscal year ended June 30,1998 which are incorporated herein by reference thereto.
(21)	List of subsidiaries of the Registrant.
(23)	Consent of Independent Accountants
(24)	Power of Attorney
(27)	Financial Data Schedule

*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.
(B)	Incorporated by reference to Exhibits to the Registrant's Registration Statement on Form S-8 (No. 33-53193) filed with the Commission on April 20, 1994.
(C)	Incorporated by reference to Exhibit 4.1 to the Registrant's Report on Form 8-K filed with the Commission on February 4, 1997.
(D)	Incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1996.
(E)	Incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1996.
(F)	Incorporated by reference to Exhibit 10(f) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1994.
(G)	Incorporated by reference to Exhibit 10(e) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1996.
(H)	Incorporated by reference to Exhibit 10(f) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1996.
(I)	Incorporated by reference to Exhibit 10(g) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1996.

(J)	Incorporated by reference to Exhibit 10 to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 1997.
(K)	Incorporated by reference to Exhibit 10(i) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1997.
(L)	Incorporated by reference to Exhibit 10(m) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1996.
(M)	Incorporated by reference to Exhibit 10(n) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1996.
(N)	Incorporated by reference to Exhibit 10(m) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1997.
(O)	Incorporated by reference to Exhibit 10(o) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1996.
(P)	Incorporated by reference to Exhibit 10(p) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1996.
(Q)	Incorporated by reference to Exhibit 10(r) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1996.
(R)	Incorporated by reference to Exhibit 10(s) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1996.
(S)	Incorporated by reference to Exhibit 10(t) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1996.
(T)	Incorporated by reference to Exhibit 10(u) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1996.

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.

Exhibit (10)(i)* to Report
on Form 10-K for Fiscal
Year Ended June 30, 1998
by Parker-Hannifin Corporation

Parker-Hannifin Corporation 1999 Target Incentive
Bonus Plan Description

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

PARKER-HANNIFIN CORPORATION 1999 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 1999 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 1999 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 1999 Planned ROAA: 15.4%

ROAA Payout Schedule

FY99 ROAA	Percentage of Target Award Paid*
< 3.2%	0%
3.2%	30%
5.2%	40%
7.0%	50%
8.8%	60%
10.5%	70%
11.0%	73%
12.2%	80%
13.8%	90%
15.4%	100%
16.3%	113%
17.1%	125%
17.9%	138%
18.7%	150%

* Fiscal year 1999 ROAA less than 11.0% 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)(m)* to Report
on Form 10-K for Fiscal
Year Ended June 30, 1998
by Parker-Hannifin Corporation

Parker-Hannifin Corporation 1999-00-01 Long Term
Incentive Plan Description

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

PARKER-HANNIFIN CORPORATION
1999-00-01
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 99, 00 and 01.

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, 1998 Parker stock price.

Performance Objective
The Return on Equity objective is 14%.

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 8% ROE objective, no payment will be made. For performance between 8% and 20% 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%.

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, 2001. 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 65) 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							
	<8.0%	8.0%	10.0%	12.0%	14.0%	16.0%	18.0%	20.0%
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.

"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 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.

Exhibit (10)(p)* to Report
on Form 10-K for Fiscal
Year Ended June 30, 1998
by Parker-Hannifin Corporation

Parker-Hannifin Corporation Executive Deferral Plan,
as amended

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

PARKER-HANNIFIN CORPORATION

EXECUTIVE DEFERRAL PLAN

PARKER-HANNlFlN CORPORATION

EXECUTIVE DEFERRAL PLAN

WHEREAS, the Parker-Hannifin Corporation Executive Deferral Plan (the "Plan") was originally established as of October 1, 1994, for the purpose of attracting high quality executives and promoting in its executives increased efficiency and an interest in the successful operation of the Company by offering a deferral opportunity to accumulate capital on favorable economic terms; and

WHEREAS, pursuant to the authority granted in Article 14 of the Plan, Parker-Hannifin Corporation (the "Company"), has the authority to amend the Plan; and

WHEREAS, the Plan has been amended from time to time; and

WHEREAS, the Company now desires to amend the Plan in order to provide for the automatic deferral of amounts that are not paid to certain participants by reason of Section 162(m) of the Code;

NOW, THEREFORE, the Plan is hereby amended and restated as of January 1, 1998 to read as follows:

ARTICLE 1

DEFINITIONS

1.1 ACCOUNT shall mean the sum of the Annual Deferral Account and all LTI Deferral Accounts (vested and unvested).

1.2 ADMINISTRATOR shall mean the Company or, if applicable, the committee appointed by the Board of Directors of the Company to administer the Plan pursuant to Article 12 of the Plan.

1.3 ANNUAL DEFERRAL shall mean the amount of Compensation which the Participant elects to defer for a Plan Year pursuant to Articles 2 and 3 of the Plan.

1.4 ANNUAL DEFERRAL ACCOUNT shall mean the notional account established with respect to a Participant's Annual Deferrals and Automatic Deferrals for recordkeeping purposes pursuant to Article 4 of the Plan.

1.5 AUTOMATIC DEFERRAL shall mean any amount automatically deferred to this Plan pursuant to Section 3.4 of this Plan.

1.6 BENEFICIARY shall mean the person or persons or entity designated as such in accordance with Article 13 of the Plan.

1.7 BOARD shall mean the Board of Directors of the Company.

1.8 BONUSES shall mean amounts paid in cash to the Participant by the Company in the form of annual and other regular periodic bonuses before reductions for deferrals under this Plan, the Savings Plan or the Savings Restoration Plan. "Annual and other regular periodic bonuses" shall include amounts payable under the Company's Return on Net Assets Plan (RONA) and the Target Incentive Program, but shall exclude any payments under any long-term incentive program, any volume incentive or similar bonus program, and any other extraordinary bonus or incentive program.

1.9 CHANGE IN CONTROL shall mean any of the following events have occurred:

(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 e1ect 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

(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.

1.10 CODE shall mean the Internal Revenue Code of 1986, as amended from time to time.

1.11 COMPENSATION shall mean the sum of the Participant's base salary and anticipated Bonuses for a Plan Year before reductions for deferrals under this Plan, the Savings Plan, the Savings Restoration Plan, or the Benefits Plus Program.

1.12 CREDITING RATE shall mean any notional gains or losses equal to those generated as if the Participant's Account balance had been invested in one or more of the investment portfolios designated as available by the Administrator, less separate account fees and less applicable administrative charges determined annually by the Administrator.

The allocation of a Participant's Account shall be determined by the Participant among one or more of the available portfolios. The gains or losses shall be credited based upon the daily unit values for the portfolio(s) selected by the Participant. The rules and procedures for allocating the Account balance among the portfolios shall be determined by the Administrator. Notwithstanding the method of calculating the Crediting Rate, the Company shall be under no obligation to purchase any investments designated by the Participant.

1.13 DISABILITY shall mean any long term disability as defined under the Company's long term disability plan. The Administrator, in its complete and sole discretion, shall determine a Participant's Disability. The Administrator may require that the Participant submit to an examination on an annual basis, at the expense of the Company, by a competent physician or medical clinic selected by the Administrator to confirm Disability. On the basis of such medical evidence, the determination of the Administrator as to whether or not a condition of Disability exists or continues shall be conclusive.

1.14 EARLY RETIREMENT DATE shall mean age 55 with ten or more years of employment with the Company; provided, however, that any Early Retirement prior to age 60 must be with the consent of the Compensation Committee of the Board.

1.15 ELIGIBLE EXECUTIVE shall mean a key employee of the Company or any of its subsidiaries who: (a) is designated by the Administrator as eligible to participate in the Plan (subject to the restriction in Sections 9.2, 10.3 and 11.2 of the Plan); and (b) qualifies as a member of the "select group of management or highly compensated employees" under ERISA.

1.16 ERISA shall mean the Employee Retirement Income Security Act of 1974, as amended.

1.17 FINANCIAL HARDSHIP shall mean an unexpected need for cash arising from an illness, casualty loss, sudden financial reversal, or other such unforeseeable occurrence as determined by the Administrator. Cash needs arising from foreseeable events such as the purchase of a residence or education expenses for children shall not, alone, be considered a Financial Hardship.

1.18 FIXED CREDITING RATE shall mean an effective annual yield equal to ninety percent (90%) of the sixty (60) month rolling average of the Ten-Year United States Treasury Note as determined by the Administrator on September 30 of the preceding year. Notwithstanding the preceding sentence, with respect to the first Plan Year, the Fixed Crediting Rate shall be determined as of September 30, 1994.

1.19 IN-SERVICE DISTRIBUTION shall mean a distribution elected by the Participant pursuant to Article 10 of the Plan.

1.20 LTI PAYMENT shall mean the amount that would otherwise be payable to an Eligible Executive for a Plan Year under any long-term incentive program of the Company.

1.21 LTI DEFERRAL shall mean the amount of any LTI Payment which the Participant elects to defer with respect to a Plan Year pursuant to Articles 2 and 3 of the Plan.

1.22 LTI DEFERRAL ACCOUNT shall mean the one or more notional accounts established with respect to a Participant's LTI Deferrals for recordkeeping purposes pursuant to Article 4 of the Plan.

1.23 NORMAL RETIREMENT DATE shall mean the date on which a Participant attains age 65.

1.24 PARTICIPANT shall mean an Eligible Executive who has elected to participate and has completed a Participation Agreement pursuant to Article 2 of the Plan.

1.25 PARTICIPATION AGREEMENT shall mean the Participant's written election to participate in the Plan.

1.26 PLAN YEAR shall mean the calendar year.

1.27 RETIREMENT shall mean a termination of employment following Normal or Early Retirement Date.

1.28 SALARY shall mean the Participant's annual basic rate of pay from the Company (excluding Bonuses, commissions and other non-regular forms of compensation) before reductions for deferrals under this Plan, the Savings Plan or the Savings Restoration Plan.

1.27 SAVINGS PLAN shall mean The Parker Retirement Savings Plan as it currently exists and as it may subsequently be amended.

1.28 SAVINGS RESTORATION PLAN shall mean the Parker-Hannifin Corporation Savings Restoration Plan as it currently exists and as it may subsequently be amended.

1.29 SCHEDULED WITHDRAWAL shall mean a distribution of all or a portion of the entire vested amount credited to the Participant's Account requested by the Participant pursuant to the provisions of Article 10 of the Plan.

1.30 SUBSIDIARY shall mean 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.

1.31 TERMINATION OF EMPLOYMENT shall mean the Participant's employment with the Company ceases for any reason whatsoever, whether voluntary or involuntary, other than Retirement or death.

1.32 UNSCHEDULED WITHDRAWAL shall mean a distribution of all or a portion of the entire amount credited to the Participant's Account requested by the Participant pursuant to the provisions of Article 10 of the Plan.

1.33 VALUATION DATE shall mean the end of the month in which the Retirement, Termination of Employment, or death occurs, except in the event of an election to delay retirement benefits under Article 5, in which case the Valuation Date shall mean the November 30 of the year preceding commencement of benefit payments.

ARTICLE 2

PARTICIPATION

2.1 PARTICIPATION AGREEMENT/DEFERRALS.

(a) An Eligible Executive shall become a Participant in the Plan on the first day of the Plan Year following appointment as an Eligible Executive and submission to the Administrator of an Annual Participation Agreement. To be effective, the Eligible Executive must submit the Annual Participation Agreement to the Administrator during the enrollment period designated by the Administrator. In the Annual Participation Agreement, and subject to the restrictions in Article 3, the Eligible Executive shall designate the Annual Deferral for the covered Plan Year.

(b) In addition, an Eligible Executive shall become a Participant automatically as of the date Automatic Deferrals are credited to his Account pursuant to Section 3.4.

(c) With respect to those Participants who are eligible for an LTI Payment, the Administrator shall provide for a separate enrollment period and separate LTI Participation Agreements each year under which the Participant may designate any LTI Deferrals for a specified Plan Year.

2.2 CONTINUATION OF PARTICIPATION. An Eligible Executive who has become a Participant in the Plan shall continue as a Participant in the Plan even though such executive ceases to be an Eligible Executive. However, a Participant shall not be eligible to elect a new Annual Deferral or LTI Deferral unless the Participant is an Eligible Executive for the Plan Year for which the election is made.

ARTICLE 3

EXECUTIVE DEFERRALS

3.1 DEFERRAL COMMITMENT.

(a) A Participant may elect in the Annual Participation Agreement to defer an amount equal to a specified dollar amount of Salary and a specified dollar amount or percentage of Bonuses to be earned by such Participant during the next Plan Year.

(b) A Participant may elect in the LTI Participation Agreement to defer an amount equal to a specified dollar amount or a percentage of LTI Payment that may be payable to the Participant in the next Plan Year.

(c) Annual Deferrals and LTI Deferrals under this Plan shall be irrevocable.

3.2 MINIMUM ANNUAL DEFERRAL.

(a) The Annual Deferral for a Plan Year must equal at least five thousand dollars ($5,000), from either Salary or Bonuses or a combination of Salary and Bonuses.

(b) The LTI Deferral for a Plan Year must equal at least five thousand dollars ($5,000).

(c) Where a Participant elects to defer a specified percentage of Salary, Bonuses, and/or LTI Payment, the determination of whether the Annual Deferral or LTI Deferral is at least five thousand dollars ($5,000) shall be made by multiplying the applicable elected percentages of Salary, Bonuses, and/or LTI Payment to be deferred by the Participant's anticipated Salary, Bonuses, and/or LTI Payment in the Plan Year immediately preceding the Plan Year for which the Deferral is being made. The Administrator may, in its sole discretion, permit Participants to elect to defer amounts in the form of a percentage based on anticipated future Salary, Bonuses, and/or LTI Payments.

3.3 MAXIMUM DEFERRAL COMMITMENT.

(a) The Annual Deferral for any Plan Year may not exceed 20% of Salary plus 75% of Bonuses; provided, that the Annual Deferral may not reduce the Participant's income to an amount below the old age, survivor, and disability insurance wage base under Social Security.

(b) The LTI Deferral for a Plan Year may be 100% of the LTI Payment.

(c) Notwithstanding the foregoing, the Administrator may reduce the amount of an Annual Deferral and/or an LTI Deferral to the extent necessary to insure the Participant will have sufficient earnings from the Company from which to take any taxes required to be withheld from the Participant's earnings under federal, state or local law.

3.4 AUTOMATIC DEFERRALS. An amount equal to any Compensation that is not paid to an Eligible Executive because it cannot be deducted by the Company by reason of Section 162(m) of the Code shall be deemed to have been deferred under this Plan.

3.5 VESTING. Subject to Section 11.3:

(a) The Participant's right to the value of his Annual Deferral Account, as adjusted for gains and losses, shall be 100% vested at all times.

(b) The Participant's right to the value of each LTI Deferral Account, as adjusted for gains and losses, shall be 100% vested as of the third June 30 following the time the LTI Deferral Account is established; provided, however, that the Participant shall be fully vested in all LTI Deferrals as of the time: (1) he reaches age 65; (2) he retires prior to age 60 with permission of the Compensation Committee of the Board; (3) he retires due to Disability; (4) he dies; (5) there is a Change in Control; or (6) the Plan terminates.

ARTICLE 4

ACCOUNTS

4.1 ACCOUNTS. Solely for recordkeeping purposes, the Company shall maintain for each Participant one Annual Deferral Account for all Annual Deferrals and all Automatic Deferrals, and shall maintain for each Participant a separate LTI Deferral Account with respect to each LTI Deferral made by the Participant.

4.2 TIMING OF CREDITS--PRE-TERMINATION. Each Plan Year, the Company shall credit to the Annual Deferral Account a Participant's Annual Deferrals and any Automatic Deferrals as of the time the deferrals would otherwise have been paid to the Participant but for the Annual Deferral election or the operation of Section 162(m) of the Code, and shall credit to a separate LTI Deferral Account a Participant's LTI Deferral as of the time the deferrals would otherwise have been paid to the Participant but for the LTI Deferral election. The Company shall also credit gains or losses to the Participant's Account each calendar quarter as of the relevant Valuation Date, using the Crediting Rate(s) in effect at such time as elected by the Participant.

4.3 MID-YEAR TERMINATIONS. If a Participant's Termination of Employment occurs other than at the end of a Plan Year, the Company shall credit gains or losses to the Participant's Account from the first day of such Plan Year to the relevant Valuation Date.

4.4 STATEMENT OF ACCOUNTS. The Administrator shall provide periodically to each Participant a statement setting forth the balance of the Annual Deferral Account and each LTI Deferral Account maintained for such Participant.

ARTICLE 5

RETIREMENT BENEFITS

5.1 AMOUNT. Upon Retirement, the Company shall pay to the Participant a retirement benefit in the form provided in Section 5.2 of the Plan, based on the balance of the Participant's Account as of the Valuation Date. If paid as a lump sum, the retirement benefit shall be equal to such balance. If paid in installments, the installments shall be paid in amounts that will annually amortize such balance with earnings and losses credited at the Crediting Rate over the period of time benefits are to be paid; provided, however, that in the last year of payment, earnings and losses shall be credited at the Fixed Crediting Rate as in effect on the Valuation Date immediately preceding the final year of payment.

5.2 FORM OF RETIREMENT BENEFITS. The retirement benefit shall be paid monthly over a period of one hundred eighty (180) months. Notwithstanding anything herein to the contrary, the Participant may elect in the Participation Agreement to have the retirement benefit paid in a lump sum or in installments paid monthly over a period of sixty (60) or one hundred twenty (120) months. Payment shall be made or shall begin as of the first day of the calendar quarter next following the date sixty (60) days after the Participant's Retirement unless the Participant elects in the Participation Agreement for payments to begin on January l of a later year. However, in all events payments shall commence on or before the earlier of the date the retired Participant attains age seventy (70) or the January 1 five years after Retirement. Except as provided under Section 9.2, Participants may elect an alternative form of payout as available under this Section 5.2 by written election filed with the Administrator; provided, however, that if the Participant files the election less than thirteen (13) months prior to the date of retirement, the Annual Deferral Account and each LTI Deferral Account shall be reduced by ten percent (10%).

5.3 SMALL BENEFIT EXCEPTION. Notwithstanding any of the foregoing, if the sum of all benefits payable to the Participant is less than or equal to ten thousand dollars ($10,000), the Company may, in its sole discretion, elect to pay such benefits in a single lump sum. Furthermore, if any installment payments would be less than $1,000, the Company may shorten the elected payment period in whole year increments to insure that each payment is at least $1,000.

ARTICLE 6

TERMINATION BENEFITS

6.1 AMOUNT. As of the first day of the calendar quarter beginning at least sixty (60) days after Termination of Employment, the Company shall pay to the Participant a termination benefit equal to the balance as of the Valuation Date of the Annual Deferral Account and each LTI Deferral Account in which he is vested under Section 3.4(b).

6.2 FORM OF TERMINATION BENEFITS. The Company shall pay the termination benefits in a single lump sum; provided, however, that except following a Change in Control the Company may, in its sole discretion, elect to pay the termination benefits over a period of three (3) years in monthly installments, in which event the Company shall credit interest on the unpaid vested balance of the Account after the Valuation Date at the Fixed Crediting Rate in effect at the time of Termination of Employment.

ARTICLE 7

SURVIVOR BENEFITS

7.1 PRE-COMMENCEMENT SURVIVOR BENEFIT. If the Participant dies prior to the time installment payments have commenced, the Company shall pay to the Participant's Beneficiary within ninety (90) days after the Participant's death a benefit equal to the balance of the Participant's Account as of the Valuation Date.

7.2 POST-COMMENCEMENT SURVIVOR BENEFIT. If the Participant dies after the time installment payments have commenced, the Company shall pay to the Participant's Beneficiary an amount equal to the remaining benefits payable to the Participant under the Plan over the same period such benefits would have been paid to the Participant, in which event the Company shall credit interest on the unpaid balance of the Account at the Fixed Crediting Rate in effect at the date of the Participant's death.

7.3 SMALL BENEFIT PAYMENT. Notwithstanding any of the foregoing, in the event the sum of all benefits payable to the Beneficiary is less than or equal to ten thousand dollars ($10,000), the Company may, in its sole discretion, elect to pay such benefits in a single lump sum.

ARTICLE 8

DISABILITY

If a Participant suffers a Disability, the Company shall pay the balance of the Participant's Account as of the Valuation Date to the Participant in accordance with Article 5 as if the date of the Participant's Termination of Employment for Disability were the Participant's Normal Retirement Date.

ARTICLE 9

CHANGE IN CONTROL

9.1 ELECTION.

(a) At the time the Participant is completing his initial Participation Agreement, the Participant may elect that, if a Change in Control occurs, the Participant (or after the Participant's death the Participant's Beneficiary) shall receive a lump sum payment of the balance of the

Account within thirty (30) days after the Change of Control. In the event such a distribution is made, the Participant shall receive an additional adjustment payment calculated in accordance with the formula set forth in Exhibit A hereto. Such balance shall be determined as of the end of the month sixty (60) days prior to the month in which the Change in Control occurs.

(b) In addition to any other amounts payable hereunder, 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 successor provision, 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 "gross-up payment" calculated as set forth in the change in control severance agreement in effect between the Company and the Participant as of the date of the Change in Control; provided, however, that if the Participant does not have a change in control severance agreement, the payment under this Section shall be determined in accordance with the calculation set forth in the most recent change in control severance agreement entered into by the Company and any executive of the Company; provided, further, that there shall be no duplication of such additional payment under this Plan and any change in control severance agreement.

9.2 BENEFIT REDUCTION ON WITHDRAWAL. If a Participant has not made the election described in Section 9.1 above and, within thirty (30) days after a Change of Control, the Participant (or Beneficiary) elects under Section 10.2 to receive a distribution of the balance of the Account, the lump sum payment (including the additional adjustment payment) otherwise provided under Section 9.1(a) shall be reduced by an amount equal to five percent (5%) of the total balance of the Account (instead of the ten percent (10%) reduction otherwise provided for in Section 10.3). If a Participant e1ects such a withdrawal, any on-going Annual Deferral shall cease, any election of an LTI Deferral that otherwise would be effective before the first day of the Plan Year beginning one full Plan Year after such withdrawal shall not be effective, and the Participant may not again be designated as an Eligible Executive until one entire Plan Year following the Plan Year in which such withdrawal was made has elapsed.

ARTICLE 10

SCHEDULED AND UNSCHEDULED WITHDRAWALS, FINANCIAL HARDSHIP DISTRIBUTIONS

10.1 PAYMENT OF SCHEDULED WITHDRAWAL. No later than the last day of March of the Plan Year designated in the initial Annual Participation Agreement for a Scheduled Withdrawal (which date shall be no sooner than the January 1 following 5 years of participation), the Company shall pay to the Participant, in a lump sum or four approximately equal annual installments, all or a portion of the vested balance in the Participant's Annual Deferral and/or his LTI Deferral Account as of the December 31 preceding the time payment is made or commences.

10.2 UNSCHEDULED WITHDRAWAL. A Participant (or Beneficiary if the Participant is deceased) may request an Unscheduled Withdrawal of all or any portion of the vested balance credited to the Participant's Account, which shall be paid in a single lump sum; provided, however, (i) that the minimum withdrawal shall be twenty-five percent (25%) of the vested Account balance, and (ii) that an election to withdraw seventy-five percent (75%) or more of the vested Account balance shall be deemed to be an election to withdraw the entire vested Account balance.

10.3 UNSCHEDULED WITHDRAWAL PENALTY. There shall be a penalty deducted from the Account prior to an Unscheduled Withdrawal equal to ten percent (10%) of the Unscheduled Withdrawal, which shall be ratably allocated among the Participant's Annual Deferral Account and each of his vested LTI Deferral Accounts. If a Participant elects such a withdrawal, any on-going Annual Deferral shall cease, any election of an LTI Deferral that otherwise would be effective before the first day of the Plan Year beginning one full Plan Year after such withdrawal shall not be effective, and the Participant may not again be designated as an Eligible Executive until one entire Plan Year following the Plan Year in which such withdrawal was made has elapsed.

10.4 FINANCIAL HARDSHIP DISTRIBUTION. Upon a finding that the Participant or the Beneficiary has suffered a Financial Hardship, the Administrator may in its sole discretion, permit the Participant to request distribution of a portion or all of his vested benefits under the Plan in the amount reasonably necessary to alleviate such Financial Hardship. If a distribution is to be made to a Participant on account of Financial Hardship, any on-going Annual Deferrals shall cease, any election of an LTI Deferral that otherwise would be effective before the first day of the Plan Year beginning one full Plan Year after such withdrawal shall not be effective, and the Participant may not again be designated as an Eligible Executive until one entire Plan Year following the Plan Year in which such withdrawal was made has elapsed.

10.5 SMALL BENEFIT EXCEPTION. Notwithstanding any of the foregoing, if the sum of all vested benefits payable to the Participant or Beneficiary who has requested any withdrawal under this Article 10 is less than or equal to ten thousand dollars ($10,000), the Company may, in its sole discretion, elect to pay out the entire vested Account balance (reduced, if applicable, by the ten percent (10%) penalty) in a single lump sum.

10.6 LIMIT ON WITHDRAWALS. Notwithstanding any of the foregoing, no Eligible Executive in a position described in Section 162(m)(3) of the Code (or who the Company reasonably believes will be in such a position) shall be permitted to take any distribution for the Plan in any year in which he is in or is believed to be a position described in Section 162(m)(3) of the Code.

ARTICLE 11

CONDITIONS RELATED TO BENEFITS

11.1 NONASSIGNABILITY. The benefits provided under the Plan may not be alienated, assigned, transferred, pledged or hypothecated by or to any person or entity, at any time or in any manner whatsoever. These benefits shall be exempt from the claims of creditors of any Participant or other claimants and from all orders, decrees, levies, garnishment or executions against any Participant to the fullest extent allowed by law.

11.2 NO RIGHT TO COMPANY ASSETS. The benefits paid under the Plan shall be paid from the general funds of the Company, and the Participants and any Beneficiaries shall be no more than unsecured general creditors of the Company with no special or prior right to any assets of the Company for payment of any obligations hereunder.

11.3 PROTECTIVE PROVISIONS. The Participant shall cooperate with the Company by furnishing any and all information requested by the Administrator, in order to facilitate the payment of benefits hereunder, taking such physical examinations as the Administrator may deem necessary and taking such other actions as may be requested by the Administrator. If the Participant refuses to cooperate, the Company shall have no further obligation to the Participant under the Plan. In the event of a Participant's suicide during the first two (2) years of participation in the Plan, or if the Participant makes any material misstatement of information or nondisclosure of medical history, then no benefits shall be payable to the Participant or the Participant's Beneficiary or estate under the Plan beyond the sum of the Participant's Annual Deferrals and LTI Deferrals.

11.4 WITHHOLDING. The Participant or the Beneficiary shall make appropriate arrangements with the Company for satisfaction of any federal, state or local income tax withholding requirements and Social Security or other employee tax requirements applicable to the payment of benefits under the Plan. If no other arrangements are made, the Company may provide, at its discretion, for such withholding and tax payments as may be required.

ARTICLE 12

ADMINISTRATION OF PLAN

The Company shall administer the Plan, provided, however, that the Company may elect by action of its Board of Directors to appoint a committee of three (3) or more individuals to administer the Plan. All references to the Administrator herein shall refer to the Company or, if such committee has been appointed, the committee.

The Administrator shall administer the Plan and interpret, construe and apply its provisions in accordance with its terms. The Administrator shall further establish, adopt or revise such rules and regulations as it may deem necessary or advisable for the administration of the Plan. All decisions of the Administrator shall be final and binding. The individuals serving on the committee shall, except as prohibited by law, be indemnified and held harmless by the Company from any and all liabilities, costs, and expenses (including legal fees), to the extent not covered by liability insurance arising out of any action taken by any member of the committee with respect to the Plan, unless such liability arises from the individual's own gross negligence or willful misconduct.

ARTICLE 13

BENEFICIARY DESIGNATION

The Participant shall have the right, at any time, to designate any person or persons as Beneficiary (both primary and contingent) to whom payment under the Plan shall be made in the event of the Participant's death. The Beneficiary designation shall be effective when it is submitted in writing to the Administrator during the Participant's lifetime on a form prescribed by the Administrator.

The submission of a new Beneficiary designation shall cancel all prior Beneficiary designations. Any finalized divorce or marriage of a Participant subsequent to the date of a Beneficiary designation shall revoke such designation, unless in the case of divorce the previous spouse was not designated as Beneficiary and unless in the case of marriage the Participant's new spouse has previously been designated as Beneficiary. The spouse of a married Participant shall consent to any designation of a Beneficiary other than the spouse, and the spouse's consent shall be witnessed by a notary public.

If a Participant fails to designate a Beneficiary as provided above, or if the Beneficiary designation is revoked by marriage, divorce, or otherwise without execution of a new designation, or if every person designated as Beneficiary predeceases the Participant or dies prior to complete distribution of the Participant's benefits, then the Administrator shall direct the distribution of such benefits to the Participant's estate.

ARTICLE 14

AMENDMENT AND TERMINATION OF PLAN

14.1 AMENDMENT OF PLAN. Except as provided in Section 14.3, the Company may at any time amend the Plan in whole or in part, provided, however, that such amendment: (a) shall not decrease the balance of the Participant's Account at the time of such amendment; and (b) shall not retroactively decrease the applicable Crediting Rate of the Plan prior to the time of such amendment. The Company may amend the Crediting Rate or Fixed Crediting Rate of the Plan prospectively, in which case, the Company shall notify the Participant of such amendment in writing within thirty (30) days after such amendment.

14.2 TERMINATION OF PLAN. Except as provided in Section 14.3, the Company may at any time terminate the Plan. If the Company terminates the Plan, the date of such termination shall be treated as the date of Retirement or Termination of Employment for the purpose of calculating Plan benefits, and the Company shall pay to the Participant the benefits the Participant is entitled to receive under the Plan in monthly installments over a thirty-six (36) month period. Interest at the Fixed Crediting Rate will be credited to the Participant's Account prospectively commencing as of the date of the Plan's termination and continuing until distribution under this Section is completed.

14.3 AMENDMENT OR TERMINATION AFTER CHANGE IN CONTROL. Notwithstanding the foregoing, the Company shall not amend or terminate the Plan without the prior written consent of affected Participants for a period of two calendar years following a Change in Control and shall not thereafter amend or terminate the Plan in any manner which affects any Participant (or Beneficiary) who commences receiving payment of benefits under the Plan prior to the end of such two year period following a Change in Control.

14.4 COMPANY ACTION. Except as provided in Section 14.3 or 14.5, the Company's power to amend or terminate the Plan shall be exercisable by the Company's Board of Directors or by the committee or individual authorized by the Company's Board of Directors to exercise such powers.

14.5 CONSTRUCTIVE RECEIPT TERMINATION. In the event the Administrator determines that amounts deferred under the Plan have been constructively received by Participants and must be recognized as income for federal income tax purposes, the Plan shall terminate and distributions shall be made to Participants in accordance with the Provisions of Section 14.2 or as may be determined by the Administrator. The determination of the Administrator under this Section shall be binding and conclusive.

ARTICLE 15

MISCELLANEOUS

15.1 SUCCESSORS OF THE COMPANY. The rights and obligations of the Company under the Plan shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Company.

15.2 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.

15.3 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 the Participant from any such trust shall be considered paid by the Company for purposes of meeting the obligations of the Company under the Plan.

15.4 EMPLOYMENT NOT GUARANTEED. Nothing contained in the Plan nor any action taken hereunder shall be construed as a contract of employment or as giving any Participant any right to continued employment with the Company.

15.5 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.

15.6 CAPTIONS. The captions of the articles and sections of the Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

15.7 VALIDITY. If any provision of the Plan is held invalid, void or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provisions of the Plan.

15.8 WAIVER OF BREACH. The waiver by the Company of any breach of any provision of the Plan by the Participant shall not operate or be construed as a waiver of any subsequent breach by the Participant.

15.9 APPLICABLE LAW. The Plan shall be governed and construed in accordance with the laws of Ohio except where the laws of Ohio are preempted by ERISA.

15.10 NOTICE. Any notice or filing required or permitted to be given to the Company under the Plan shall be sufficient if in writing and hand-delivered, or sent by first class mail to the principal office of the Company, directed to the attention of the Administrator. Such notice shall be deemed given as of the date of delivery, or, if delivery is made by mail, as of the date shown on the postmark.

ARTICLE 16

CLAIMS AND REVIEW PROCEDURES

16.1 CLAIMS PROCEDURE. The Company shall notify a Participant in writing, within ninety (90) days after his or her written application for benefits, of his or her eligibility or noneligibility for benefits under the Plan. If the Company determines that a Participant is not eligible for benefits or full benefits, the notice shall set forth: (a) the specific reasons for such denial; (b) a specific reference to the provisions of the Plan on which the denial is based; (c) a description of any additional information or material necessary for the claimant to perfect his or her claim, and a description of why it is needed; and (d) an explanation of the Plan's claims review procedure and other appropriate information as to the steps to be taken if the Participant wishes to have the claim reviewed. If the Company determines that there are special circumstances requiring additional time to make a decision, the Company shall notify the Participant of the special circumstances and the date by which a decision is expected to be made, and may extend the time for up to an additional ninety-day period.

16.2 REVIEW PROCEDURE. If a Participant is determined by the Company not to be eligible for benefits, or if the Participant believes that he or she is entitled to greater or different benefits, the Participant shall have the opportunity to have such claim reviewed by the Company by filing a petition for review with the Company within sixty (60) days after receipt of the notice issued by the Company. Said petition shall state the specific reasons which the Participant believes entitle him or her to benefits or to greater or different benefits. Within sixty (60) days after receipt by the Company of the petition, the Company shall afford the Participant (and counsel, if any) an opportunity to present his or her position to the Company orally or in writing, and the Participant (or counsel) shall have the right to review the pertinent documents. The Company shall notify the Participant of its decision in writing within the sixty-day period, stating specifically the basis of its decision, written in a manner calculated to be understood by the Participant and the specific provisions of the Plan on which the decision is based. If, because of the need for a hearing, the sixty-day period is not sufficient, the decision may be deferred for up to another sixty-day period at the election of the Company, but notice of this deferral shall be given to the Participant. In the event of the death of the Participant, the same procedures shall apply to the Participant's beneficiaries.

PARKER-HANNIFIN CORPORATION

Dated: ____________________ By: ______________________________________

EXHIBIT A

The purpose of the adjustment payment to be added to the distribution made pursuant to Section 9.1(a) (the "Make Whole Amount") is to offset the Participant's inability to defer until retirement or later the payment of taxes on the amounts deferred and the earnings and interest that would have otherwise accrued between the date of the Change in Control and the date on which the Participant elected to commence receipt of his Account (the "Commencement Date") under the Plan.

The Make Whole Amount shall be calculated as follows:

1. The Participant's Account balance under the Plan as of the date of the Change in Control (exclusive of Automatic Deferrals) (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 Change in Control (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 Participant'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 Participant'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 Participant.

b. The after-tax Made Whole Amount will be deemed to be invested by the Participant in a tax-deferred annuity that is structured to make payments beginning on the Commencement Date in the same form as elected by the Participant 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".

Exhibit (10)(u)* to Report
on Form 10-K for Fiscal
Year Ended June 30, 1998
by Parker-Hannifin Corporation

Parker-Hannifin Corporation Stock Option Deferral Plan

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

PARKER-HANNIFIN CORPORATION

STOCK OPTION DEFERRAL PLAN

PARKER-HANNlFlN CORPORATION

STOCK OPTION DEFERRAL PLAN

Parker-Hannifin Corporation, an Ohio corporation (the "Company"), hereby establishes this Stock Option Deferral Plan (the "Plan"), effective July 10, 1998, for the purpose of attracting high quality executives and promoting in its executives increased efficiency and an interest in the successful operation of the Company by offering a deferral opportunity to accumulate capital on favorable economic terms.

ARTICLE 1

DEFINITIONS

1.1 ACCOUNT shall mean the notional account established with respect to a Participant's Stock Option Deferrals for recordkeeping purposes pursuant to Article 4 of the Plan.

1.2 ADMINISTRATOR shall mean the Company or, if applicable, the committee appointed by the Board to administer the Plan pursuant to Article 11 of the Plan.

1.3 BENEFICIARY shall mean the person or persons or entity designated as such in accordance with Article 12 of the Plan.

1.4 BOARD shall mean the Board of Directors of the Company.

1.5 CHANGE IN CONTROL shall mean any of the following events have occurred:

(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

(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.

1.5 CODE shall mean the Internal Revenue Code of 1986, as amended from time to time.

1.6 DEFERRAL ELECTION shall mean an election to defer part or all of the Gains on one or more Options.

1.7 DEFERRED OPTION shall mean an Option with respect to which a Participant has made a Deferral Election.

1.8 DISABILITY shall mean any long term disability as defined under the Company's long term disability plan. The Administrator, in its complete and sole discretion, shall determine a Participant's Disability. The Administrator may require that the Participant submit to an examination on an annual basis, at the expense of the Company, by a competent physician or medical clinic selected by the Administrator to confirm Disability. On the basis of such medical evidence, the determination of the Administrator as to whether or not a condition of Disability exists or continues shall be conclusive.

1.9 EARLY RETIREMENT DATE shall mean age 55 with ten or more years of employment with the Company.

1.10 ELIGIBLE EXECUTIVE shall mean a key employee of the Company or any of its subsidiaries who: (a) is designated by the Administrator as eligible to participate in the Plan; and (b) qualifies as a member of the "select group of management or highly compensated employees" under ERISA.

1.11 ERISA shall mean the Employee Retirement Income Security Act of 1974, as amended.

1.12 EXERCISE shall mean an election to exercise part or all of any Deferred Option.

1.13 GAINS shall mean the difference between the exercise price under the Option and the Market Value of the Stock.

1.14 MARKET VALUE shall mean the New York Stock Exchange closing price of the Stock on the day preceding any Exercise.

1.15 NORMAL RETIREMENT DATE shall mean the date on which a Participant attains age 65.

1.16 OPTION shall mean one or more non-qualified stock options issued to a Participant under any stock incentive plan of the Company.

1.17 PARTICIPANT shall mean an Eligible Executive who has elected to participate and has made a Deferral Election under the Plan.

1.18 PLAN YEAR shall mean the calendar year, except that the first Plan Year shall be the year commencing July 10, 1998 and ending December 31, 1998.

1.19 RETIREMENT shall mean a termination of employment following Normal or Early Retirement Date.

1.20 STOCK shall mean Parker Hannifin common stock.

1.21 STOCK OPTION DEFERRALS shall mean the sum of the Gains deferred under this Plan which are converted to phantom shares of Stock and are credited to the Participant's Account in accordance with Articles 3 and 4 of this Plan.

1.22 SUBSIDIARY shall mean 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.

1.23 TERMINATION OF EMPLOYMENT shall mean the Participant's employment with the Company ceases for any reason whatsoever, whether voluntary or involuntary, other than Retirement, Disability or death.

ARTICLE 2

PARTICIPATION

2.1 PARTICIPATION. An Eligible Executive shall become a Participant in the Plan at the time he makes a Deferral Election. In the Deferral Election, the Participant shall designate the Option(s) to which the Election relates and the portion of the Gains to be deferred.

2.2 CONTINUATION OF PARTICIPATION. An Eligible Executive who has elected to participate in the Plan by making a Deferral Election shall continue as a Participant in the Plan for purposes of such Deferral Election even though he ceases to be an Eligible Executive if he continues to be an employee of the Company or if his employment is terminated by reason of Retirement. However, a Participant shall not be eligible to make a new Deferral Election unless the Participant is an Eligible Executive at the time the Election is made. Any outstanding Deferral Elections made by a Participant whose employment terminates for any reason other than Retirement (including death) shall be deemed void at the time the Participant's employment terminates.

ARTICLE 3
STOCK OPTION DEFERRALS

3.1 DEFERRAL ELECTION.

(a) A Participant may elect to defer an amount equal to any part or all of the Gains that would otherwise be realized upon exercise of an Option.

(b) A Deferral Election under this Plan shall be irrevocable.

3.2 VESTING. The Participant's right to the value of his Account, as adjusted for gains and losses, shall be 100% vested at all times.

3.3 EXERCISE. At any time during the period beginning at least six (6) months after the time a Participant has made a Deferral Election, and ending at the expiration of the Deferred Option to which the Election relates, a Participant may elect to exercise part or all of the Deferred Option. Any Exercise must utilize an actual or constructive stock-for-stock method of payment and any Stock used in such Exercise must have been owned by the Participant for at least six (6) months prior to the Exercise. If a Participant has not made a Deferral Election with respect to all Options which were granted on the same date, and if he is not exercising all Options available under said grant then the Options exercised shall be deemed to be Options as to which the Deferral Election relates, until the entire amount of Options with respect to which a Deferral Election was made shall have been exercised.

ARTICLE 4

ACCOUNTS

4.1 ACCOUNTS. Solely for recordkeeping purposes, the Company shall maintain for each Participant one Account for all Stock Option Deferrals.

4.2 CREDITS TO ACCOUNT. Upon Exercise, there shall be credited to a Participant's Account a number of phantom shares of Stock equal to the value of the Gains that otherwise would have been realized at such time if not for the Deferral Election divided by the Market Value of the Stock.

4.3 STATEMENT OF ACCOUNTS. As of each December 31, the Administrator shall provide each Participant with a statement setting forth the number of phantom shares credited to the Participant's Account, the value of such phantom shares at the time originally credited to the Account and the value of such phantom shares based on the value of Stock as of the close of business on such December 31.

ARTICLE 5

RETIREMENT BENEFITS

5.1 AMOUNT. Upon Retirement, the Company shall pay to the Participant a benefit in the form of Stock, the number of shares of which shall be equal to the number of phantom shares credited to the Participant's Account on the date of Retirement.

5.2 FORM OF RETIREMENT BENEFITS. The Retirement benefit shall be paid in quarterly installments over a period of fifteen (15) years, with the initial installments being a number of shares of Stock equal to the number of phantom shares in the Participant's Account as of the date of Retirement divided by 60. If the Participant exercises a Deferred Option after Retirement, his Account shall be credited with phantom shares in accordance with Section 4.2. In such a case, the number of shares of Stock to be distributed in each installment payment shall be readjusted as of the following January 1, based on the number of phantom shares credited to the Participant's Account as of the immediately preceding December 31. Any partial shares in such installment shall be rounded up to the nearest share and paid with the installment. Notwithstanding anything herein to the contrary, the Participant may elect at the time he makes his initialed Deferral Election to have the Retirement benefit paid in a lump sum or in installments paid quarterly over a period of five (5) or ten (10) years. Payment shall be made or shall begin as of the first day of the calendar quarter next following the date sixty (60) days after the Participant's Retirement unless the Participant elects at the time he makes his initial Deferral Election for payments to begin on January l of a later year. However, in all events payments shall commence on or before the earlier of the date the retired Participant attains age seventy (70) or the January 1 five years after Retirement. Except as provided under Section 9.1, Participants may elect an alternative form or date of payout as available under this Section 5.2 by written election filed with the Administrator;

provided, however, that if the Participant files the election less than thirteen (13) months prior to the date of retirement, the Account shall be reduced by ten percent (10%).

5.3 SMALL BENEFIT EXCEPTION. Notwithstanding any of the foregoing, if the number of shares of Stock payable to the Participant is less than or equal to five hundred (500) shares, the Company shall pay such benefits in a single lump sum.

ARTICLE 6

TERMINATION BENEFITS

As of the first day of the calendar quarter beginning at least sixty (60) days after Termination of Employment, the Company shall pay to the Participant in a single lump sum a termination benefit in Stock, the number of shares of which shall be equal to the number of phantom shares credited to the Participant's Account on the date of Termination of Employment.

ARTICLE 7

SURVIVOR BENEFITS

7.1 PRE-COMMENCEMENT SURVIVOR BENEFIT. If the Participant dies prior to the time installment payments have commenced, the Company shall pay to the Participant's Beneficiary within ninety (90) days after the Participant's death a benefit in Stock, the number of shares of which shall be equal to the number of phantom shares credited to the Participant's Account as of the date of death.

7.2 POST-COMMENCEMENT SURVIVOR BENEFIT. If the Participant dies after the time installment payments have commenced, the Company shall pay to the Participant's Beneficiary the remaining installments at the time and in the manner such payments would have been made to the Participant.

7.3 SMALL BENEFIT PAYMENT. Notwithstanding any of the foregoing, in the event the number of shares of Stock payable to the Beneficiary is less than or equal to five hundred (500) shares, the Company shall pay such benefits in a single lump sum.

ARTICLE 8

DISABILITY

If a Participant suffers a Disability, the Company shall pay to the Participant a number of shares of Stock equal to the number of phantom shares credited to the Participant's Account as of the date his employment terminates for Disability. The form of payment shall be determined in accordance with Section 5.2 and 5.3 as if the date the Participant's employment terminates for Disability were the Participant's Normal Retirement Date.

ARTICLE 9

CHANGE IN CONTROL

9.1 PAYMENT UPON CHANGE IN CONTROL. If a Change in Control occurs, the Participant (or after the Participant's death the Participant's Beneficiary) shall receive in a lump sum payment within thirty (30) days after the Change of Control a number of shares of Stock equal to the number of phantom shares credited to the Participant's Account as of the date of the Change in Control.

9.2 "GROSS-UP" PAYMENT. In addition to any other amounts payable hereunder, 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 Internal Revenue Code of 1986, as amended, or any successor provision, 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 "gross-up payment" calculated as set forth in the change in control severance agreement in effect between the Company and the Participant as of the date of the Change in Control; provided, however, that if the Participant does not have a change in control severance agreement, the payment under this Section shall be determined in accordance with the calculation set forth in the most recent change in control severance agreement entered into by the Company and any executive of the Company; provided, further, that there shall be no duplication of such additional payment under this Plan and any change in control severance agreement.

ARTICLE 10

CONDITIONS RELATED TO BENEFITS

10.1 NONASSIGNABILITY. The benefits provided under the Plan may not be alienated, assigned, transferred, pledged or hypothecated by or to any person or entity, at any time or any manner whatsoever. These benefits shall be exempt from the claims of creditors of any Participant or other claimants and from all orders, decrees, levies, garnishment or executions against any Participant to the fullest extent allowed by law.

10.2 NO RIGHT TO COMPANY ASSETS. The benefits paid under the Plan shall be paid from the general funds of the Company, and the Participant and any Beneficiary shall be no more than unsecured general creditors of the Company with no special or prior right to any assets of the Company for payment of any obligations hereunder.

10.3 PROTECTIVE PROVISIONS. The Participant shall cooperate with the Company by furnishing any and all information requested by the Administrator, in order to facilitate the payment of benefits hereunder, taking such physical examinations as the Administrator may deem necessary and taking such other actions as may be requested by the Administrator. If the

Participant refuses to cooperate, the Company shall have no further obligation to the Participant under the Plan.

10.4 WITHHOLDING. The Participant or the Beneficiary shall make appropriate arrangements with the Company for satisfaction of any federal, state or local income tax withholding requirements and Social Security or other employee tax requirements applicable to the payment of benefits under the Plan. If no other arrangements are made, the Company may provide, at its discretion, for such withholding and tax payments as may be required.

ARTICLE 11

ADMINISTRATION OF PLAN

The Company shall administer the Plan, provided, however, that the Company may elect by action of its Board of Directors to appoint a committee of three (3) or more individuals to administer the Plan. All references to the Administrator herein shall refer to the Company or, if such committee has been appointed, the committee.

The Administrator shall administer the Plan and interpret, construe and apply its provisions in accordance with its terms. The Administrator shall further establish, adopt or revise such rules and regulations as it may deem necessary or advisable for the administration of the Plan. All decisions of the Administrator shall be final and binding. The individuals serving on the committee shall, except as prohibited by law, be indemnified and held harmless by the Company from any and all liabilities, costs, and expenses (including legal fees), to the extent not covered by liability insurance arising out of any action taken by any member of the committee with respect to the Plan, unless such liability arises from the individual's own gross negligence or willful misconduct.

ARTICLE 12

BENEFICIARY DESIGNATION

The Participant shall have the right, at any time, to designate any person or persons as Beneficiary (both primary and contingent) to whom payment under the Plan shall be made in the event of the Participant's death. The Beneficiary designation shall be effective when it is submitted in writing to the Administrator during the Participant's lifetime on a form prescribed by the Administrator.

The submission of a new Beneficiary designation shall cancel all prior Beneficiary designations. Any finalized divorce or marriage of a Participant subsequent to the date of a Beneficiary designation shall revoke such designation, unless in the case of divorce the previous spouse was not designated as Beneficiary and unless in the case of marriage the Participant's new spouse has previously been designated as Beneficiary. The spouse of a married Participant shall consent to any designation of a Beneficiary other than the spouse, and the spouse's consent shall be witnessed by a notary public.

If a Participant fails to designate a Beneficiary as provided above, or if the Beneficiary designation is revoked by marriage, divorce, or otherwise without execution of a new designation, or if every person designated as Beneficiary predeceases the Participant or dies prior to complete distribution of the Participant's benefits, then the Administrator shall direct the distribution of such benefits to the Participant's estate.

ARTICLE 13

AMENDMENT AND TERMINATION OF PLAN

13.1 AMENDMENT OF PLAN. The Company may at any time amend the Plan in whole or in part, provided, however, that such amendment shall not decrease the number of phantom shares credited to the Participant's Account at the time of such amendment.

13.2 TERMINATION OF PLAN. The Company may at any time terminate the Plan. If the Company terminates the Plan, the date of such termination shall be treated as the date of Termination of Employment for the purpose of calculating Plan benefits, and the Company shall pay to the Participant in a lump sum a number of shares of Stock equal to the number of phantom shares credited to the Participant's Account as of the date of Plan termination.

13.3 COMPANY ACTION. Except as provided in Section 13.4, the Company's power to amend or terminate the Plan shall be exercisable by the Company's Board of Directors or by the committee or individual authorized by the Company's Board of Directors to exercise such powers.

13.4 CONSTRUCTIVE RECEIPT TERMINATION. In the event the Administrator determines that amounts deferred under the Plan have been constructively received by Participants and must be recognized as income for federal income tax purposes, the Plan shall terminate and distributions shall be made to Participants in accordance with the provisions of Section 13.2 or as may be determined by the Administrator. The determination of the Administrator under this Section shall be binding and conclusive.

ARTICLE 14

MISCELLANEOUS

14.1 SUCCESSORS OF THE COMPANY. The rights and obligations of the Company under the Plan shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Company.

14.2 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.

14.3 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 the Participant from any such trust shall be considered paid by the Company for purposes of meeting the obligations of the Company under the Plan.

14.4 EMPLOYMENT NOT GUARANTEED. Nothing contained in the Plan nor any action taken hereunder shall be construed as a contract of employment or as giving any Participant any right to continued employment with the Company.

14.5 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.

14.6 CAPTIONS. The captions of the articles and sections of the Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

14.7 VALIDITY. If any provision of the Plan is held invalid, void or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provisions of the Plan.

14.8 WAIVER OF BREACH. The waiver by the Company of any breach of any provision of the Plan by the Participant shall not operate or be construed as a waiver of any subsequent breach by the Participant.

14.9 APPLICABLE LAW. The Plan shall be governed and construed in accordance with the laws of Ohio except where the laws of Ohio are preempted by ERISA.

14.10 NOTICE. Any notice or filing required or permitted to be given to the Company under the Plan shall be sufficient if in writing and hand-delivered, or sent by first class mail to the principal office of the Company, directed to the attention of the Administrator. Such notice shall be deemed given as of the date of delivery, or, if delivery is made by mail, as of the date shown on the postmark.

ARTICLE 15

CLAIMS AND REVIEW PROCEDURES

15.1 CLAIMS PROCEDURE. The Company shall notify a Participant in writing, within ninety (90) days after his or her written application for benefits, of his or her eligibility or noneligibility for benefits under the Plan. If the Company determines that a Participant is not eligible for benefits or full benefits, the notice shall set forth: (a) the specific reasons for such denial; (b) a specific reference to the provisions of the Plan on which the denial is based; (c) a description of any additional information or material necessary for the claimant to perfect his or her claim, and a description of why it is needed; and (d) an explanation of the Plan's claims review procedure and other appropriate information as to the steps to be taken if the Participant wishes to have the claim reviewed. If the Company determines that there are special circumstances requiring additional time to make a decision, the Company shall notify the Participant of the special circumstances and the date by which a decision is expected to be made, and may extend the time for up to an additional ninety-day period.

15.2 REVIEW PROCEDURE. If a Participant is determined by the Company not to be eligible for benefits, or if the Participant believes that he or she is entitled to greater or different benefits, the Participant shall have the opportunity to have such claim reviewed by the Company by filing a petition for review with the Company within sixty (60) days after receipt of the notice issued by the Company. Said petition shall state the specific reasons which the Participant believes entitle him or her to benefits or to greater or different benefits. Within sixty (60) days after receipt by the Company of the petition, the Company shall afford the Participant (and counsel, if any) an opportunity to present his or her position to the Company orally or in writing, and the Participant (or counsel) shall have the right to review the pertinent documents. The Company shall notify the Participant of its decision in writing within the sixty-day period, stating specifically the basis of its decision, written in a manner calculated to be understood by the Participant and the specific provisions of the Plan on which the decision is based. If, because of the need for a hearing, the sixty-day period is not sufficient, the decision may be deferred for up to another sixty-day period at the election of the Company, but notice of this deferral shall be given to the Participant. In the event of the death of the Participant, the same procedures shall apply to the Participant's beneficiaries.

Exhibit (12)* to Report
on Form 10-K for Fiscal
Year Ended June 30, 1998
by Parker-Hannifin Corporation

Computation of Ratio of Earnings to Fixed Charges
as of June 30, 1998

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

EXHIBIT 12

PARKER-HANNIFIN CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(IN THOUSANDS)

	Fiscal Year Ended June 30,				
	1998	1997	1996	1995	1994
EARNINGS					
Income from continuing operations before income taxes	$ 503,988	$ 424,867	$ 374,479	$ 348,407	$ 112,449
Add:					
Interest on indebtedness, exclusive of interest capitalized in accordance with FASB #34 and interest on ESOP loan guarantee	52,463	46,373	35,665	28,884	34,687
Amortization of deferred loan costs	324	286	146	128	297
Portion of rents representative of interest factor	12,355	11,102	9,966	8,791	7,157
Equity share of losses of companies for which debt obligations are not guaranteed	583	1,327	513	392	1,359
Amortization of previously capitalized interest	296	220	219	216	217
Income as adjusted	$ 570,009	$ 484,175	$ 420,988	$ 386,818	$ 156,166
FIXED CHARGES					
Interest on indebtedness, exclusive of interest capitalized in accordance with FASB #34 and interest on ESOP loan guarantee	$ 52,463	$ 46,373	$ 35,665	$ 28,884	$ 34,687
Capitalized interest	1,372	272	538	283	298
Amortization of deferred loan costs	324	286	146	128	297
Portion of rents representative of interest factor	12,355	11,102	9,966	8,791	7,157
Fixed charges	$ 66,514	$ 58,033	$ 46,315	$ 38,086	$ 42,439
RATIO OF EARNINGS TO FIXED CHARGES	8.57x	8.34x	9.09x	10.16x	3.68x

Exhibit (13)* to Report
on Form 10-K for Fiscal
Year Ended June 30, 1998
by Parker-Hannifin Corporation

Excerpts from Annual Report to Shareholders for the fiscal year ended June 30, 1998.

*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 we expect or anticipate will occur in the future, including statements relating to growth, operating margin performance, earnings per share or statements expressing general opinions about future operating results, 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 among others, orders and delivery schedules for aircraft components,

* ability of suppliers to provide materials as needed,

* uncertainties surrounding timing, successful completion or integration of acquisitions,

* competitive pressure on sales and pricing,

* increases in material and other production costs which cannot be recovered in product pricing,

* uncertainties surrounding the year 2000 issues and the new Euro currency,

* difficulties in introducing new products and entering new markets, and

* uncertainties surrounding the global economy and global market conditions, including among others, the economy of the Asia Pacific region 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.

DISCUSSION OF STATEMENT OF INCOME

THE CONSOLIDATED STATEMENT OF INCOME summarizes the Company's operating performance over the last three years.

NET SALES of $4.63 billion for 1998 were 13.2 percent higher than the $4.09 billion for 1997. Acquisitions accounted for approximately one-fifth of this increase. The Industrial operations experienced continued strong order demand within the heavy-duty truck, construction equipment, factory automation, telecommunications and refrigeration markets. The European operations continued to grow and the Company continued to penetrate markets in Asia Pacific and Latin American regions. Volume increases within International operations were partially offset by currency rate changes. The Aerospace operations experienced strong demand within the commercial transport, business jet and general aviation markets.

Net sales for 1997 were 14.1 percent higher than the $3.59 billion sales in 1996. Acquisitions accounted for more than half of this increase. North American Industrial operations achieved strong order demand, especially within the factory automation, machine tool, and agricultural and construction equipment markets. There was also increased demand for sealing products, and light-truck and automotive products. International Industrial operations' results were relatively flat, with Europe experiencing a soft economy for most of the year. Volume increases were partially offset by currency rate changes. The Aerospace operations achieved the majority of the sales growth as demand was strong within the OEM commercial and general aviation industries and the maintenance, repair and overhaul business.

The Company is anticipating moderate growth for the next year as growth in Industrial markets within North America is expected to be less than the current pace. European markets are expected to continue to improve and the Company expects to increase market penetration in Latin America. The Aerospace operations expect some moderation in the recent robust growth within the commercial aviation OEM, and repair and overhaul businesses. A strong backlog and participation on nearly every currently flown aircraft provide a very positive outlook.

GROSS PROFIT MARGIN was 23.4 percent in 1998. Cost of sales for 1998 includes a non-cash, non-recurring charge of $15.8 million for in-process R&D purchased as part of two acquisitions. Before these charges, the gross profit margin for 1998 was 23.7 percent, compared to 22.9 percent in 1997 and 23.1 percent in 1996. The improvement in 1998 is primarily the result of better absorption of fixed costs due to higher volume and the benefits of continued integration of prior-year acquisitions. The improvement was partially offset by recently acquired operations contributing lower margins, as their integration continues. In addition, gross margins were affected by the Asian financial crisis and the depressed worldwide semiconductor market.

The decrease in gross profit margin in 1997 was due to newly acquired operations contributing lower margins. In addition, weak demand throughout Europe in 1997 resulted in lower capacity utilization and reduced gross profit for the International operations. Partially offsetting these declines, the higher volume in 1997 improved capacity utilization and provided higher margins for most of the North American Industrial and Aerospace operations.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES as a percent of sales decreased to 11.5 percent, from 11.6 percent in 1997, and 11.9 percent in 1996. As volume increased these expenses remained relatively unchanged, except for increased costs from acquisitions, incentive programs and initiatives to enter new markets.

INTEREST EXPENSE increased by $6.1 million in 1998 and $10.0 million in 1997 due to increased borrowings to complete acquisitions.

INTEREST AND OTHER INCOME, NET was $6.8 million in 1998 compared to $5.6 million in 1997. Fiscal 1998 income included $3.8 million of interest from a settlement with the IRS. Fiscal 1996 income of $8.5 million included income received from several minor Corporate investments.

GAIN (LOSS) ON DISPOSAL OF ASSETS was less than $.1 million in 1998, a $3.0 million gain in 1997 and a $2.0 million loss in 1996. The 1997 gain includes $17.1 million income from the sale of real estate in California. This income was substantially offset by $13.3 million accrued for exit costs and charges for impaired assets related to the relocation of the corporate headquarters.

INCOME TAXES increased to an effective rate of 35.9 percent in 1998, compared to 35.5 percent in 1997. The rate in 1996 was 36.0 percent. The increased 1998 rate is the result of receiving no tax benefit for one of the R&D charges. The reduction in the rate for 1997, as compared to 1996, is the result of increased tax benefits based on the export of products manufactured in the U.S.

EXTRAORDINARY ITEM - EXTINGUISHMENT OF DEBT - On June 30, 1998 the Company called for redemption all of its outstanding $100 million, 10.375 percent debentures due 1999-2018.

NET INCOME of $319.6 million for 1998 was 16.6 percent higher than 1997. Before the 1998 extraordinary item - extinguishment of debt, income increased 17.9 percent over 1997. Net income of $274.0 million for 1997 was 14.3 percent higher than 1996. Net income as a percentage of sales, before the extraordinary item, was 7.0 percent in 1998, compared to 6.7 percent in 1997 and 1996.

YEAR 2000 CONSIDERATIONS - The Company has been taking actions to assure that its computerized products and systems and all external interfaces are Year 2000 compliant. The Company expects to have all internal standard application systems compliant by July 1999 by modifying present systems, installing new systems and monitoring third-party interfaces. The cost for these actions is not material to the Company's results of operations.

In addition, the Company is currently contacting its key suppliers, customers, distributors and financial service providers regarding their Year 2000 status and anticipates this survey will be substantially complete by January 1999. If it is determined any key third party may not be prepared, the Company will develop an alternative contingency plan.

While management does not expect that the consequences of any unsuccessful modifications would significantly affect the financial position, liquidity, or results of operations of the Company, there can be no assurance that failure to be fully compliant by 2000 would not have an impact on the Company.

EURO PREPARATIONS - The Company is in the process of upgrading its systems to accommodate the Euro currency by January 1, 1999. The cost of this upgrade is immaterial to the Company's financial results. Although difficult to predict, any competitive implications and any impact on existing financial instruments are also expected to be immaterial to the Company's results of operations, financial position or liquidity.

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.

The effect of currency rate changes during the year caused a $32.7 million decrease in the Foreign currency translation adjustments equity account. These rate changes also caused significant decreases in accounts receivable, inventories, goodwill and plant and equipment, as well as significant decreases in accounts payable and the various accrual accounts.

Working capital and the current ratio were as follows:

Working Capital (millions)	1998	1997
Current Assets	$ 1,780	$ 1,500
Current Liabilities	989	716
Working Capital	791	784
Current Ratio	1.8	2.1

ACCOUNTS RECEIVABLE are primarily due from customers for sales of product ($642.3 million at June 30, 1998, compared to $554.5 million at June 30, 1997). The current year increase in accounts receivable is primarily due to acquisitions and increased volume. Days sales outstanding for the Company increased slightly from 1997. An increase in the allowance for doubtful accounts in 1998 is primarily due to receivables obtained through acquisitions.

INVENTORIES increased to $944.3 million at June 30, 1998, compared to $727.8 million a year ago, partially due to acquisitions and increased volume. Additional increases occurred, primarily within work in process and finished goods, in order to improve customer service response time. Months supply of inventory on hand at June 30, 1998 increased to 3.7 months from 3.4 months at June 30, 1997.

PLANT AND EQUIPMENT, net of accumulated depreciation, increased $114.5 million in 1998 as a result of acquisitions and capital expenditures which exceeded annual depreciation.

INVESTMENTS AND OTHER ASSETS increased $20.5 million in 1998 primarily as a result of increases in pension assets and the cash surrender value of corporate-owned life insurance contracts, partially offset by a reduction in investments due to the acquisition and consolidation of two joint ventures.

EXCESS COST OF INVESTMENTS OVER NET ASSETS ACQUIRED increased $114.4 million in 1998 as a result of acquisitions, partially offset by currency rate fluctuations and amortization. The additional excess cost of investments in 1998 is being amortized over 15 years.

NOTES PAYABLE AND LONG-TERM DEBT PAYABLE WITHIN ONE YEAR increased $195.7 million due to increased investment in commercial paper and the currently payable $100 million 10.375% debentures called for redemption in June 1998.

ACCOUNTS PAYABLE, TRADE increased $71.4 million in 1998 due to the timing of payments, acquisitions and the increased volume. The majority of the increase was within North American Industrial operations.

ACCRUED PAYROLLS AND OTHER COMPENSATION increased $19.4 million in 1998 primarily as a result of increased headcount and incentive plans which are based on sales and earnings.

ACCRUED DOMESTIC AND FOREIGN TAXES decreased to $34.4 million in 1998 from $51.4 million in 1997 primarily due to higher estimated income tax payments made in 1998.

LONG-TERM DEBT increased $80.1 million in 1998 primarily due to increased borrowings to fund acquisitions. 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 30 to 33 percent.

Debt to Debt-Equity Ratio (millions)	1998	1997
Debt	$ 778	$ 503
Debt & Equity	2,462	2,050
Ratio	31.6%	24.5%

In fiscal 1999 additional borrowings are not anticipated for the stock repurchase program, capital investments, or for working capital purposes, but may be utilized for acquisitions.

PENSIONS AND OTHER POSTRETIREMENT BENEFITS increased 5.1 percent in 1998. These costs are explained further in Note 8 to the Consolidated Financial Statements.

OTHER LIABILITIES increased to $44.2 million in 1998 from $24.0 million in 1997 primarily due to increases in deferred compensation plans.

DISCUSSION OF CASH FLOWS

THE CONSOLIDATED STATEMENT OF CASH FLOWS reflects cash inflows and outflows from the Company's operating, investing and financing activities.

Cash and cash equivalents decreased $38.5 million in 1998 after increasing $5.0 million in 1997.

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 1998 was $320.6 million compared to $392.3 million in 1997. This decrease of $71.7 million is principally due to Inventories using cash of $185.6 million in 1998 compared to $27.0 million in 1997. Other accrued liabilities used cash of $9.1 million in 1998 compared to providing cash of $16.0 million in 1997. Accrued domestic and foreign taxes also used cash in 1998 of $15.3 million after providing cash of $4.3 million in 1997. These uses of cash in 1998 were partially offset with cash provided by an increase of $45.5 million in Net income in 1998 and a $52.9 million increase in Accounts payable in 1998 compared to an increase of $31.7 million in 1997. In addition, the 1998 write-off of purchased in-process R&D of $15.8 million was a non-cash charge added back to Net income to reconcile to the net cash provided by operating activities.

The net cash provided by operating activities in 1997 increased $54.3 million compared to 1996. This increase is principally the result of an increase of $34.4 million in Net income and the non-cash expenses of Depreciation and Amortization increasing $28.5 million. Accounts receivable used cash of $76.1 million in 1997 as a result of increased volume, compared to providing cash of $8.7 million in 1996. Inventories also used cash of $27.0 million in 1997, an increase of $12.0 million compared to the cash used in 1996. Partially offsetting these uses of cash, Accounts payable, trade provided cash of $31.7 million in 1997 compared to using cash of $15.5 million in 1996. Increases in Other accrued liabilities also provided cash of $16.0 million in 1997 compared to using cash of $31.8 million in 1996.

CASH FLOWS FROM INVESTING ACTIVITIES -- Net cash used in investing activities was $264.4 million greater in 1998 than 1997, primarily due to Acquisitions using $201.5 million more cash in 1998. Also, Capital expenditures increased $47.8 million in 1998. These investments to support growth and efficient manufacturing technology demonstrate the Company's commitment to improving shareholder value.

Net cash used in investing activities for 1997 was $359.8 million lower than in 1996 primarily due to less cash used for Acquisitions. The most significant use of cash in 1997 was Capital expenditures, which at $189.2 million was $12.5 million less than the previous year.

To complete Acquisitions the Company utilized cash of $233.0 million and treasury shares valued at $11.9 million in 1998; cash of $31.5 million in 1997; and cash of $359.4 million and treasury shares valued at $6.2 million in 1996. The net assets of the acquired companies at their respective acquisition dates consisted of the following:

(In thousands)	1998	1997	1996
Assets acquired:			
Accounts receivable	$ 39,286	$ 4,549	$ 70,916
Inventories	43,847	13,410	77,582
Prepaid expenses	1,393	247	1,459
Deferred income taxes	1,643	1,576	18,942
Plant & equipment	54,718	15,283	124,222
Other assets	3,762	(1,121)	23,515
Excess cost of investments over net assets acquired	162,680	11,596	223,873
	307,329	45,540	540,509

Liabilities assumed:			
Notes payable	8,690	2,050	13,256
Accounts payable	21,841	2,418	26,880
Accrued payrolls	4,418	471	10,377
Accrued taxes	2,840	941	11,620
Other accrued liabilities	11,421	4,582	47,820
Long-term debt	9,706	2,454	8,235
Pensions and other postretirement benefits	477	1,163	49,798
Other liabilities	3,033		6,900
	62,426	14,079	174,886
Net assets acquired	$ 244,903	$ 31,461	$ 365,623

CASH FLOWS FROM FINANCING ACTIVITIES -- In 1998 the Company increased its outstanding borrowings by a net total of $264.9 million primarily to fund acquisitions. The majority of the funding was through the issuance of commercial paper. Additional funds were obtained through the issuance of $50 million of medium-term notes in December 1997. In July 1998 the Company issued another $100 million of medium-term notes.

In 1997 the Company decreased its outstanding borrowings by a net total of $121.3 million. As of June 30, 1997, the Company paid off all commercial paper and selected notes payable attributable to the International operations.

Common share activity includes the repurchase of stock and the exercise of stock options. During 1998 the Company purchased 2,522,971 shares for treasury. In July 1998, the Board of Directors of the Company increased the authorization for future repurchases to 5.05 million shares.

Dividends have been paid for 192 consecutive quarters, including a yearly increase in dividends for the last 42 fiscal years. The current annual dividend rate is $.60 per share.

In summary, based upon the Company's past performance and current expectations, management believes the cash flows generated from future operating activities, combined with the Company's worldwide financial capabilities, will provide adequate funds to support planned growth and continued improvements in the Company's manufacturing facilities and equipment.

DISCUSSION OF BUSINESS SEGMENT INFORMATION

THE BUSINESS SEGMENT INFORMATION presents sales, operating income and assets by the principal industries and geographic areas in which the Company's various businesses operate.

INDUSTRIAL SEGMENT

	1998	1997	1996
Operating income as a percent of sales	12.4%	12.5%	12.4%
Return on average assets	19.1%	18.7%	18.3%

Sales for the Industrial North American operations increased to $2.48 billion in 1998, 15.0 percent over 1997, following 1997's increase of 9.1 percent over 1996. Nearly one-fifth of the increase in both years was due to acquisitions. The growth in 1998 was spread among numerous markets, but primarily was the result of growth in the light and heavy-duty truck, construction equipment, telecommunications, factory automation, machine tool and refrigeration markets.

Recent order entry indicates continuing, but moderate growth for the North American operations for 1999. In addition to this growth, the Company expects to increase sales through acquisitions.

International Industrial sales increased to a record $1.16 billion, 8.2 percent over 1997. Without the impact of changes in currency rates, volume for 1998 increased over 17 percent. Acquisitions contributed over half of the 1998 increase. European markets experienced steady growth during the year. The Company also continued to penetrate markets in Asia Pacific and Latin American regions. Further advances within these regions are planned for 1999 in addition to the continuing growth anticipated for Europe.

International sales for 1997 increased 8.5 percent over 1996. Without the impact of changes in currency rates, volume for 1997 increased nearly 15 percent. Net of the currency impact, acquisitions accounted for a majority of the increase. Demand in Europe was relatively weak for the majority of 1997 with some improvement occurring in the fourth quarter. Latin America made an impressive recovery during the year with strength returning in Brazilian markets. Asia Pacific also contributed to the growth in 1997.

Backlog for the Industrial Segment was $585.2 million at June 30, 1998, compared to $510.8 million at the end of the prior period. Acquisitions contributed over one-third of this increase. The remaining increase was due to volume growth, primarily within North America. The 1997 increase over backlog of $464.6 million at June 30, 1996 was also due to increased volume within the North American operations, as well as acquisitions.

Industrial North American operating income, before a $5.2 million R&D charge in 1998, increased 13.2 percent in 1998 and 11.4 percent in 1997, with Income from operations as a percent of sales at 15.1 percent in 1998, before the R&D charge, compared to 15.3 percent in 1997 and 15.0 percent in 1996. Pricing pressures were experienced throughout most of the Industrial markets. Recently purchased acquisitions, not yet fully integrated, contributed lower margins. On the other hand, previous years' acquisitions, now fully integrated, were able to contribute higher margins, partially offsetting the decline in Income from operations as a percent of sales. Raw material prices remained relatively stable during the year.

International Income from operations, before a $10.6 million R&D charge in 1998, increased 27.1 percent in 1998 after a 1997 increase of 2.7 percent over 1996. Income as a percent of sales, before the R&D charge, increased to 8.1 percent after a decrease to 6.9 percent in 1997 from 7.3 percent in 1996.

The European Industrial markets performed well during 1998. Increased volume improved capacity utilization and previous acquisitions became integrated, resulting in improved margins. Recent acquisitions, with lower margins, partially offset these improvements. The Company's direct exposure to Asia Pacific is immaterial, but due to the current financial crisis, extreme pricing pressures were realized in the semiconductor markets, having an indirect effect on the Company.

Operating income for 1997 was affected by acquisitions which contributed lower operating margins primarily within International, but also within North America, because of integration costs incurred without the benefit of synergies yet to be realized.

Assets for the Industrial segment increased 17.9 percent in 1998 after only a slight increase in 1997. The increase in 1998 is primarily due to acquisitions and increases in inventories, partially offset by currency fluctuations. In 1997 currency fluctuations offset increases from acquisitions and increases in accounts receivable and inventories. In both years net plant and equipment increased due to capital expenditures exceeding depreciation.

AEROSPACE SEGMENT

	1998	1997	1996
Operating income as a percent of sales	16.0%	12.7%	13.7%
Return on average assets	22.5%	17.7%	19.2%

Sales increased 15.1 percent in 1998 and 38.8 percent in 1997. Increased commercial aircraft deliveries and continued penetration of the commercial repair and overhaul businesses contributed to the higher volume in 1998. Over one-half of the 1997 increase was due to an acquisition. Aerospace markets experienced strong growth during both 1998 and 1997. Gains were primarily within the commercial-transport original equipment market as the military market remained relatively flat for the past several years.

Backlog at June 30, 1998 was $1.06 billion compared to $976.2 million in 1997 and $866.3 million in 1996, reflecting the strong growth of the commercial aircraft market.

Operating income increased 45.3 percent in 1998 and 28.3 percent in 1997. As a percent of sales 1998 income was 16.0 percent compared to 12.7 percent in 1997 and 13.7 percent in 1996. Current year margins benefited from improved capacity utilization due to higher volume and a more favorable product mix. The 1997 decline in margins was primarily the result of lower margins contributed by the Abex operations which were still in the integration phase. Increases to long-term contract reserves also impacted the 1997 margins.

Assets increased 19.9 percent in 1998 after an 8.0 percent increase in 1997. For both periods the increases were primarily in customer receivables, inventories and property, plant and equipment, partially offset by a decrease in net goodwill.

CORPORATE ASSETS increased 5.5 percent in 1998 after a 33.2 percent increase in 1997. The increase in 1998 is primarily due to capital additions. The 1997 increase was the result of the construction of a new corporate headquarters, a net receivable resulting from two currency hedges and an increase in short-term investments.

CONSOLIDATED STATEMENT OF INCOME
(Dollars in thousands, except per share amounts)

For the years ended June 30,	1998	1997	1996
NET SALES	$ 4,633,023	$ 4,091,081	$ 3,586,448
Cost of sales	3,550,992	3,152,988	2,756,343
Gross profit	1,082,031	938,093	830,105
Selling, general and administrative expenses	532,134	475,180	425,449
INCOME FROM OPERATIONS	549,897	462,913	404,656
Other income (deductions):			
Interest expense	(52,787)	(46,659)	(36,667)
Interest and other income, net	6,783	5,623	8,537
Gain (loss) on disposal of assets	95	2,990	(2,047)
	(45,909)	(38,046)	(30,177)
Income before income taxes	503,988	424,867	374,479
Income taxes (Note 3)	180,762	150,828	134,812
Income before extraordinary item	323,226	274,039	239,667
Extraordinary item - extinguishment of debt (Note 7)	(3,675)		
NET INCOME	$ 319,551	$ 274,039	$ 239,667
EARNINGS PER SHARE (Note 4)			
Basic earnings per share before extraordinary item	$ 2.91	$ 2.46	$ 2.15
Extraordinary item - extinguishment of debt	(.03)		
Basic earnings per share	$ 2.88	$ 2.46	$ 2.15
Diluted earnings per share before extraordinary item	$ 2.88	$ 2.44	$ 2.14
Extraordinary item - extinguishment of debt	(.03)		
Diluted earnings per share	$ 2.85	$ 2.44	$ 2.14

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

QUARTERLY INFORMATION
(Dollars in thousands, except per share amounts)

1998 (a)(b)	1st	2nd	3rd	4th	Total
Net sales	$ 1,083,169	$ 1,114,948	$ 1,196,548	$ 1,238,358	$ 4,633,023
Gross profit	256,030	252,739	284,226	289,036	1,082,031
Income before extraordinary item	78,261	71,314	83,225	90,426	323,226
Net income	78,261	71,314	83,225	86,751	319,551
Diluted earnings per share before extraordinary item	.70	.63	.75	.80	2.88
Diluted earnings per share	.70	.63	.75	.77	2.85

1997 (a)	1st	2nd	3rd	4th	Total
Net sales	$ 959,328	$ 969,587	$ 1,047,100	$ 1,115,066	$ 4,091,081
Gross profit	204,830	208,264	246,522	278,477	938,093
Net income	51,105	52,564	77,964	92,406	274,039
Diluted earnings per share	.45	.47	.70	.82	2.44

(a) Quarterly Information is unaudited.
(b) Results for the third and fourth quarters include a non-cash, non-recurring pretax charge of $5.2 million and $10.6 million, respectively, for in-process R&D purchased as part of two acquisitions. The after-tax impact was $5.2 million ($.05 per share) and $6.8 million ($.06 per share), respectively.

CONSOLIDATED BALANCE SHEET
(Dollars in thousands)

June 30,	1998	1997
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 30,488	$ 68,997
Accounts receivable, less allowance for doubtful accounts (1998 - $9,004; 1997 - $5,904)	699,179	601,724
Inventories (Notes 1 and 5):		
Finished products	416,034	317,494
Work in process	392,880	304,743
Raw materials	135,357	105,610
	944,271	727,847
Prepaid expenses	22,035	17,366
Deferred income taxes (Notes 1 and 3)	84,102	83,627
TOTAL CURRENT ASSETS	1,780,075	1,499,561
Plant and equipment (Note 1):		
Land and land improvements	113,774	96,995
Buildings and building equipment	552,177	486,655
Machinery and equipment	1,560,016	1,443,820
Construction in progress	119,142	111,121
	2,345,109	2,138,591
Less accumulated depreciation	1,209,884	1,117,848
	1,135,225	1,020,743
Investments and other assets (Note 1)	194,632	174,142
Excess cost of investments over net assets acquired (Note 1)	399,681	285,264
Deferred income taxes (Notes 1 and 3)	15,208	19,236
TOTAL ASSETS	$ 3,524,821	$ 2,998,946

LIABILITIES AND SHAREHOLDERS' EQUITYCURRENT LIABILITIES

Notes payable and long-term debt payable within one year (Notes 6 and 7)	$ 265,485	$ 69,738
Accounts payable, trade	338,249	266,848
Accrued payrolls and other compensation	163,879	144,481
Accrued domestic and foreign taxes	34,374	51,374
Other accrued liabilities	186,783	183,570
TOTAL CURRENT LIABILITIES	988,770	716,011
Long-term debt (Note 7)	512,943	432,885
Pensions and other postretirement benefits (Notes 1 and 8)	265,675	252,709
Deferred income taxes (Notes 1 and 3)	29,739	26,007
Other liabilities	44,244	24,033
TOTAL LIABILITIES	1,841,371	1,451,645
SHAREHOLDERS' EQUITY (Note 9)		
Serial preferred stock, $.50 par value, authorized 3,000,000 shares; none issued		
Common stock, $.50 par value, authorized 600,000,000 shares; issued 111,812,025 shares in 1998 and 111,809,085 shares in 1997 at par value	55,906	55,905
Additional capital	139,726	150,702
Retained earnings	1,631,316	1,378,297
Foreign currency translation adjustments	(60,026)	(27,345)
	1,766,922	1,557,559
Common stock in treasury at cost; 1,938,762 shares in 1998 and 282,915 shares in 1997	(83,472)	(10,258)
TOTAL SHAREHOLDERS' EQUITY	1,683,450	1,547,301
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 3,524,821	$ 2,998,946

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

CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in thousands)

For the years ended June 30,	1998	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 319,551	$ 274,039	$ 239,667
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	153,633	146,253	126,544
Amortization	29,046	23,580	14,819
Deferred income taxes	7,680	(1,269)	(3,691)
Foreign currency transaction loss	3,697	1,947	1,733
Loss (gain) on sale of plant and equipment	291	(9,811)	3,506
Write-off of purchased in-process research and development	15,800		
Net effect of extraordinary loss	3,675		
Changes in assets and liabilities, net of effects from acquisitions and dispositions:			
Accounts receivable	(71,034)	(76,081)	8,723
Inventories	(185,569)	(27,007)	(15,046)
Prepaid expenses	(3,473)	(1,234)	(157)
Other assets	(31,620)	(26,130)	(20,444)
Accounts payable, trade	52,947	31,672	(15,503)
Accrued payrolls and other compensation	27,531	23,929	11,586
Accrued domestic and foreign taxes	(15,282)	4,282	(3,589)
Other accrued liabilities	(9,129)	16,026	(31,800)
Pensions and other postretirement benefits	14,276	6,823	19,404
Other liabilities	8,579	5,291	2,229
Net cash provided by operating activities	320,599	392,310	337,981
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions (less cash acquired of $4,260 in 1998, $1,394 in 1997 and $20,479 in 1996)	(232,953)	(31,461)	(359,447)
Capital expenditures	(236,945)	(189,201)	(201,693)
Proceeds from sale of plant and equipment	7,151	11,307	9,387
Other	3,630	14,624	(2,812)
Net cash (used in) investing activities	(459,117)	(194,731)	(554,565)

CASH FLOWS FROM FINANCING ACTIVITIES			
(Payments for) common share activity	(96,887)	(10,184)	(1,209)
Proceeds from (payments of) notes payable, net	190,865	(100,655)	81,194
Proceeds from long-term borrowings	87,085	9,390	201,724
(Payments of) long-term borrowings	(13,054)	(30,059)	(9,696)
Dividends paid, net of tax benefit of ESOP shares	(66,501)	(56,570)	(53,325)
Net cash provided by (used in) financing activities	101,508	(188,078)	218,688
Effect of exchange rate changes on cash	(1,499)	(4,457)	(1,981)
Net (decrease) increase in cash and cash equivalents	(38,509)	5,044	123
Cash and cash equivalents at beginning of year	68,997	63,953	63,830
Cash and cash equivalents at end of year	$ 30,488	$ 68,997	$ 63,953
Supplemental Data:			
Cash paid during the year for:			
Interest, net of capitalized interest	$ 48,105	$ 46,812	$ 35,554
Income taxes	175,546	145,663	135,380
Non-cash investing activities:			
Treasury stock issued for acquisitions	11,950		6,176
Non-cash financing activities:			
Principal reduction of ESOP debt guarantee			13,468

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

BUSINESS SEGMENT INFORMATION - BY INDUSTRY
(Dollars in thousands)

	1998	1997	1996
NET SALES, including intersegment sales:			
Industrial:			
North America	$ 2,480,231	$ 2,156,043	$ 1,976,351
International	1,161,530	1,073,201	989,359
Aerospace	992,994	862,659	621,465
Intersegment sales	(1,732)	(822)	(727)
	$ 4,633,023	$ 4,091,081	$ 3,586,448
INCOME FROM OPERATIONS before corporate general and administrative expenses:			
Industrial:			
North America	$ 368,314	$ 329,967	$ 296,081
International	83,534	74,058	72,093
Aerospace	159,067	109,470	85,329
	610,915	513,495	453,503
Corporate general and administrative expenses	61,018	50,582	48,847
Income from operations	549,897	462,913	404,656
Other deductions	45,909	38,046	30,177
Income before income taxes	$ 503,988	$ 424,867	$ 374,479
IDENTIFIABLE ASSETS:			
Industrial	$ 2,555,500	$ 2,167,820	$ 2,150,506
Aerospace	771,488	643,694	595,865
	3,326,988	2,811,514	2,746,371
Corporate assets (a)	197,833	187,432	140,753
	$ 3,524,821	$ 2,998,946	$ 2,887,124
PROPERTY ADDITIONS: (b)			
Industrial	$ 245,995	$ 173,635	$ 259,356
Aerospace	33,733	20,608	63,437
Corporate (c)	11,935	32,078	3,122
	$ 291,663	$ 226,321	$ 325,915

DEPRECIATION:			
Industrial	$ 129,183	$ 119,948	$ 106,553
Aerospace	17,191	19,517	17,267
Corporate	7,259	6,788	2,724
	$ 153,633	$ 146,253	$ 126,544

(a) Corporate assets are principally cash and cash equivalents, domestic deferred income taxes, investments, headquarters facilities, idle facilities 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 (1998 - $54,718; 1997 - $15,283; 1996 - $124,222).

(c) Fiscal 1997 includes $21,837 for real estate acquired in a tax-free exchange of property.

BUSINESS SEGMENT INFORMATION - BY GEOGRAPHIC AREA
(Dollars in thousands)

	1998	1997	1996
NET SALES, including interarea sales:			
North America	$ 3,549,425	$ 3,062,947	$ 2,669,201
Europe	1,071,554	1,055,401	918,493
All Other	199,796	190,584	155,963
Interarea	(187,752)	(217,851)	(157,209)
	$ 4,633,023	$ 4,091,081	$ 3,586,448
INCOME FROM OPERATIONS before corporate general and administrative expenses:			
North America	$ 515,073	$ 429,432	$ 381,154
Europe	84,944	70,926	63,083
All Other	10,898	13,137	9,266
	610,915	513,495	453,503
Corporate general and administrative expenses	61,018	50,582	48,847
Income from operations	$ 549,897	$ 462,913	$ 404,656
IDENTIFIABLE ASSETS:			
North America	$ 2,199,948	$ 1,808,154	$ 1,678,680
Europe	947,880	859,774	933,201
All Other	179,160	143,586	134,490
	3,326,988	2,811,514	2,746,371
Corporate assets (a)	197,833	187,432	140,753
	$ 3,524,821	$ 2,998,946	$ 2,887,124

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

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 operates in two principal business segments: Industrial and Aerospace. The Industrial Segment produces 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 more than 7,500 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. Its components also perform 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. Its products are marketed by field sales employees and are sold directly to the manufacturer and to the end user.

There are no individual customers to whom sales are 6 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 in any event would materially affect the Company's operating results.

USE OF ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles 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.

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. 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. 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 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, primarily over 15 years and not exceeding 40 years. Unamortized cost in excess of associated expected operating cash flows is considered to be impaired and is written down to fair value.

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.

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 a separate 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 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) 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.

Gains or losses on forward contracts which hedge dividends from consolidated subsidiaries are accrued in Shareholders' equity. Gains or losses on forward contracts which hedge specific transactions are recognized in Net income, offsetting the underlying foreign currency gains or losses.

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.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS - The Financial Accounting Standards Board (FASB) has issued Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income". SFAS No. 130 requires an additional disclosure for comprehensive income. It will not change Net income or Shareholders' equity. The Company must adopt SFAS No. 130 in the first quarter of 1999.

The FASB has also issued SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information". This standard requires segment information to be disclosed based upon how management internally evaluates the operating performance of its business units. Application of this standard, required by year-end 1999, is not expected to result in materially different disclosures for the Company.

The FASB has also issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". This standard establishes a new model for accounting for derivatives and hedging activities. Due to the immaterial amount of derivative and hedging activity within the Company, application of this standard, required in the first quarter of 2000, is not expected to have a material impact on results.

In March 1998 the Accounting Standards Executive Committee issued Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". SOP 98-1 requires expenses incurred during the application development stage of a software implementation project to be capitalized and amortized over the useful life of the project. Application of this standard, required beginning with the first quarter of 2000, is not expected to have a material impact on the results of the Company.

2. ACQUISITIONS AND WRITE-OFFS OF PURCHASED IN-PROCESS RESEARCH & DEVELOPMENT

On May 1, 1998 the Company acquired the equity of Extrudit Ltd., a tubing manufacturer located in Buxton, England. On April 30, 1998 the Company purchased the equity of UCC Securities Limited of Thetford, Norfolk, England, a manufacturer of technology-based hydraulic filtration products. On April 1, 1998 the Company acquired the equity of Sempress Pneumatics, a manufacturer of pneumatic cylinders and valves located near Rotterdam, the Netherlands. On March 31, 1998 the Company acquired the assets of Temeto AB located in Flen, Sweden, a distributor of hydraulic components. On March 26, 1998 the Company purchased the remaining 51% of two Korean joint ventures - HS Parker Company Ltd., in Yangsan, and the HS Parker Air Conditioning Components Company Ltd., in Chonan, manufacturers of hydraulic hose, fittings, hose assemblies and accumulators. On February 27, 1998 Computer Technology Corporation of Milford, Ohio, a manufacturer of human-machine interface solutions, was merged into the Company. On September 26, 1997 the Company acquired the assets of the Skinner solenoid valve division of Honeywell Inc. and the equity of Honeywell Lucifer, S.A. Skinner is headquartered in New Britain, Connecticut, and Lucifer is headquartered in Geneva, Switzerland. On August 4, 1997 the Company acquired the assets of EWAL Manufacturing of Belleville, New Jersey, a leading producer of precision fittings and valves. Combined annual sales for operations acquired in fiscal 1998, for their most recent fiscal year prior to acquisition, were approximately $243 million. Total purchase price for these businesses was approximately $236.5 million cash and 263,279 shares of common stock valued at $11.9 million.

The purchase price allocations of Computer Technology Corporation and UCC Securities Limited, as determined by independent appraisal, included a $15.8 million asset for purchased in-process research and development. Generally accepted accounting principles do no allow the capitalization of R&D of this nature, therefore, a write-off of $15.8 million ($12.0 million after tax or $.11 per share) is included in Cost of sales in 1998.

On June 4, 1997 the Company acquired the remaining 50 percent of SAES-Parker UHP Components Corp., a manufacturer of valves for ultra-pure gas used in semiconductor manufacturing. On February 3, 1997 the Company purchased Hydroflex S.A. de C.V., a leading Mexican manufacturer of hydraulic hose, fittings and adapters located in Toluca, Mexico. On September 5, 1996 the Company purchased the assets of the industrial hydraulic product line of Hydraulik-Ring AG, of Nurtingen, Germany. Total purchase price for these businesses was approximately $29.3 million cash. Combined annual sales for these operations, for their most recent fiscal year prior to acquisition, were approximately $52 million.

Effective April 15, 1996 the Company acquired the aerospace assets of the

Abex NWL Division of Pneumo Abex Corporation, a major international producer of aerospace hydraulic and electromechanical actuation equipment, engine thrust-reverser actuators, hydraulic pumps, and electrohydraulic servovalves headquartered in Kalamazoo, Michigan, for approximately $201 million cash. On February 29, 1996 the Company acquired VOAC Hydraulics AB, a worldwide leader in manufacturing mobile hydraulic equipment located in Boras, Sweden for approximately $163 million cash. Sales by these operations for their most recent fiscal year prior to acquisition approximated $366 million.

In June 1996 the Company acquired the remaining 60 percent of Schrader Bellows Parker, S.A. de C.V., a Mexico City-based manufacturer of pneumatic and hydraulic products. On August 4, 1995 the Company purchased inventory and machinery from Teledyne Fluid Systems consisting of the Republic Valve product line, the Sprague double-diaphragm pump line and the Sprague airborne accumulator product line. On July 31, 1995 the Company purchased the assets of General Valve Corp. of Fairfield, New Jersey, a leading producer of miniature solenoid valves for high-technology applications. Total purchase price for these businesses was approximately $9.2 million cash and 228,000 shares of common stock valued at $6.2 million. Sales by these operations for their most recent fiscal year prior to acquisition approximated $24.8 million.

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

3. INCOME TAXES

Income taxes include the following:

	1998	1997	1996
Federal	$ 129,462	$ 113,819	$ 95,127
Foreign	27,847	27,411	29,635
State and local	16,928	13,587	14,897
Deferred	6,525	(3,989)	(4,847)
	$ 180,762	$ 150,828	$ 134,812

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

	1998	1997	1996
Statutory Federal income tax rate	35.0%	35.0%	35.0%
State and local income taxes	2.1	2.0	2.3
FSC income not taxed	(1.7)	(1.8)	(1.1)
Foreign tax rate difference	.3	.3	.7
Recognized loss carryforwards	(.1)	(.6)	(1.1)
Other	.3	.6	.2
Effective income tax rate	35.9%	35.5%	36.0%

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:

	1998	1997
Postretirement benefits	$ 63,277	$ 48,320
Other liabilities and reserves	52,430	63,700
Long-term contracts	14,816	16,349
Operating loss carryforwards	9,440	23,286
Foreign tax credit carryforwards	3,773	1,405
Valuation allowance	(1,591)	(1,768)
Depreciation	(80,508)	(84,853)
Inventory	11,088	11,852
Net deferred tax asset (liability)	$ 72,725	$ 78,291
Change in net deferred tax asset (liability):		
Provision for deferred tax	$ (6,525)	$ 3,989
Translation adjustment	175	(2,932)
Acquisitions	784	(2,418)
Total change in net deferred tax	$ (5,566)	$ (1,361)

The classifications of deferred tax balances for 1997 have been revised to be consistent with 1998.

At June 30, 1998, foreign subsidiaries had benefits for operating loss carryforwards of $11,624 for tax and $13,215 for financial reporting, most of which can be carried forward indefinitely. Use of operating loss carryforwards and currency adjustments reduced the valuation allowance.

Non-current deferred income tax assets include a $7,529 tax benefit for the net operating loss carryforwards of the Company's German operations. The Company has not provided a valuation allowance that would be required under SFAS No. 109 if it is more likely that these benefits would not be realized. Although future events cannot be predicted with certainty, management continues to believe these benefits will be realized because the tax loss carryforward period is unlimited and the Company's German operations are currently profitable.

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.

4. 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:

	1998	1997	1996
Numerator:			
Net income applicable to common shares	$ 319,551	$ 274,039	$ 239,667
Denominator:			
Basic - weighted average common shares	110,868,834	111,601,484	111,260,717
Increase in weighted average from dilutive effect of exercise of stock options	1,090,437	916,569	928,000
Diluted - weighted average common shares, assuming exercise of stock options	111,959,271	112,518,053	112,188,717
Basic earnings per share	$ 2.88	$ 2.46	$ 2.15
Diluted earnings per share	$ 2.85	$ 2.44	$ 2.14

5. INVENTORIES

Inventories valued on the last-in, first-out cost method are approximately 36% of total inventories in 1998 and 1997. The current cost of these inventories exceeds their valuation determined on the LIFO basis by $139,011 in 1998 and $140,364 in 1997. Progress payments of $23,454 in 1998 and $20,728 in 1997 are netted against inventories.

6. FINANCING ARRANGEMENTS

The Company has committed lines of credit totaling $450,000 through several multi-currency unsecured revolving credit agreements with a group of banks, of which $226,525 was available at June 30, 1998. The majority of these agreements expire October 2002. 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 secured debt to net tangible assets.

The Company has other lines of credit, primarily short-term, aggregating $108,584, from various foreign banks, of which $72,013 was available at June 30, 1998. Most of these agreements are renewed annually.

During March 1998 the Company registered additional medium-term notes bringing the total available for issuance to $755,000 at June 30, 1998.

Subsequently, in July 1998, the Company issued $100,000 of these medium-term notes.

The Company is authorized to sell up to $400,000 of short-term commercial paper notes, rated A-1 by Standard & Poor's, P-1 by Moody's and D-1 by Duff & Phelps. At June 30, 1998 there were $191,250 of commercial paper notes outstanding which were supported by the available domestic lines of credit. Of the total commercial paper, $100,000 has been classified in the Balance Sheet as Long-term debt, as further discussed in Note 7. There were no commercial paper notes outstanding at June 30, 1997.

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, 1998 and 1997 were $155,259 and 6.1%, and $58,945 and 5.7%, respectively.

7. DEBT

June 30,	1998	1997
Domestic:		
Debentures and notes		
9.75%, due 2002-2021	$ 100,000	$ 100,000
7.3%, due 2011	100,000	100,000
10.375%, due 1999-2018	100,000	100,000
9.6%, due 1998		1,714
Medium-term notes		
6.35% to 7.39%, due 2004-2010	145,000	95,000
Commercial paper	100,000	
Variable rate demand bonds		
3.85% to 3.95%, due 2010-2025	20,035	20,035
Foreign:		
Bank loans, including revolving credit		
1.0% to 17.25%, due 1999-2018	54,653	25,704
Other long-term debt, including capitalized leases	3,481	1,225
Total long-term debt	623,169	443,678
Less long-term debt payable within one year	110,226	10,793
Long-term debt, net	$ 512,943	$ 432,885

On June 30, 1998, the Company called for redemption its outstanding $100,000, 10.375 percent debentures due 1999-2018. The after-tax extraordinary loss for this transaction, including an early-redemption premium and the write-off of deferred issuance costs, was $3,675 or $.03 per share. As a result of the call, these debentures have been reclassified to long-term debt payable within one year. The retirement of the debt was financed on July 15, 1998, through the issuance of $100,000 of medium term notes, due 2018, at an annual interest rate of 6.55 percent. As of June 30, 1998, $100,000 of commercial paper was classified as long-term debt, recognizing management's intentions.

Principal amounts of long-term debt payable in the five years ending June

30, 1999 through 2003 are $10,226, $20,217, $16,598, $19,917, and $19,825, respectively. The carrying value of the Company's long-term debt (excluding leases and cross-currency swaps) was $519,688 and $443,673 at June 30, 1998 and 1997, respectively, and was estimated to have a fair value of $545,140 and $454,689, at June 30, 1998 and 1997, 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.

LEASE COMMITMENTS -- Future minimum rental commitments as of June 30, 1998, under noncancelable operating leases, which expire at various dates, are as follows: 1999-$46,175; 2000-$25,390; 2001-$14,531; 2002-$7,066; 2003-$5,414 and after 2003-$24,278.

Rental expense in 1998, 1997 and 1996 was $37,065, $33,305, and $29,899, respectively.

8. 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 costs for all plans were $19,989, $22,773 and $22,514 for 1998, 1997 and 1996, respectively. Pension costs for all defined benefit plans accounted for using SFAS No. 87, Employers' Accounting for Pensions, are as follows:

	1998	1997	1996
Service cost-benefits earned during the period	$ 28,190	$ 23,715	$ 20,731
Interest cost on projected benefit obligation	57,892	52,726	44,384
Actual return on assets	(161,737)	(89,614)	(74,926)
Net amortization and deferral	93,719	33,703	30,111
Net periodic pension costs	$ 18,064	$ 20,530	$ 20,300

The following tables set forth the funded status of all the plans accounted for under SFAS No. 87 and the amounts recognized in the Company's consolidated balance sheet:

	Assets Exceed Accumulated Benefits 1998	1997
Actuarial present value of benefit obligations:		
Vested benefit obligation	$ (608,260)	$ (493,681)
Accumulated benefit obligation	$ (634,207)	$ (510,385)
Projected benefit obligation	$ (745,036)	$ (593,241)
Plan assets at fair value	974,131	749,386
Projected benefit obligation less than plan assets	229,095	156,145
Unrecognized net (gain) or loss	(135,827)	(61,122)
Unrecognized prior service cost	18,160	15,198
Unrecognized net (asset) obligation	(13,310)	(16,848)
Prepaid pension cost (pension liability) recognized	$ 98,118	$ 93,373

	Accumulated Benefits Exceed Assets 1998	1997
Actuarial present value of benefit obligations:		
Vested benefit obligation	$ (101,464)	$ (79,521)
Accumulated benefit obligation	$ (112,916)	$ (95,707)
Projected benefit obligation	$ (132,716)	$ (121,458)
Plan assets at fair value	23,782	18,301
Projected benefit obligation in excess of plan assets	(108,934)	(103,157)
Unrecognized net (gain) or loss	10,218	6,000
Unrecognized prior service cost	4,466	4,714
Unrecognized net (asset) obligation	579	1,794
Prepaid pension cost (pension liability) recognized	$ (93,671)	$ (90,649)

The majority of the underfunded plans relate to foreign and supplemental executive plans.

The plans' assets consist primarily of listed common stocks, corporate and government bonds, and real estate investments. At June 30, 1998 and 1997, the plans' assets included Company stock with market values of $20,262 and $21,502, 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:

	1998	1997	1996
U.S. defined benefit plans			
Discount rate	7.5%	8%	8%
Average increase in compensation	4.9%	5%	5%
Expected long-term return on assets	9.5%	9%	9%
Non-U.S. defined benefit plans			
Discount rate	4.5 to 7%	7 to 8%	7 to 8%
Average increase in compensation	3 to 4.5%	3.5 to 6%	4.5 to 6%
Expected long-term return on assets	5.5 to 9%	7 to 9%	7 to 9%

EMPLOYEE SAVINGS PLAN -- The Company sponsors an employee stock ownership plan (ESOP) as part of its existing savings and investment 401(k) plan, which is available to eligible domestic employees. Parker-Hannifin Common Stock is used to match contributions made by employees to the savings plan up to a maximum of 5 percent of an employee's annual compensation. A breakdown of shares held by the ESOP is as follows:

	1998	1997	1996
Allocated shares	7,631,677	7,460,378	6,934,194
Committed to be released			60,231
Total shares held by the ESOP	7,631,677	7,460,378	6,994,425

Through June 30, 1996 the ESOP was leveraged and the loan was unconditionally guaranteed by the Company. Company contributions to the ESOP, recorded as compensation and interest expense, were $23,093 in 1998, $21,235 in 1997 and $18,626 in 1996. The interest expense portion (interest on ESOP debt) was $856 in 1996. Dividends earned by the unallocated shares and interest income within the ESOP, totalling $218 in 1996, were used to service the ESOP debt. ESOP shares are considered outstanding for purposes of earnings per share computations.

In addition to shares within the ESOP, as of June 30, 1998 employees have elected to invest in 3,011,654 shares of Common Stock within the Company Stock Fund of the Parker Retirement Savings Plan.

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. Postretirement benefit costs included the following components:

	1998	1997	1996
Service cost-benefits attributed to service during the period	$ 4,021	$ 3,296	$ 3,515
Interest cost on accumulated postretirement benefit obligations	11,077	11,316	11,126
Net amortization and deferral	(1,815)	(830)	(708)
Net periodic postretirement benefit costs	$ 13,283	$ 13,782	$ 13,933

The following table reconciles the plans' combined funded status to amounts recognized in the Company's consolidated balance sheet:

	1998	1997
Accumulated postretirement benefit obligation:		
Retirees	$ (62,204)	$ (78,114)
Fully eligible active plan participants	(38,798)	(31,019)
Other active plan participants	(54,931)	(40,741)
Unrecognized (gain) loss	(2,251)	(15,918)
Unrecognized prior service cost	(15,046)	131
Accrued postretirement benefit costs	$ (173,230)	$ (165,661)

The assumptions used to measure the post-retirement benefit obligations are:

	1998	1997	1996
Discount rate	7.5%	8%	8%
Current medical cost trend rate	10.25%	10.5%	10.75%
Ultimate medical cost trend rate	6%	6%	6%
Medical cost trend rate decreases to ultimate in year	2007	2007	2007
Effect of a 1% increase in the medical cost trend rate:			
Increase in benefit obligation	$ 8,194	$ 8,161	$ 9,382
Increase in annual retiree medical cost	$ 658	$ 772	$ 568

OTHER -- The Company has established nonqualified deferred compensation programs which permit officers, directors and certain management employees to annually 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 $20,426, $4,862 and $4,129 in 1998, 1997 and 1996, 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 maintained in an irrevocable rabbi trust and are recorded as assets of the Company.

9. SHAREHOLDERS' EQUITY

COMMON SHARES	1998	1997	1996
Balance July 1	$ 55,905	$ 55,719	$ 55,502
Shares issued under stock option plans (1998 - 3,650; 1997 - 432,096; 1996 - 513,836)	1	139	189
Shares issued as restricted stock		47	28
Balance June 30	$ 55,906	$ 55,905	$ 55,719

ADDITIONAL CAPITAL			
Balance July 1	$ 150,702	$ 146,686	$ 139,953
Net (decrease) increase for treasury or common shares issued under stock option plans	(11,481)	1,684	5,481
Shares issued for purchase acquisition	478		(176)
Shares issued as restricted stock	27	2,332	1,428
Balance June 30	$ 139,726	$ 150,702	$ 146,686

RETAINED EARNINGS			
Balance July 1	$ 1,378,297	$ 1,160,828	$ 974,486
Net income	319,551	274,039	239,667
Cash dividends paid on common shares, net of tax benefit of ESOP shares	(66,501)	(56,570)	(53,325)
Cash payments for stock split fractional shares	(31)		
Balance June 30	$ 1,631,316	$ 1,378,297	$ 1,160,828

TRANSLATION ADJUSTMENTS			
Balance July 1	$ (27,345)	$ 20,725	$ 35,041
Translation adjustments (Note 12)	(32,681)	(48,070)	(14,316)
Balance June 30	$ (60,026)	$ (27,345)	$ 20,725

COMMON STOCK IN TREASURY

	1998	1997	1996
Balance July 1	$ (10,258)	$ --	$ --
Shares purchased at cost (1998 - 2,522,971; 1997 - 576,021; 1996 - 247,500)	(109,645)	(18,690)	(6,703)
Shares issued under stock option plans (1998 - 559,668; 1997 - 223,184)	23,187	6,676	
Shares issued for purchase acquisition	11,471		6,176
Shares issued as restricted stock	1,773	1,756	527
Balance June 30	$ (83,472)	$ (10,258)	$ --

Shares surrendered upon exercise of stock options; 1998 - 159,869; 1997 - 153,770; 1996 - 136,686.

SHARE REPURCHASES - In July 1998 the Board of Directors authorized the repurchase of an additional 4.0 million shares of its common stock, extending the initial repurchase plan started in August 1990. This increased the total number of shares authorized for repurchase to 5.05 million. 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.

10. 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 one year 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.

		1998	1997	1996
Net income:	As reported	$ 319,551	$ 274,039	$ 239,667
	Pro forma	$ 315,567	$ 270,758	$ 238,330
Earnings per share:				
Basic	As reported	$ 2.88	$ 2.46	$ 2.15
	Pro forma	$ 2.85	$ 2.43	$ 2.14
Diluted	As reported	$ 2.85	$ 2.44	$ 2.14
	Pro forma	$ 2.82	$ 2.41	$ 2.12

Because the SFAS No. 123 method of accounting has not been applied to options granted prior to 1996, the above pro forma effect may not be representative of that to be expected in future years.

The fair value for all options granted in 1998, 1997 and 1996 were estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	Aug/97	Jan/97	Aug/96	Aug/95
Risk-free interest rate	5.6%	6.3%	6.4%	6.4%
Expected life of option	5 yrs	5 yrs	5 yrs	5 yrs
Expected dividend yield of stock	2.3%	2.6%	2.6%	3.0%
Expected volatility of stock	26.9%	26.5%	26.2%	25.2%

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

	1998	1997	1996
Options exercisable	3,476,016	2,905,887	3,195,767
Weighted-average option price per share of options exercisable	$ 20.57	$ 16.41	$ 14.90
Weighted-average fair value of options granted during the year	$ 11.43	$ 7.30	$ 6.44
Shares available for grant	3,256,232	3,304,627	3,295,347

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, 1996	3,578,492	$ 16.09
Granted	1,351,500	27.37
Exercised	(655,280)	14.48
Canceled	(50,625)	
Outstanding June 30, 1997	4,224,087	$ 19.82
Granted	190,815	43.04
Exercised	(721,687)	19.83
Canceled	(31,409)	
Outstanding June 30, 1998	3,661,806	$ 21.71

The range of exercise prices and the remaining contractual life of options as of June 30, 1998 were:

Range of exercise prices	$12-$19	$20-$29	$43-$44
Options outstanding:			
Outstanding as of June 30, 1998	1,390,268	2,085,748	185,790
Weighted-average remaining contractual life	3.8 yrs	7.8 yrs	9.1 yrs
Weighted-average exercise price	$ 13.54	$ 25.26	$ 43.05
Options exercisable:			
Outstanding as of June 30, 1998	1,390,268	2,085,748	
Weighted-average remaining contractual life	3.8 yrs	7.8 yrs	
Weighted-average exercise price	$ 13.54	$ 25.26	

RESTRICTED STOCK -- Restricted stock was issued, under the Company's 1993 Stock Incentive Program, to certain key employees under the Company's 1995-96-97, 1994-95-96 and 1993-94-95 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 the 3-year Plans. 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	1998	1997	1996
Number of shares issued	39,619	152,916	73,361
Per share value on date of issuance	$ 40.00	$ 25.36	$ 26.05
Total value	$ 1,585	$ 3,878	$ 1,911

Under the Company's 1996-97-98 LTIP, a payout of 15,774 shares of restricted stock, from the Company's 1993 Stock Incentive Program, will be issued to certain key employees in 1999. The balance of the 1996-97-98 LTIP payout will be made as deferred cash compensation, as individually elected by the participants. The total payout, valued at $6,359, 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 1998, 1997 and 1996, 4,558, 9,923 and 3,243 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 dates options are granted. All outstanding options are exercisable one year 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, 1997	14,250	$ 24.85
Granted	8,250	42.96
Exercised	(1,500)	24.67
Outstanding June 30, 1998	21,000	$ 31.97

As of June 30, 1998, 12,750 options were exercisable and 352,500 shares were available for grant.

At June 30, 1998, the Company had 7,344,328 common shares reserved for issuance in connection with its stock incentive plans.

11. 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, 1998, 109,873,263 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 merger. The Rights should not interfere with any business combination that is in the best interest of the Company and its shareholders since the Rights may be redeemed.

12. FOREIGN OPERATIONS

The Company's major foreign operations are located in Germany, the United Kingdom, France, Sweden, and Italy. Their business activities are conducted principally in their local currency. Net transaction and translation adjustments reduced Net income in 1998 and 1997 by $2,284 and $1,267, respectively, and increased Net income in 1996 by $873.

Net sales, Income before income taxes and Net income include the following amounts from foreign operations:

	1998	1997	1996
Net sales	$ 1,340,080	$ 1,234,669	$ 1,085,676
Income before income taxes	101,307	85,234	70,118
Net income	57,651	50,067	42,563

Net assets of foreign operations at June 30, 1998 and 1997 amounted to $806,596 and $734,820, respectively.

Accumulated undistributed earnings of foreign operations reinvested in their operations amounted to $153,831, $121,871 and $103,059, at June 30, 1998, 1997 and 1996, respectively.

13. RESEARCH AND DEVELOPMENT

Research and development costs amounted to $83,117 in 1998, $103,155 in 1997, and $91,706 in 1996. Customer reimbursements included in the total cost for each of the respective years were $15,753, $35,986 and $33,018. Costs include those costs related to independent research and development as well as customer reimbursed and unreimbursed development programs.

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 are not reasonably likely to have a material effect on the Company's liquidity, financial condition or results of operations.

ENVIRONMENTAL - The Company is currently involved in environmental remediation at 19 manufacturing facilities presently or formerly operated by the Company and has been named as a "potentially responsible party", along with other companies, at 11 off-site waste disposal facilities.

As of June 30, 1998, the Company has a reserve of $8,640 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 $555 for discounting, at a 7.5% annual rate, a portion of the costs at 7 locations for established treatment procedures required over periods ranging from 3 to 16 years. The Company also has an account receivable of $490 for anticipated insurance recoveries.

The Company's estimated total liability for the above mentioned sites ranges from a minimum of $8,226 to a maximum of $20,610. 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 recoveries.

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 generally accepted accounting principles 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 generally accepted accounting principles. 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 is publicized throughout the Company. This 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, are retained to conduct an audit of Parker Hannifin's consolidated financial statements in accordance with generally accepted auditing standards 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 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.

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

Report of Independent Accountants

To the Shareholders and Board of Directors
Parker Hannifin Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and cash flows present fairly, in all material respects, the financial position of Parker Hannifin Corporation and its subsidiaries at June 30, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 1998, in conformity with generally accepted accounting principles. 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 generally accepted auditing standards 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 the opinion expressed above.

PricewaterhouseCoopers LLP

Cleveland, Ohio
July 30, 1998

FIVE-YEAR FINANCIAL SUMMARY

(Amounts in thousands, except per share information)	1998 (a)	1997	1996	1995	1994 (a)
Net sales	$ 4,633,023	$ 4,091,081	$ 3,586,448	$ 3,214,370	$ 2,576,337
Cost of sales	3,550,992	3,152,988	2,756,343	2,448,264	2,053,376
Selling, general and administrative expenses	532,134	475,180	425,449	384,581	302,668
Non-recurring charges - Restructuring & Asset impairment					54,256
Interest expense	52,787	46,659	36,667	30,922	37,832
Income taxes	180,762	150,828	134,812	130,169	60,274
Income - continuing operations	323,226	274,039	239,667	218,238	52,175
Net income	319,551	274,039	239,667	218,238	47,652
Basic earnings per share - continuing operations	2.91	2.46	2.15	1.97	.48
Diluted earnings per share - continuing operations	2.88	2.44	2.14	1.96	.48
Basic earnings per share	2.88	2.46	2.15	1.97	.43
Diluted earnings per share	$ 2.85	$ 2.44	$ 2.14	$ 1.96	$ .43
Average number of shares outstanding - Basic	110,869	111,602	111,261	110,576	109,661
Average number of shares outstanding - Diluted	111,959	112,518	112,189	111,149	110,270
Cash dividends per share	$ .600	$ .506	$ .480	$ .453	$ .436
Net income as a percent of net sales	6.9%	6.7%	6.7%	6.8%	1.8%
Return on average assets	9.8%	9.3%	9.2%	10.3%	2.5%
Return on average equity	19.8%	18.7%	18.6%	20.2%	5.0%
Book value per share	$ 15.32	$ 13.87	$ 12.42	$ 10.73	$ 8.78
Working capital	$ 791,305	$ 783,550	$ 635,242	$ 593,761	$ 526,864
Ratio of current assets to current liabilities	1.8	2.1	1.8	1.9	2.0
Plant and equipment, net	$ 1,135,225	$ 1,020,743	$ 991,777	$ 815,771	$ 717,300
Total assets	3,524,821	2,998,946	2,887,124	2,302,209	1,925,744
Long-term debt	512,943	432,885	439,797	237,157	257,259
Shareholders' equity	$ 1,683,450	$ 1,547,301	$ 1,383,958	$ 1,191,514	$ 966,351
Debt to debt-equity percent	31.6%	24.5%	30.7%	21.9%	22.7%
Depreciation	$ 153,633	$ 146,253	$ 126,544	$ 110,527	$ 106,546
Capital expenditures	$ 236,945	$ 189,201	$ 201,693	$ 151,963	$ 99,914
Number of employees	39,873	34,927	33,289	30,590	26,730
Number of shareholders	44,250	43,014	35,403	35,629	29,625
Number of shares outstanding at year-end	109,873	111,527	111,438	111,003	110,115

(a) Includes an extraordinary item for the early retirement of debt.

Exhibit (21)* to Report
on Form 10-K for Fiscal
Year Ended June 30, 1998
by Parker-Hannifin Corporation

The Company has the following subsidiaries:

Domestic Subsidiaries

Name	Incorporated	Percentage Owned(1)
B.A.G. Acquisition Limited	California	100
iPower Distribution Group Inc.	Ohio	100
Fluid Power Industries, Inc.	Delaware	100
Parker AIP Corp.	Delaware	100
Parker de Puerto Rico, Inc.	Delaware	100
Parker Finance Corp.	Delaware	100(2)
Parker-Hannifin Asia Pacific Co., Ltd.	Delaware	100(3)
Parker-Hannifin International Corp.	Delaware	100
Parker Intangibles Inc.	Delaware	100
Parker Properties Inc.	Delaware	100
Parker Services Inc.	Delaware	100
Sierra Manufacturing Company	Nevada	100(4)
Travel 17325 Inc.	Delaware	100
UCC, Inc.	Michigan	100(5)
Veriflo Corporation	California	100(6)

Foreign Subsidiaries

Acadia International Insurance Limited	Ireland	100
Alenco (Holdings) Ltd.	United Kingdom	100(3)
Beheermaatschappij Sempress B.V.	Netherlands	100(7)
Brownsville Rubber Co., S.A. de C.V.	Mexico	100
Extrudit Limited	United Kingdom	100(8)
Fluid Power Industries Ltd.	United Kingdom	100(9)
Parker Automotive de Mexico S.A. de C.V.	Mexico	100
Parker Enzed (Australia) Pty. Ltd.	Australia	100(10)
Parker Enzed (N.Z.) Limited	New Zealand	100(3)
Parker Enzed Equipment (Australia) Pty. Ltd.	Australia	100(10)
Parker Enzed Technologies Pty. Ltd.	Australia	100(10)
Parker Ermeto GesmbH	Austria	100(11)
Parker Fluid Connectors S.A. de C.V.	Mexico	100(12)
Parker Hannifin (1997) Co., Ltd.	Thailand	100(13)
Parker Hannifin (Australia) Pty. Ltd.	Australia	100(3)
Parker Hannifin (Canada) Inc.	Canada	100(3)
Parker Hannifin (Espana) SA	Spain	100(3)
Parker Hannifin (N.Z.) Limited	New Zealand	100
Parker Hannifin (Thailand) Co., Ltd.	Thailand	100
Parker Hannifin (UK) Ltd.	United Kingdom	100(3)
Parker Hannifin A/S	Norway	100(14)
Parker Hannifin AB	Sweden	100
Parker Hannifin AG	Switzerland	100(11)
Parker Hannifin Argentina SAIC	Argentina	100
Parker Hannifin B.V.	Netherlands	100(15)
Parker Hannifin Climate & Industrial Controls, Ltd.	Korea	100
Parker Hannifin Connectors Ltd.	Korea	100
Parker Hannifin de Venezuela, S.A.	Venezuela	100(3)
Parker Hannifin Denmark A/S	Denmark	100
Parker Hannifin Finance B.V.	Netherlands	100(7)
Parker Hannifin Foreign Sales Corp.	Guam	100(3)
Parker Hannifin GmbH	Germany	100(3)
Parker Hannifin Hong Kong Limited	Hong Kong	100(16)
Parker Hannifin Industria e Comercio Ltda.	Brazil	100(17)
Parker Hannifin Japan Ltd.	Japan	100
Parker Hannifin Korea Ltd.	Korea	100(3)
Parker Hannifin Motion & Control (Shanghai) Co. Ltd.	China	100
Parker Hannifin Oy	Finland	100
Parker Hannifin Pension Trustees Ltd.	United Kingdom	100(18)
Parker Hannifin plc	United Kingdom	100(14)
Parker Hannifin S.A.	France	100
Parker Hannifin S.p.A.	Italy	100
Parker Hannifin Sp. z.o.o.	Poland	100
Parker Hannifin Taiwan Ltd.	Taiwan	100
Parker Hannifin Verwaltungs GmbH	Germany	100(11)
Parker Jinyoung Ltd.	Korea	100(3)
Parker Lucifer S.A.	Switzerland	100
Parker Seal de Baja S.A. de C.V.	Mexico	100
Parker Seals S.p.A.	Italy	100(19)

Parker Sempress B.V.	Netherlands	100(20)
Parker Sistemas de Automatizacion S.A. de C.V.	Mexico	100
Parker Zenith S.A. de C.V.	Mexico	100(12)
Parker-Hannifin (Africa) Proprietary Limited	South Africa	100
Parker-Hannifin India Private Ltd.	India	100
Parker-Hannifin N.V. S.A.	Belgium	100(7)
Parker-Hannifin s.r.o.	Czech Republic	100
Parker-Hannifin Singapore Pte. Ltd.	Singapore	100
P-H do Brasil Comercial Ltda.	Brazil	100(3)
PH Finance Ltd.	United Kingdom	100
Schrader Bellows Parker,S.A. de C.V.	Mexico	100(12)
Sempress Pneumatic S.L.	Spain	100(21)
Sempress Pneumatiek N.V.	Belgium	100(22)
Sempress Pneumatik GmbH	Germany	100(11)
Sempress S.A.R.L.	France	100(23)
UCC Australia Pty. Ltd.	Australia	100(10)
UCC Corporation	Switzerland	100(24)
UCC Corporation & Co. GmbH	Germany	100(11)
UCC France S.A.R.L.	France	100(25)
UCC International Group Ltd.	United Kingdom	100(26)
UCC International Ltd.	United Kingdom	100(24)
UCC Properties Ltd.	United Kingdom	100(26)
UCC Securities Ltd.	United Kingdom	100(8)
VOAC Hydraulics S.A.	Spain	100(21)

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(1) Excludes directors' qualifying shares
(2) Owned 100% by Parker de Puerto Rico, Inc.
(3) Owned 100% by Parker-Hannifin International Corp.
(4) Owned 100% by Veriflo Corporation
(5) Owned 100% by UCC Corporation
(6) Owned 100% by B.A.G. Acquisition Limited
(7) Owned 100% by Parker Hannifin B.V.
(8) Owned 100% by Parker Hannifin (UK) Limited
(9) Owned 100% by Fluid Power Industries, Inc.
(10) Owned 100% by Parker-Hannifin (Australia) Pty. Ltd.
(11) Owned 100% by Parker Hannifin GmbH
(12) Owned 100% by Parker Sistemas de Automatizacion S.A. de C.V.
(13) Owned 51% by Parker Hannifin (Thailand) Co., Ltd. and 49% by Parker-Hannifin Corporation
(14) Owned 100% by Alenco (Holdings) Ltd.
(15) Owned 77.5% by Parker Hannifin International Corp. and 22.5% by Parker AIP Corp.
(16) Owned 99.99% by Parker-Hannifin Corporation and .01% by Parker-Hannifin International Corp.
(17) Owned 37.5% by P-H do Brasil Comercial Ltda. and 62.5% by Parker-Hannifin International Corp.
(18) Owned 100% by Parker Hannifin plc
(19) Owned 100% by Parker-Hannifin S.p.A.
(20) Owned 100% by Beheermaatschappij Sempress B.V.
(21) Owned 100% by Parker Hannifin (Espana) S.A.
(22) Owned 100% by Parker Hannifin N.V. S.A.
(23) Owned 100% by Parker Hannifin S.A.
(24) Owned 100% by UCC International Group Ltd.
(25) Owned 75% by UCC Corporation and 25% by Parker Hannifin S.A.
(26) Owned 100% by UCC Securities Ltd.

All of the foregoing subsidiaries are included in the Company's consolidated financial statements. In addition to the foregoing, the Company owns three 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, 1998
by Parker-Hannifin Corporation

Consent of Independent Accountants

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

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Parker-Hannifin Corporation on Forms S-3 (File Nos. 333-47955 and 333-02761) and Forms S-8 (File Nos. 33-53193, 33-43938 and 2-66732) of our reports dated July 30, 1998, on our audits of the consolidated financial statements and financial statement schedule of Parker-Hannifin Corporation as of June 30, 1998 and 1997, and for the years ended June 30, 1998, 1997, and 1996, which reports are incorporated by reference or, in the case of the supplemental schedule report, included in this Annual Report on Form 10-K.

PricewaterhouseCoopers LLP

Cleveland, Ohio
September 15, 1998

Exhibit (24)* to Report
on Form 10-K for Fiscal
Year Ended June 30, 1998
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

Duane E. Collins
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.

	Date		Date
P. S. Parker P. S. Parker, Chairman of the Board of Directors	9/15/98	Hector R. Ortino H. R. Ortino, Director	9/15/98
D. E. Collins D. E. Collins, Principal Executive Officer and Director	9/8/98		
M. J. Hiemstra M. J. Hiemstra, Principal Financial Officer	9/15/98	P. G. Schloemer P. G. Schloemer, Director	9/15/98
H. C. Gueritey, Jr. H. C. Gueritey, Jr., Principal Accounting Officer	9/15/98	Wolfgang R. Schmitt W. R. Schmitt, Director	9/15/98
J. G. Breen J. G. Breen, Director	9/15/98	D. L. Starnes D. L. Starnes, Director	9/15/98
Paul C. Ely, Jr. P. C. Ely, Jr., Director	9/15/98	Stephanie Streeter S. A. Streeter, Director	9/15/98
Allan H. Ford A. H. Ford, Director	9/8/98	D. W. Sullivan D. W. Sullivan, Director	9/7/98
P. W. Likins P. W. Likins, Director	9/8/98		

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM PARKER-HANNIFIN CORPORATION'S REPORT ON FORM 10-K FOR ITS FISCAL YEAR ENDED JUNE 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

12-MOS
JUN-30-1998
JUN-30-1998
30,488
0
642,320
9,004
944,271
1,780,075
2,345,109
1,209,884
3,524,821
988,770
623,169
55,906
0
0
1,627,544
3,524,821
4,633,023
4,633,023
3,550,992
3,550,992
0
2,267
52,787
503,988
180,762
323,226
0
(3,675)
0
319,551
2.88
2.85