UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

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

For the fiscal year ended June 30, 2005

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 or other jurisdiction of Incorporation or Organization)**	**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 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐.

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes ☒ No ☐.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The approximate aggregate market value of the voting stock held by non-affiliates of the Registrant as of December 31, 2004, excluding, for purposes of this computation only, stock holdings of the Registrant’s Directors and Officers: $9,066,622,254.

The number of Common Shares outstanding on July 31, 2005 was 119,687,052.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents are incorporated by reference:

(1) Annual Report to Shareholders of the Company for the fiscal year ended June 30, 2005 is incorporated by reference into Parts I and II hereof.

(2) Definitive Proxy Statement for the Company’s 2005 Annual Meeting of Shareholders to be held on October 26, 2005 is incorporated by reference into Part III hereof.

PARKER-HANNIFIN CORPORATION

FORM 10-K

Fiscal Year Ended June 30, 2005

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 one or more pumps which generate pressure, one or more valves which control the fluid's flow, one or more actuators which translate the pressure from the fluid into mechanical energy, one or more filters to insure proper fluid condition and numerous hoses, couplings, fittings and seals. Electromechanical control involves the use of electronic components and systems to control motion and precisely locate or vary speed in automation and aerospace applications. In addition to motion control products, the Company also is a leading worldwide producer of fluid purification, fluid and fuel control, process instrumentation, air conditioning, refrigeration, electromagnetic shielding and thermal management products and systems. Also, through Astron Buildings ("Astron"), the Company designs and manufactures custom-engineered buildings.

The Company also manufactured and marketed specialty chemical products and maintenance service equipment through the Wynn's Specialty Chemical Group until the Company divested this business in December 2004.

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

The Company's investor relations internet website address is www.phstock.com. The Company makes available free of charge on or through its website its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as reasonably practicable after filing or furnishing such material electronically with the Securities and Exchange Commission.

The Board of Directors adopted a written charter for each of the committees of the Board of Directors. These charters, as well as the Company's Code of Ethics, Guidelines on Corporate Governance Issues and Independence Standards for Directors, are posted and available on the Company's investor relations internet website at www.phstock.com under the Corporate Governance page. Shareholders may request copies of these corporate governance documents, free of charge, by writing to Parker-Hannifin Corporation, 6035 Parkland Boulevard, Cleveland, Ohio 44124-4141, Attention: Secretary, or by calling (216) 896-3000.

The Company's manufacturing, service, distribution and administrative facilities are located in 36 states and in 47 foreign countries. Its motion control technology is used in products of its three principal business Segments: Industrial; Aerospace; and Climate & Industrial Controls. The products are sold as original and replacement equipment through product and distribution centers worldwide. The Company markets its products through direct-sales employees, independent distributors, sales representatives and builder/dealers. 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, 2005, total net sales were $8,215,095,118; Industrial Segment products accounted for 72% of net sales, Aerospace Segment products for 17%, Climate & Industrial Controls Segment products for 10% and Other Segment products for 1%.

Markets

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

The approximately 400,000 customers who purchase the Company's products are found throughout virtually every significant manufacturing, transportation and processing industries. No single customer accounted for more than 3% of the Company's total net sales for the fiscal year.

Major markets for products of the Fluid Connectors, Hydraulics, Automation and Seal Groups of the Industrial Segment are agricultural machinery, analytical instrumentation, aerospace, automotive, construction machinery, electronic equipment, energy, oil and gas, fabricated metals, food production, information technology, industrial machinery, pulp and paper, machine tools, marine, medical devices, mining, mobile equipment, chemicals and chemical processing, robotics, semi-conductor equipment, telecommunications, textiles, transportation and every other major production and processing industry. 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, and semi-conductor manufacturing. Major markets for products of the Filtration Group of the Industrial Segment are industrial machinery, mobile equipment, diesel engines, 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 original equipment manufacturers in the commercial, military and general aviation markets and to end users for maintenance, repair and overhaul.

Products manufactured by the Climate & Industrial Controls Segment are used principally in commercial and industrial refrigeration systems, residential and commercial air conditioning systems, mobile air conditioning systems, and equipment and industrial fluid control markets. Sales of the

Climate & Industrial Controls Segment are made to original equipment manufacturers and their replacement markets.

In the Other Segment, Astron produces pre-engineered single and multi-story industrial and other commercial buildings throughout Europe.

Principal Products, Methods of Distribution and Competitive Conditions

Industrial Segment. The product lines of the Company's Industrial Segment consist of systems and components of motion control. The Fluid Connectors Group manufactures a broad range of connectors, including hydraulic, industrial and thermoplastic hose and fittings, tube fittings, quick disconnects, and plastic tubing and fittings 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, digitally controlled fan-drive systems, and power take-off equipment. The Automation Group supplies pneumatic and electromechanical components and systems. Pneumatic products include pneumatic valves, air preparation units, pneumatic actuators, vacuum products, pneumatic logic systems, and structural extrusions. Electromechanical products include human-machine interface hardware and software; industrial PCs; single and multi-axis stand-alone and bus-based controllers; rotary and linear servo motors; rotary and linear stepper motors; analog and digital stepper and servo drives; precision gearheads, ballscrew, belt, and linear motor driven positioning tables; electric rod-style and rodless cylinders; and gantry robots. The Seal Group manufactures static and dynamic sealing devices, including o-rings, extruded and lathe-cut products, custom molded shapes, and combination and dynamic seals; gaskets and packings, which insure leak-proof connections; rubber and plastic boots and bellows; electromagnetic interference shielding; and thermal management products. The Filtration Group manufactures filters, systems and instruments to monitor and to remove contaminants from fuel, air, oil, water and other fluids and gases, including hydraulic, lubrication and coolant filters; process, chemical and microfiltration filters; compressed air and gas purification filters; lube oil and fuel filters; fuel conditioning filters; fuel filters/water separators; cabin air filters; intake air filters; and nitrogen and hydrogen generators and condition monitoring devices. The Instrumentation Group manufactures high quality critical flow components for process instrumentation and ultra-high-purity applications, including fittings, valves, regulators and PTFE products.

Industrial Segment products include custom units which are engineered and produced to original equipment manufacturers' specifications for application to a particular end product and standard items. Both custom and standard products are also used in the replacement of original motion control system components. Industrial Segment products are marketed primarily through field sales employees and approximately 8,200 independent distributors.

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

The Aerospace Segment offers complete hydraulic and primary flight control systems that include hydraulic, electrohydraulic and electromechanical components 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, motor pumps, nosewheel steering systems, electromechanical actuators, engine controls and electronic controllers. The Aerospace Segment also designs and manufactures aircraft wheels and brakes for 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; center of gravity controls; engine fuel injection atomization nozzles, manifolds and augmentor controls; and electronic monitoring computers.

Pneumatic components include bleed air control systems, pressure regulators, low-pressure pneumatic controls, engine starter 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.

Climate & Industrial Controls Segment. The principal products of the Company’s Climate & Industrial Controls Segment are refrigeration and air conditioning systems and components and fluid control process systems and components for use primarily in the mobile and stationary refrigeration and air conditioning industry.

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

Other Segment. The products of the Company’s Other Segment are custom-engineered buildings which are designed and manufactured by Astron.

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

On June 3, 2005, the Company entered into an agreement with Lindab AB to sell all of the outstanding shares of Astron subject to customary closing conditions. The divestiture closed on August 31, 2005.

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, manufacturing and distribution capability, and competitive price. The Company believes that, in most of the major markets for its Industrial Segment products, it is one of the principal suppliers of motion control systems and components.

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

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

In the Other Segment, the Company competes on the basis of product quality and performance and competitive price. The Company believes that through Astron it is one of the primary suppliers of steel buildings in Europe.

Research and Product Development

The Company continually researches the feasibility of new products and services 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 $165,331,275 in fiscal year 2005, $143,023,429 in fiscal year 2004 and $122,013,485 in fiscal year 2003. These amounts include both costs incurred by the Company related to independent research and development initiatives as well as costs incurred in connection with research and development contracts. Customer reimbursements included in the total cost for each of the respective fiscal years 2005, 2004 and 2003 were $34,756,921, $48,434,734 and $29,561,273.

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, 2005 was approximately $2,356,071,162 and at June 30, 2004 was approximately $2,202,928,002. Approximately 87% of the Company's backlog at June 30, 2005 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.

As of June 30, 2005, the Company is involved in environmental remediation at 31 manufacturing facilities presently or formerly operated by the Company and has been named as a "potentially responsible party," along with other companies, at two off-site waste disposal facilities and three regional sites.

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

As of June 30, 2005, the Company has a reserve of $20,612,112 for environmental matters which are probable and reasonably estimable. This reserve is recorded based upon the best estimate of 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 and the amount of the Company's liability in proportion to other responsible parties.

The Company's estimated total liability for the above mentioned sites ranges from a minimum of $20,612,112 to a maximum of $66,516,528. The actual costs to be incurred by the Company will be dependent on final delineation of contamination, final determination of remedial action required, negotiations with federal and state agencies with respect to cleanup levels, changes in regulatory requirements, innovations in investigatory and remedial technology, effectiveness of remedial technologies employed, the ultimate ability to pay of the other responsible parties, and any insurance or third party recoveries.

Energy Matters and Sources and Availability of Raw Materials

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

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

Employees

The Company employed 50,638 persons as of June 30, 2005, of whom approximately 22,292 were employed by foreign subsidiaries.

Business Segment Information

The Company's net sales, segment operating income and identifiable assets by business segment and net sales and long-lived assets by geographic area for the past three fiscal years, as set forth on pages 13-16 to 13-17 of Exhibit 13 hereto, are incorporated herein by reference.

Acquisitions and Divestitures

During fiscal 2005, the Company completed several acquisitions and the divestiture of the Wynn's Specialty Chemical Group. The description of these transactions, as set forth on pages 13-23 to 13-24 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
Donald E. Washkewicz	Chairman of the Board and Chief Executive Officer	1997	55
Nickolas W. Vande Steeg	President, Chief Operating Officer and Director	1995	62
John D. Myslenski	Executive Vice President – Sales, Marketing and Operations Support	1997	54
Timothy K. Pistell	Executive Vice President - Finance and Administration and Chief Financial Officer	1993	58

Lee C. Banks	Vice President and President, Hydraulics Group	2001	42
Robert P. Barker	Vice President and President, Aerospace Group	2003	55
Robert W. Bond	Vice President and President, Fluid Connectors Group	2000	47
Lynn M. Cortright	Vice President and President, Climate & Industrial Controls Group	1999	64
Dana A. Dennis	Vice President and Controller	1999	57
Heinz Droxner	Vice President and President, Seal Group	2002	60
William G. Eline	Vice President - Chief Information Officer	2002	49
Pamela J. Huggins	Vice President and Treasurer	2003	51
Marwan M. Kashkoush	Corporate Vice President – Worldwide Sales and Marketing	2000	51
M. Craig Maxwell	Vice President – Technology and Innovation	2003	47
John K. Oelslager	Vice President and President, Filtration Group	1997	62
Thomas A. Piraino, Jr.	Vice President, General Counsel and Secretary	1998	56
Daniel S. Serbin	Vice President – Human Resources	2005	51
Roger S. Sherrard	Vice President and President, Automation Group	2003	39
Thomas L. Williams	Vice President and President, Instrumentation Group	2005	46

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

Mr. Washkewicz has been Chairman of the Board of Directors since October 2004; Chief Executive Officer since July 2001; and a member of the Board of Directors since February 2000. He was the President from February 2000 to October 2004; and Chief Operating Officer from February 2000 to July 2001.

Mr. Vande Steeg has been the President since October 2004; a member of the Board of Directors since August 2004; and Chief Operating Officer since October 2003. He was Executive Vice President from October 2003 to October 2004; Senior Vice President from August 2002 to October 2003; Operating Officer from January 2002 to October 2003; Corporate Vice President from January 2002 to August 2002; Vice President from September 1995 to January 2002; and President of the Seal Group from 1987 to January 2002.

Mr. Myslenski was named Executive Vice President – Sales, Marketing and Operations Support effective in October 2003. He was Senior Vice President from August 2002 to October 2003; Operating Officer from October 2001 to October 2003; Corporate Vice President from July 2001 to August 2002; Vice President from October 1997 to July 2001; and President of the Fluid Connectors Group from July 1997 to July 2001.

Mr. Pistell was elected as Executive Vice President – Finance and Administration in April 2005 and has been Chief Financial Officer since April 2003. He was Vice President – Finance and Administration from April 2003 to April 2005; a Vice President from October 2001 to April 2003; and Treasurer from July 1993 to April 2003.

Mr. Banks was elected as a Vice President in October 2001 and named President of the Hydraulics Group effective in October 2003. He was President of the Instrumentation Group from July 2001 to November 2003; Vice President – Operations of the Climate & Industrial Controls Group from January 2001 to July 2001; and General Manager of the Skinner Valve Division from August 1997 to January 2001.

Mr. Barker was elected as a Vice President in April 2003 and named President of the Aerospace Group effective in March 2003. He was Vice President-Operations of the Aerospace Group from April 1996 to March 2003.

Mr. Bond was elected as a Vice President in July 2000 and named President of the Fluid Connectors Group effective in March 2005. He was President of the Automation Group from April 2000 to February 2005.

Mr. Dennis was elected as a Vice President in October 2001 and as Controller effective in July 1999.

Mr. Droxner was elected as Vice President and named President of the Seal Group effective in January 2002. He was President of the Seal Group Europe from July 1999 to January 2002.

Mr. Eline was elected as Vice President – Chief Information Officer effective in August 2002. He was Vice President – Information Technology International from July 2000 to August 2002.

Ms. Huggins was elected as a Vice President and Treasurer in April 2003. She was Vice President and Controller of the Filtration Group from June 1999 to April 2003.

Mr. Kashkoush was named Corporate Vice President – Worldwide Sales and Marketing in October 2003. He was Vice President from July 2000 to October 2003 and President of the Hydraulics Group from February 2000 to October 2003.

Mr. Maxwell was elected as Vice President – Technology and Innovation in July 2003. He was Vice President – Engineering and Innovation from January 2003 to July 2003; Business Unit Manager of the Fluid Control Division from July 2002 to January 2003; and Engineering Manager of the Racor Division from July 1998 to July 2002.

Mr. Serbin was elected as Vice President – Human Resources effective in May 2005. He was Vice President – Human Resources of the Fluid Connectors Group from October 2003 to April 2005 and Vice President – Human Resources of the Hydraulics Group and the Automation Group from July 2000 to October 2003.

Mr. Sherrard was elected as a Vice President in November 2003 and named President of the Automation Group effective in March 2005. He was the President of the Instrumentation Group from November 2003 to February 2005 and General Manager of the Automation Actuator Division from May 2000 to November 2003.

Mr. Williams was elected as a Vice President and named President of the Instrumentation Group effective in March 2005. He was Vice President – Operations of the Hydraulics Group from November 2003 to February 2005; General Manager, Global Services of GE Transportation Systems (producer of rail locomotive) from October 2002 to November 2003 and General Manager, Global Sourcing and Components of GE Lighting (light bulbs and lighting systems) from November 1999 to October 2002.

ITEM 2. Properties. The following table sets forth the principal plants and other materially important properties of the Company and its subsidiaries. Leased properties are indicated with an asterisk. A “(1)” indicates that the property is occupied by the Company’s Industrial Segment, a “(2)” indicates that the property is occupied by the Company’s Aerospace Segment, a “(3)” indicates that the property is occupied by the Company’s Climate & Industrial Controls Segment, and a “(4)” indicates that the property is occupied by the Company’s Other Segment.

UNITED STATES

State	City
Alabama	Boaz(1)
	Huntsville(1)
	Jacksonville(1)
Arizona	Glendale(2)
	Tolleson(2)
	Tucson(1)
Arkansas	Benton(1)
	Trumann(3)
California	Camarillo(2)
	Irvine(1)(2)

State	City
	Modesto(1)
	Richmond(1)
	Rohnert Park(1)
	San Diego(1)
	Sante Fe Springs*(1)
Connecticut	New Britain(3)
	North Haven(1)
Florida	Longwood(3)
	Miami*(1)(3)
	Sarasota(1)
	Vero Beach*(1)
Georgia	Dublin(2)
Illinois	Bensenville(1)
	Broadview(3)
	Des Plaines(1)
	Elgin(1)
	Lincolnshire(1)
	Rockford(1)
	Woodridge*(1)
Indiana	Albion(1)
	Ashley(1)
	Goshen(1)
	Indianapolis*(1)
	Ligonier(1)
	New Haven(3)
	Syracuse(1)
	Tell City(1)
Iowa	Davenport*(1)
	Red Oak(1)
Kansas	Manhattan(1)
Kentucky	Lexington(1)
Louisiana	Baton Rouge*(1)
Maine	Kittery(1)
	Portland(3)
Maryland	Baltimore*(1)
Massachusetts	Devens(2)
	Haverhill*(1)
	Woburn(1)
Michigan	Kalamazoo(2)
	Lakeview(1)
	Mason(1)
	Otsego(1)
	Oxford(1)
	Richland(1)

State	City
	Troy*(1)(3)
Minnesota	Blaine(1)
	Chanhassen(1)
	Deerwood(1)
	Golden Valley(1)
	New Hope*(1)
	New Ulm(1)
Mississippi	Batesville(3)
	Booneville(3)
	Holly Springs(1)
	Madison(3)
	Olive Branch*(1)
Missouri	Kennett(3)
	Mexico*(3)
	Owensville(3)
	Washington(3)
Nebraska	Alliance(1)
	Gothenburg(1)
	Lincoln(1)
	McCook (1)
Nevada	Carson City(1)
New Hampshire	Hollis*(1)
	Hudson(1)
	Portsmouth*(1)
New Jersey	Fairfield*(1)
New York	Chestnut Ridge(1)
	Clyde(2)
	Fairport*(1)
	Lyons(3)
	Marion(1)
	Port Washington*(1)
	Smithtown(2)
North Carolina	Charlotte(1)
	Forest City(1)
	Kings Mountain(1)
	Wilson(1)
Ohio	Akron(1)
	Avon(2)
	Brookville(1)
	Columbus(1)
	Eastlake(1)
	Eaton(1)
	Elyria(1)(2)
	Hicksville(1)

State	City
	Kent(1)
	Lewisburg(1)
	Marysville(1)
	Mayfield Heights(1)(2)(3)
	Mentor(2)
	Metamora(1)
	Milford*(1)
	Ravenna(1)
	St. Marys(1)
	Strongsville*(1)
	Vandalia(1)
	Wadsworth(1)
	Wickliffe(1)
	Youngstown(1)
Oregon	Eugene(1)
Pennsylvania	Canton(1)
	Harrison City(1)
South Carolina	Beaufort(1)
	Bishopville(1)
	Moncks Corner(2)
	Spartanburg(1)
Tennessee	Collierville*(3)
	Greeneville(1)
	Greenfield(3)
	Lebanon(1)
	Livingston(1)
Texas	Deer Park*(1)
	Ft. Worth(2)
	Houston*(1)
	Mansfield(2)
	Nacogdoches(1)
Utah	Ogden(2)
	Salt Lake City(1)
Virginia	Iron Gate*(1)
	Lynchburg(1)
Washington	Seattle*(2)
Wisconsin	Chetek(1)
	Grantsburg(1)
	Manitowoc(1)
	Mauston(3)
	Waukesha(1)

FOREIGN COUNTRIES

Country	City
Argentina	Buenos Aires(1)(3)
Australia	Auburn*(1)
	Castle Hill(1)(3)
	Elizabeth West(1)
	Wodonga(1)
Austria	Wiener Neustadt(1)
Belgium	Boom*(1)
	Brussels*(1)
Brazil	Cachoerinha(1)
	Curitiba*(1)
	Jacarei(1)(2)(3)
	São Paulo(1)(3)
Canada	Brampton*(1)
	Grimsby(1)(3)
	Milton(1)
	Orillia(1)
	Owen Sound(1)
Chile	Santiago*(1)
Croatia	Zagreb*(4)
Czech Republic	Chomutov(1)(3)
	Prague*(1)(3)
	Prerov*(4)
	Sadská(1)
Denmark	Ballerup(1)(3)
	Espergarde(1)
Egypt	Cairo*(1)
England	Barnstaple(1)
	Burgess Hill*(1)
	Buxton(1)
	Cannock(1)
	Cornwall*(1)
	Cradley Heath(1)
	Derby*(1)
	Dewsbury(1)
	Grantham(1)
	Halesowen(1)
	Hemel Hempstead(1)(3)
	Littlehampton*(1)
	Marlow*(1)
	Ossett(1)
	Rotherham(1)
	Warwick(1)

Country	City
	Watford*(1)
Finland	Hyrynsalmi*(1)
	Oulu*(1)
	Tampere(1)
	Urjala(1)
	Vantaa(1)
France	Annemasse(1)
	Aubagne*(1)
	Contamine(1)(3)
	Dijon(1)
	Evreux(1)
	Vierzon(1)
	Wissembourg(1)
Germany	Bielefeld(1)
	Bietigheim-Bissingen(1)
	Chemnitz(1)
	Cologne(1)
	Erfurt(1)
	Geringswalde(1)
	Hochmössingen(1)
	Kaarst(1)(3)
	Lampertheim(1)
	Mücke(1)
	Offenburg*(1)
	Pleidelsheim(1)
	Scholß-Holte(1)
	Stuhr-Seckenhausen(1)
	Wiesbaden(2)
Greece	Athens*(1)
Hungary	Budapest*(1)
India	Hyderabad(1)
	Mumbai(1)(3)
Ireland	Dublin*(1)
Italy	Adro(1)
	Arsago Seprio(1)
	Bologna*(1)
	Corsico(1)(3)
	Gessate(3)
	Milan(1)
	Ortona*(1)
	Siziano*(1)
	Veniano*(1)
Japan	Tokyo*(1)(3)
	Yokohama(1)(2)

Country	City
Luxembourg	Diekirch(4)
Malaysia	Kuala Lumpur*(2)
Mexico	Guaymas*(2)
	Matamoros(1)
	Montemorelos(3)
	Monterrey(1)(3)
	Tijuana(1)
	Toluca(1)
Namibia	Windhoek*(1)
Netherlands	Amelo*(1)
	Arnhem(1)
	Etten-Leur*(1)
	Hendrik-Ido-Ambacht(1)
	Hoogezand(1)
	Oldenzaal(1)(3)
New Zealand	Mt. Wellington(1)
Norway	Langhus(1)
Peoples Republic of China	Hong Kong*(1)(3)
	Shanghai(1)(3)
	Tianjin(1)
Poland	Katowice*(1)
	Swiebodzice*(3)
	Warsaw(1)(3)
	Wroclaw(1)
Portugal	Porto*(1)
Romania	Bucharest*(1)
Russia	Moscow*(1)
Singapore	Singapore(1)(2)(3)
Slovak Republic	Bytca*(1)
Slovenia	Novo Mesto*(1)
South Africa	Kempton Park(1)(3)
South Korea	Chonan(3)
	Hwaseong(1)
	Seoul*(1)
	Siheung(1)
	Yangsan(1)
Spain	Barcelona*(1)
	Madrid(1)(3)
Sweden	Borås(1)
	Falköping(1)
	Spånga(1)
	Trollhätten(1)
	Ulricehamn(1)
Switzerland	Geneva(3)

Country	City
Taiwan	Taipei*(1)(3)
Thailand	Bangkok*(1)(3)
Turkey	Istanbul*(1)
Ukraine	Kiev*(1)
United Arab Emirates	Abu Dhabi*(1)
Venezuela	Caracas*(1)(3)

The Company believes that its properties have been adequately maintained, are in good condition generally and are suitable and adequate for its business as presently conducted. The extent of utilization of the Company's properties varies among its plants and from time to time. The Company's restructuring efforts over the past several years have brought capacity levels closer to present and anticipated needs. Although capacity has been reduced over the last fiscal year, most of 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. None.

PART II

ITEM 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

(a) ***Market for the Registrant's Common Equity***. As of July 31, 2005, the number of shareholders of record of the Company was 4,519 and the number of beneficial owners was approximately 54,600. Information regarding stock price and dividend information with respect to the Company's common stock, as set forth on page 13-41 of Exhibit 13 hereto, is incorporated herein by reference.

(b) ***Use of Proceeds***. Not Applicable.

(c) ***Issuer Purchases of Equity Securities.***

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
April 1, 2005 through April 30, 2005	107,382(2)	$60.3442	103,600	2,211,890
May 1, 2005 through May 31, 2005	428,274	$59.5701	428,274	1,783,616
June 1, 2005 through June 30, 2005	0	$ 0	0	1,783,616
Total:	535,656	$59.7253	531,874	1,783,616

(1) On August 16, 1990, the Company publicly announced that its Board of Directors authorized the repurchase of up to 3.0 million shares of its common stock. Such amount was subsequently adjusted to 6.75 million shares as a result of stock splits in June 1995 and September 1997. On July 14, 1998, the Company publicly announced that its Board of Directors authorized the repurchase of an additional 4.0 million shares of its common stock. There is no expiration date for the Company's repurchase program.

(2) Includes 3,782 shares surrendered to the Company by a retired executive officer in order to satisfy tax withholding obligations upon the vesting of restricted stock under the Company's 2000-01-02, 2001-02-03 and 2002-03-04 Long Term Incentive Plans.

ITEM 6. Selected Financial Data. The information set forth on page 13-45 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 13-2 to 13-14 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 costless collar contracts to reduce its exposure to fluctuations in foreign currencies. The total carrying and fair value of open contracts and any risk to the Company as a result of these arrangements is not material to the Company's financial position, liquidity or results of operations. The Company has entered into two interest rate swap agreements for a total notional amount of EUR 300 million. The swap agreements expire in November 2005 and effectively protect the Company against adverse interest rate changes in the EURO bond market and have been designated as a hedge against the Company's anticipated refinancing of its EURO Notes that are due in November 2005. The fair value of the interest rate swap agreements was a liability of approximately $12 million as of June 30, 2005, which has been recorded in the Consolidated Balance Sheet. The net payment or receipt under the swap agreements will be recognized as an adjustment to interest expense over the term of the EURO Notes anticipated to be issued in November 2005. A 100 basis point change in the EURO bond rates specified in the interest rate swap agreements would change the fair value of the swap agreements by approximately $24 million.

The Company's debt portfolio contains variable rate debt, inherently exposing the Company to interest rate risk. The Company's objective is to maintain a 60/40 mix between fixed rate and variable rate debt thereby limiting its exposure to changes in near term interest rates. A 100 basis point increase in near term interest rates would increase annual interest expense on variable rate debt by approximately $320,511.

For further discussion see the Significant Accounting Policies Footnote on page 13-22 of Exhibit 13 hereto and incorporated herein by reference.

ITEM 8. **Financial Statements and Supplementary Data**. The information set forth on pages 13-15 to 13-41 of Exhibit 13 hereto is incorporated herein by reference.

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

ITEM 9A. **Controls and Procedures**. The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, of the effectiveness of the Company's disclosure controls and procedures as of the end of the fourth fiscal quarter of fiscal year 2005. Based on this evaluation, the principal executive officer and principal financial officer, have concluded that the Company's disclosure controls and procedures are effective in all material respects, to ensure that information required to be disclosed in the reports the Company files and submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Management's Report on Internal Control over Financial Reporting set forth on page 13-42 of Exhibit 13 hereto is incorporated herein by reference. The Report of Independent Registered Public Accounting Firm set forth on pages 13-43 and 13-44 of Exhibit 13 hereto is incorporated herein by reference.

There has been no change in the Company's internal control over financial reporting during the quarter ended June 30, 2005 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. Other Information. On August 29, 2005, the Management Development and Compensation Committee of the Board of Directors of the Corporation approved a target award under the Corporation's 2006 Target Incentive Bonus Plan to Robert P. Barker, one of the Corporation's named executive officers, and certain other executive officers. Mr. Barker's target bonus is $80,000 subject to the terms and conditions of the 2006 Target Incentive Bonus Plan attached hereto as Exhibit 10(n) and incorporated herein by reference. The four other named executive officers have received a target bonus award, subject to shareholder approval of a Section 162(m) qualified bonus plan.

PART III

ITEM 10. Directors and Executive Officers of the Registrant. Information required with respect to the Directors of the Company is set forth under the caption "Election of Directors" in the definitive Proxy Statement for the Company's 2005 Annual Meeting of Shareholders to be held October 26, 2005 ("2005 Proxy Statement") and is incorporated herein by reference. Information with respect to the executive officers of the Company is included in Part I hereof under the caption "Executive Officers of the Company". The information set forth under the captions "Audit Committee Financial Expert" and "Report of the Audit Committee" in the 2005 Proxy Statement is incorporated herein by reference.

The information set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the 2005 Proxy Statement is incorporated herein by reference.

The Company has adopted a code of ethics that applies to its Chief Executive Officer, Chief Financial Officer and Controller. The Code of Ethics is posted on the Company's investor relations internet website at www.phstock.com under the Corporate Governance page. Any amendments to, or a waiver from, a provision of the Company's Code of Ethics that applies to its Chief Executive Officer, Chief Financial Officer or Controller will also be posted at www.phstock.com under the Corporate Governance page.

ITEM 11. Executive Compensation. The information set forth under the captions "Compensation of Directors" and "Executive Compensation" in the 2005 Proxy Statement is incorporated herein by reference.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters. The information set forth under the captions "'Change in Control' Severance Agreements with Officers" and "Principal Shareholders of the Corporation" in the 2005 Proxy Statement is incorporated herein by reference. The information set forth under the caption "Equity Compensation Plan Information" in the 2005 Proxy Statement is incorporated herein by reference.

ITEM 13. Certain Relationships and Related Transactions. The information set forth under the caption "Certain Relationships and Related Transactions" in the 2005 Proxy Statement is incorporated herein by reference.

ITEM 14. **Principal Accountant Fees and Services**. The information set forth under the captions “Audit Fees,” “Audit-Related Fees,” “Tax Fees,” “All Other Fees” and “Audit Committee Pre-Approval Policies and Procedures” in the 2005 Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules.

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

1. Financial Statements and Schedule

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

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, furnished or incorporated by reference as part of this Report.

SIGNATURES

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

PARKER-HANNIFIN CORPORATION

By: /s/ Timothy K. Pistell
Timothy K. Pistell
Executive Vice President - Finance and
Administration and Chief Financial Officer

September 2, 2005

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

<u>Signature and Title</u>

DONALD E. WASHKEWICZ, Chairman of the Board of Directors and Chief Executive Officer; DANA A. DENNIS, Principal Accounting Officer; DUANE E. COLLINS, Director; WILLIAM E. KASSLING, Director; ROBERT J. KOHLHEPP, Director; PETER W. LIKINS, Director; GIULIO MAZZALUPI, Director; KLAUS-PETER MÜLLER, Director; CANDY M. OBOURN, Director; HECTOR R. ORTINO, Director; ALLAN L. RAYFIELD, Director; JOSEPH M. SCAMINACE, Director; WOLFGANG R. SCHMITT, Director; DEBRA L. STARNES, Director; MARKOS I. TAMBAKERAS, Director and NICKOLAS W. VANDE STEEG, Director.

Date: September 2, 2005

/s/ Timothy K. Pistell

Timothy K. Pistell, Executive 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 Exhibit 13 (Page)**
Data incorporated by reference from Exhibit 13:		
Management’s Report on Internal Control over Financial Reporting	—	13-42
Report of Independent Registered Public Accounting Firm	—	13-43 to 13-44
Consolidated Statement of Income for the years ended June 30, 2005, 2004 and 2003	—	13-15
Consolidated Statement of Comprehensive Income for the years ended June 30, 2005, 2004 and 2003	—	13-15
Consolidated Balance Sheet at June 30, 2005 and 2004	—	13-18
Consolidated Statement of Cash Flows for the years ended June 30, 2005, 2004 and 2003	—	13-19
Notes to Consolidated Financial Statements	—	13-20 to 13-41
Schedule:		
II - Valuation and Qualifying Accounts	F-2	—

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 wholly-owned.

PARKER-HANNIFIN CORPORATION

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED JUNE 30, 2003, 2004 and 2005
(Dollars in Thousands)

Column A Description	Column B Balance at Beginning Of Period	Column C Additions Charged to Costs and Expenses	Column D Other (Deductions)/ Additions (A)	Column E Balance At End Of Period
Allowance for doubtful accounts:				
Year ended June 30, 2003	$ 14,617	$ 3,578	$ (4,160)	$ 14,035
Year ended June 30, 2004	$ 14,035	$ 4,168	$ (4,881)	$ 13,322
Year ended June 30, 2005	$ 13,322	$ 5,218	$ (4,954)	$ 13,586
Deferred tax asset valuation allowance:				
Year ended June 30, 2003	$ 62,559	$ 41,588	$ (56,478)	$ 47,669
Year ended June 30, 2004	$ 47,669	$ 17,400	$ (10,976)	$ 54,093
Year ended June 30, 2005	$ 54,093	$ 5,017	$ (25,911)	$ 33,199

(A) For allowance for doubtful accounts, net balance of deductions due to uncollectible accounts charged off and additions due to acquisitions or recoveries. For defered tax asset valuation allowance, primarily represents reversal of valuation allowance due to changes in the uncertainty of realizing operating loss and capital loss carryforwards.

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 KeyBank National Association (“KeyBank”)(C), as amended by the First Addendum to Shareholder Protection Rights Agreement, dated April 21, 1997, between the Registrant and Wachovia Bank of North Carolina N.A. (“Wachovia”), as successor to KeyBank(D), and the Second Addendum to Shareholder Protection Rights Agreement, dated June 15, 1999, between the Registrant and National City Bank, as successor to Wachovia(D).
	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 9 of the Notes to Consolidated Financial Statements on page 13-29 of Exhibit 13 hereto, which Note is incorporated herein by reference.
(10)	Material Contracts:
(10)(a)	Form of Change in Control Severance Agreement entered into by the Registrant and executive officers, as amended and restated(E).*
(10)(b)	Parker-Hannifin Corporation Change in Control Severance Plan, as amended(F).*
(10)(c)	Form of Indemnification Agreement entered into by the Registrant and its directors and executive officers(G).
(10)(d)	Exchange Agreement entered into as of May 11, 1999 between the Registrant and Duane E. Collins including an Executive Estate Protection Plan comprised of the Executive Estate Protection Agreement entered into by the Registrant, Duane E. Collins and The Duane E. Collins Irrevocable Trust dated 5/10/99 (the “Trust”), the Collateral Assignment between the Registrant and the Trust and the “as sold” illustration of an Executive Estate Protection Plan Insurance Policy(H).*
(10)(e)	Cancellation Agreement dated December 29, 2003 between the Registrant, Duane E. Collins and the Trust (I).*
(10)(f)	Form of Executive Life Insurance Agreement entered into by the Registrant and certain executives (including executive officers), as restated(J).*

(10)(g)	Form of Termination Agreement to the Executive Life Insurance Agreement entered into by the Registrant and executive officers.*
(10)(h)	Description of the Parker-Hannifin Corporation Officer Life Insurance Plan.*
(10)(i)	Parker-Hannifin Corporation Supplemental Executive Retirement Benefits Program (Restatement)(K).*
(10)(j)	Parker-Hannifin Corporation 1993 Stock Incentive Program, as amended(L).*
(10)(k)	Parker-Hannifin Corporation 2003 Stock Incentive Plan, as amended and restated(M).*
(10)(l)	Form of Grant Letter for Stock Options for Executive Officers.*
(10)(m)	Form of Grant Letter for Stock Options with Tandem Stock Appreciation Rights for Executive Officers(N).*
(10)(n)	Description of the Parker-Hannifin Corporation 2006 Target Incentive Bonus Plan.*
(10)(o)	Description of the Parker-Hannifin Corporation 2005 Target Incentive Bonus Plan(O).*
(10)(p)	Description of the Parker-Hannifin Corporation Amended 2003-04-05 Long Term Incentive Plan(P).*
(10)(q)	Description of the Parker-Hannifin Corporation 2004-05-06 Long Term Incentive Plan(Q).*
(10)(r)	Description of the Parker-Hannifin Corporation 2005-06-07 Long Term Incentive Plan(R).*
(10)(s)	Parker-Hannifin Corporation Savings Restoration Plan, as restated(S).*
(10)(t)	Parker-Hannifin Corporation Pension Restoration Plan, as amended and restated(T).*
(10)(u)	Parker-Hannifin Corporation Executive Deferral Plan, as restated(U).*
(10)(v)	Parker-Hannifin Corporation Volume Incentive Plan, as amended(V).*
(10)(w)	Parker-Hannifin Corporation Non-Employee Directors' Stock Plan, as amended and restated(W).*
(10)(x)	Parker-Hannifin Corporation Non-Employee Directors Stock Option Plan(X).*
(10)(y)	Parker-Hannifin Corporation 2004 Non-Employee Directors' Stock Incentive Plan.*
(10)(z)	Form of Grant Letter for Stock Options for Non-Employee Directors(Y).*

(10)(aa)	Parker-Hannifin Corporation Deferred Compensation Plan for Directors, as amended and restated(Z).*
(10)(bb)	Parker-Hannifin Corporation Stock Option Deferral Plan(AA).*
(10)(cc)	Summary of the Compensation of the Non-Employee Members of the Board of Directors(BB).*
(10)(dd)	Description of Duane E. Collins Consulting/Director Compensation Arrangement(CC).*
(10)(ee)	Notice of Issuance of Restricted Stock for Nickolas W. Vande Steeg dated October 29, 2004(DD).*
(10)(ff)	Notice of Issuance of Restricted Stock for Nickolas W. Vande Steeg dated August 17, 2005(EE).*
(11)	Computation of Common Shares Outstanding and Earnings Per Share is incorporated by reference to Note 5 of the Notes to Consolidated Financial Statements on page 13-27 of Exhibit 13 hereto.
(12)	Computation of Ratio of Earnings to Fixed Charges as of June 30, 2005.
(13)	Excerpts from Annual Report to Shareholders for the fiscal year ended June 30, 2005 which are incorporated herein by reference thereto.
(21)	List of subsidiaries of the Registrant.
(23)	Consent of Independent Registered Public Accounting Firm.
(24)	Power of Attorney.
(31)(i)(a)	Certification of the Principal Executive Officer Pursuant to 17 CFR 240.13a-14(a), as Adopted Pursuant to §302 of the Sarbanes-Oxley Act of 2002.
(31)(i)(b)	Certification of the Principal Financial Officer Pursuant to 17 CFR 240.13a-14(a), as Adopted Pursuant to §302 of the Sarbanes-Oxley Act of 2002.
(32)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to §906 of the Sarbanes-Oxley Act of 2002.

* Management contracts or compensatory plans or arrangements.

(A) Incorporated by reference to Exhibit 3 to the Registrant’s Report on Form 10-Q for the quarterly period ended September 30, 1997 (Commission File No. 1-4982).

(B) Incorporated by reference to Exhibit 3(b) to the Registrant’s Report on Form 10-K for the fiscal year ended June 30, 2001 (Commission File No. 1-4982).

(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 (Commission File No. 1-4982).

(D) Incorporated by reference to Exhibit 4(a) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1999 (Commission File No. 1-4982).

(E) Incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2003 (Commission File No. 1-4982).

(F) Incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2001 (Commission File No. 1-4982).

(G) Incorporated by reference to Exhibit 10(c) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2003 (Commission File No. 1-4982).

(H) Incorporated by reference to Exhibit 10(d) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1999 (Commission File No. 1-4982).

(I) Incorporated by reference to Exhibit 10(c) to the Registrant's Report on Form 10-Q for the quarterly period ended March 31, 2004 (Commission File No. 1-4982).

(J) Incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2002 (Commission File No. 1-4982).

(K) Incorporated by reference to Exhibit 10(k) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2004 (Commission File No. 1-4982).

(L) Incorporated by reference to Exhibit 10 to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 1997 (Commission File No. 1-4982).

(M) Incorporated by reference to Exhibit 10.2 to the Registrant's Report on Form 8-K filed with the Commission on August 16, 2005 (Commission File No. 1-4982).

(N) Incorporated by reference to Exhibit 10.3 to the Registrant's Report on Form 8-K filed with the Commission on August 16, 2005 (Commission File No. 1-4982).

(O) Incorporated by reference to Exhibit 10(o) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2004 (Commission File No. 1-4982).

(P) Incorporated by reference to Exhibit 10(c) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2003 (Commission File No. 1-4982).

(Q) Incorporated by reference to Exhibit 10(d) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2003 (Commission File No. 1-4982).

(R) Incorporated by reference to Exhibit 10(s) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2004 (Commission File No. 1-4982).

(S) Incorporated by reference to Exhibit 10(t) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2004 (Commission File No. 1-4982).

(T) Incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 1999 (Commission File No. 1-4982).

(U) Incorporated by reference to Exhibit 10(v) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2004 (Commission File No. 1-4982).

(V) Incorporated by reference to Exhibit 10(t) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2000 (Commission File No. 1-4982).

(W) Incorporated by reference to Exhibit 10(x) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2004 (Commission File No. 1-4982).

(X) Incorporated by reference to Exhibit 10(w) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2001 (Commission File No. 1-4982).

(Y) Incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 8-K filed with the Commission on August 16, 2005 (Commission File No. 1-4982).

(Z) Incorporated by reference to Exhibit 10(x) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2001 (Commission File No. 1-4982).

(AA) Incorporated by reference to Exhibit 10(u) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1998 (Commission File No. 1-4982).

(BB) Incorporated by reference to Exhibit 10 to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 2004 (Commission File No. 1-4982).

(CC) Incorporated by reference to Exhibit 10 to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2004 (Commission File No. 1-4982).

(DD) Incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 8-K filed with the Commission on November 4, 2004 (Commission File No. 1-4982).

(EE) Incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 8-K filed with the Commission on August 22, 2005 (Commission File No. 1-4982).

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(g)

TERMINATION AGREEMENT

This Termination Agreement ("Termination") is made as of ______, 200_ by and between Parker-Hannifin Corporation, an Ohio corporation ("Parker") and __________ (the "Executive").

RECITALS

A. Parker and the Executive are parties to an Executive Life Insurance Agreement dated as of __________ (the "Agreement").

B. Parker and the Executive mutually desire to terminate this Agreement on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing, and the mutual agreements and covenants set forth below, Parker and the Executive agree as follows:

1. Definitions. All initially capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Agreement.

2. Termination. Effective on the Termination Date (as hereinafter defined), the Agreement, and all rights and obligations of Parker and the Executive under the Agreement, shall terminate and each party hereby releases the other party from any and all liability under the Agreement. As used herein, "Termination Date" shall mean the date following execution and delivery hereof that Parker requests payment of the Cash Surrender Value of the Policy to Parker as described in Section 3 below.

3. Cash Surrender Value. As of the Termination Date, Parker shall be entitled to receive the entire Cash Surrender Value of the Policy. Executive agrees to cooperate with Parker in authorizing the Insurer to pay the Cash Surrender Value of the Policy to Parker.

4. Collateral Interest. Parker agrees to execute and file with the Insurer a release of its Collateral Interest in the Policy promptly following receipt by Parker of the Cash Surrender Value of the Policy.

5. New Plan. As of ______, 200_, the Executive shall become a participant in Parker's Officer Life Insurance Plan, subject to all of the terms and conditions of such Plan.

IN WITNESS WHEREOF, the parties hereto have signed this Agreement as of the date first written above.

PARKER-HANNIFIN CORPORATION

By: ____

Title: ____

____

Signature of Executive

Exhibit 10(h)

OFFICER LIFE INSURANCE PLAN

Summary Plan Document

September 2005

What is the purpose of these Questions & Answers?

These Questions & Answers are intended to answer questions you may have about the Parker Hannifin Corporation Officer Life Insurance Plan. They are not intended to be comprehensive and do not address all tax and legal issues surrounding the Plan. You should consult with your personal tax and legal counsel regarding your personal income and estate tax situation as it relates to this Plan.

You should also be aware that the benefit plans and policies established by Parker Hannifin Corporation for its employees should not be construed to be a guarantee or contract of employment. As is customary with such benefit plans and human resources policies, Parker reserves the right to change or discontinue the Plan at any time and for any reason.

What is the Parker Hannifin Corporation Officer Life Insurance Plan?

The Parker Officer Life Insurance Plan is designed to provide corporate officers of Parker with a comprehensive life insurance benefit targeted at 3 times* annual salary during their working careers at Parker Hannifin, and a life insurance benefit targeted at up to 2 times final salary during retirement. Parker has adopted the Plan to provide enhanced pre- and post-retirement life insurance death benefits for key executives as a means to attract and retain qualified personnel. This purpose is attained through Parker's funding of a cash value life insurance Policy that is participant-owned. While the primary purpose of the Plan is to provide an insured death benefit during employment and after retirement, the insurance Policy will allow for accumulation of cash surrender value that could be used to supplement retirement income.

How do I become a participant in the Plan?

You will receive notification of your eligibility from Parker together with an enrollment package. You will become a participant in the Plan by completing the enrollment and application items by the enrollment deadline, and upon approval by the life insurance carrier, Sun Life. You will be contacted if further information and/or actions are required.

What are the benefits of participating in this Plan?

Officers participating in this Plan will receive the following benefits:

- ***Substantial Life Insurance Benefits:***

Pre-retirement	*3 x Salary **
Post-retirement	*up to 2 x Final Salary***

***** *4 x Salary for Office of Chief Executive; 5 x Salary for Chief Executive Officer*

** *Designed to last until age 95.*

- ***Benefit Security/Control:*** You, as the participant, own the life insurance Policy and will ultimately enjoy complete control over its disposition.
- ***Estate/Retirement Planning Flexibility:*** Because the benefit is participant-owned and funded by an individual life insurance Policy, you will decide how to integrate its features into your overall personal retirement and/or estate plan.
- ***Investment Choice/Flexibility*** Parker will make all premium payments under the Plan. However, you will be responsible for allocating the net Policy cash values among the "family" of separate investment accounts that are a part of the Policy. Similar to mutual funds, these separate accounts have a wide range of investment objectives including long-term capital appreciation, fixed income, etc.

Do I have to submit to a medical questionnaire and/or examination?

In most cases, there will be no medical exams for the life insurance benefit. However, you will be asked to complete a brief section of questions on an Application for Life Insurance. If you are not actively at work at the time of enrollment or have missed five or more consecutive days of work in the past three months due to medical reasons, you may be required to submit to a medical questionnaire and/or be examined. If this should be the case, you will be contacted to discuss what medical information or examination, if any, are necessary. If, for whatever reason, the insurance company is unwilling to issue a Policy, you will not be able to participate in the Plan.

How is the Plan funded?

The life insurance benefits provided under this Plan are funded with an individual flexible premium, variable life insurance Policy. This type of Policy provides both Parker and you with significant premium payment and asset allocation flexibility.

Parker will pay all required premium payments under the Plan, including Policy expenses and charges, until you reach age 65 or for ten years, whichever is longer (the "Premium Period"), in order to provide you with the targeted pre-retirement and post-retirement life insurance benefits. Parker's annual premium payments will be calculated based upon the assumption that you will invest the cash value of the Policy in the fixed interest account, which currently pays interest of 4.85% per year. Parker will not adjust future premium payments due to individual investment performance which is greater or less than the performance of the fixed interest account. You can assure maintenance of the targeted death benefit by investing the Policy cash value in the fixed interest account, but you are free to choose your own investment allocation.

How often is my life insurance death benefit adjusted under the Plan?

During active employment, your targeted life insurance benefit will be adjusted once each year to reflect any change in your base annual salary. The adjustment will be made on January 1 of each year and will reflect your base annual salary as of December 1 of the previous calendar year.

Which insurance company will be issuing the life insurance Policy?

Parker has selected Sun Life Insurance Company (Sun Life) as the life insurance carrier for this Plan.

What are the financial ratings for the insurance carrier?

As of August 1, 2005, Sun Life has received the following ratings for its financial strength and claims paying ability from the major independent rating agencies shown in the chart below.

	Rating
A.M. Best Company	AA+
Moody's	Aa2
Standard & Poor's	AA+
Fitch	AA

Please be aware that these ratings are as of the specified date and there is no guarantee that such ratings will not change in the future. Parker does not guarantee the present or future creditworthiness of any insurance carrier.

How much will the Plan cost me?

As mentioned above, insurance premiums under the Plan will be paid by Parker. The premiums paid by Parker under the Plan will be treated as bonus payments to you for tax purposes. The cost of the Plan to you is limited to the income tax due on the premiums paid by Parker. Taxation will continue as long as premiums are paid by Parker during the Premium Period. This cost will be reported annually on the W-2 you receive at the end of each tax year. You will also receive a Benefit Statement indicating this amount each year.

How will I pay the withholding taxes that are due on the "bonus" payment?

Withholding taxes on the "bonus" payment of premiums by Parker are due immediately upon payment of the premiums by Parker to Sun Life. Parker's Tax Department will send you a notification each year, approximately 30 days before the taxes are due, with the amount of withholding taxes that you will be required to pay. You will have the option to pay such withholding taxes either by (1) submitting a check, payable to Parker Hannifin Corporation, before the premium payment can be made on your Policy; or (2) authorizing Parker to withhold the tax amount due from the premium payment to Sun Life. Failure to pay the taxes in a timely manner may jeopardize your continued participation in the Plan.

PLEASE NOTE: If you choose to have the tax withheld from the premium payment, there will likely be insufficient cash value to provide the targeted death benefit under the Plan, and the Policy may lapse at any time.

At what age can I retire from Parker and still continue my participation in the Plan?

For purposes of the Plan, you are treated as having retired if you terminate your employment on or after reaching age 55.

What is my target life insurance benefit at retirement?

Your target death benefit after retirement (other than in the event of disability-see below) will be as follows:

Age at Retirement	Post-Retirement Target Death Benefit as a Multiple of Base Annual Salary
Under 55	Parker discontinues premium payments
55	1 times
56	1.1 times
57	1.2 times
58	1.3 times
59	1.4 times
60	1.5 times
61	1.6 times
62	1.7 times
63	1.8 times
64	1.9 times
65 or older	2 times

At retirement, how is my life insurance funded to maintain the target death benefit?

Premium payments by Parker for the Policy during the Premium Period (which payments may continue post-retirement as described above) are designed to allow sufficient accumulation of cash surrender value to fund your life insurance during retirement until age 95. Remember, premium calculations assume on-going investment of the cash surrender value of the Policy in the fixed interest account.

Will the cash surrender value in the Policy be sufficient to provide the target death benefit post-retirement?

If you use your own funds to satisfy the withholding tax liability described above, it is intended that the cash surrender value in the Policy at the end of the Premium Period will be sufficient to provide the target death benefit. However, it is possible that the death benefit will lapse prior to age 95 if the actual investment performance of the Policy which you direct varies from the assumptions used by Parker to calculate premium payments, unless you pay additional premiums. Accordingly, there is no guarantee that the death benefit will be maintained.

If you satisfy your withholding tax liability described above by allowing Parker to withdraw the funds from the premium payments, there will **not** be sufficient remaining cash surrender value to provide the target death benefit until age 95. In fact the Policy may lapse at any time, even before retirement. You may choose to decrease the target death benefit to ensure that the coverage will be effective over your expected lifetime. Alternatively, you may pay additional premiums to maintain the original targeted death benefit. After the Premium Period, Parker's premium obligation will end.

What happens if I voluntarily or involuntarily leave Parker under any circumstances other than retirement or disability?

You will have control of the life insurance Policy because you own it. However, Parker will not continue premium payments. In order to maintain the life insurance coverage you will need to take some action, such as paying premiums or reducing the amount of insurance.

What happens if I die while I am still employed by Parker?

Your designated beneficiary will receive the death benefit provided by the Policy directly from Sun Life. The target death benefit is equal to your pre-retirement multiple of your base salary, but the actual benefit may vary based upon the performance of the investment funds you have chosen and the manner in which you choose to pay withholding taxes. Upon your death, Parker will cease paying premiums.

What happens if I die after retirement?

Your beneficiary will receive the death benefit provided by the Policy directly from Sun Life. The target death benefit is equal to your post-retirement multiple of your base salary, but the actual benefit may vary based upon the performance of the investment funds you have chosen and the manner in which you choose to pay withholding taxes. Upon your death, Parker will cease paying premiums.

What happens to my participation in the Plan if I become disabled?

If you become disabled so that you are unable to perform your job with Parker or any other job, Parker will continue paying premiums and your participation in the Plan will continue. If you remain so disabled when you reach age 65, your rights and benefits will then become the same as if you had retired.

Since I own the Policy, can I withdraw or borrow the cash surrender value in the Policy?

If you borrow, withdraw, pledge or assign any portion of the cash surrender value prior to the expiration of the Premium Period, your participation in the Plan will terminate and Parker will have no obligation to make any future premium payments under the Plan. After the end of the Premium Period, you may borrow, withdraw, pledge or assign any portion of the cash surrender value in the Policy at any time.

Can Parker access any portion of the Policy's cash surrender value?

No. You are the owner of the Policy and the Plan does not provide Parker with the right to access the cash surrender value in the Policy.

How are death benefits claimed?

As soon as Parker learns of your death, Parker or its agent will contact your designated beneficiary and will explain to your beneficiary the benefits available, describe procedures, provide forms and request any documents needed to process the claim. Alternatively, the beneficiary may contact Sun Life directly to claim the death benefits under the Policy.

Who can I name as my beneficiary?

You may name anyone you wish as your beneficiary under the Policy, including both primary and contingent beneficiaries. In addition, you may change your beneficiary under the Policy at any time by completing the proper beneficiary designation change form, submitting that form to Parker and receiving the insurance company's acceptance of the change.

Who will be the owner of the Policy?

Unless you specify otherwise at the time of enrollment, you will be the legal owner of the Policy. However, for estate planning purposes you may, after consultation with your personal tax adviser, elect to transfer ownership of the Policy to a living or family trust or an irrevocable life insurance trust by submitting documentation to Sun Life and receiving the insurance company's acceptance of the same. The preparation and legal adequacy of any such documentation will be your responsibility and expense.

Can the Plan be changed?

Parker may at any time amend, alter, modify or terminate the Plan.

What happens to the Plan in the event of a change in control of Parker?

In the event there is a change in control of Parker (as defined in your Change of Control Severance Agreement), Parker will secure payment of three additional annual premium payments. Continuation of the Plan will otherwise be at the discretion of the acquiring company.

Is there a procedure for resolving disputes?

If disagreements arise, we hope they can be resolved quickly and informally. However, if that is not possible, formal procedures have been developed so that you can appeal the decision.

You can file a claim by writing to:

Parker Hannifin Corporation
Plan Administrator
6035 Parkland Boulevard
Cleveland, OH 44124-4141
(216) 896-3000

If your claim is wholly or partially denied, you will receive a written notification of the denial within 90 days after filing. Your written notification will include the following, if applicable:

- The reasons for the denial;
- The Plan provisions on which the denial is based;
- An explanation of any additional material or information you can provide to support your claim, and the reason it is necessary; and
- The procedure for requesting a review of the claim.

If a claim has been denied, you are entitled to a review of the denial:

- Ask for a review of the denial, by submitting a request to:

  Parker Hannifin Corporation
  Plan Administrator
  6035 Parkland Boulevard
  Cleveland, OH 44124-4141
  (216) 896-3000
- Look at relevant documents; and
- Submit issues and comments in writing.

Within 60 days after your request for review is received, a decision on the review will be made. Parker may determine that the 60-day period is insufficient because of the need for a hearing. If this is the case, the decision may be deferred for an additional 60-day period. You or your beneficiary will be notified if a deferral is necessary.

Will I receive any periodic updates on the Plan and my Policy?

You will receive an annual statement containing a summary of your current target death benefit, and your taxable income and withholding for the current year. The annual statement may also contain projections of the cash surrender value at the end of the Premium Period.

Where can I get more information about the Plan?

The enrollment package provides additional information about the Plan. You should read all documents in the package carefully and completely. Parker has retained Marsh to administer the Plan. If you have any questions after reading these Questions and Answers and the enrollment materials, you may contact one of the Parker or Marsh representatives listed below:

Anne Lo
Phone: 609-520-2910
Marsh Financial Services
212 Carnegie Center
Princeton, NJ 08540-6236

Laura Muka
Phone: 609-520-2969
Marsh Financial Services
212 Carnegie Center
Princeton, NJ 08540-6236

Christopher Pease
Phone: 216-937-1341
Marsh Financial Services
200 Public Square, Suite 1100
Cleveland, OH 44114

Jim Repasky
Financial Controls Manager:
Retirement Plans
216-896-2818 (phone)
216-896-4004 (fax)
jrepasky@parker.com

Exhibit 10(l)

Name:
PID:

[Date]

NOTICE OF GRANT OF NON-QUALIFIED STOCK OPTION

Effective **[Grant Date]**, the Compensation and Management Development Committee of the Board of Directors (the "Committee") of Parker-Hannifin Corporation (the "Company") granted you a non-qualified stock option to purchase __________ Common Shares under the Company's 2003 Stock Incentive Plan (the "Plan"). In accordance with the Plan, the option price is 100% of the fair market value (the "Fair Market Value") of the Common Shares covered by the option on the grant date, which is taken as the reported closing price of the Common Shares on the New York Stock Exchange - Composite Transactions on that date. Accordingly, the option price is **$______** per share. Your option will expire at 4:00 PM Eastern Time on **August XX, 20XX** (the "Expiration Date").

Except as otherwise specified herein the event of a Change in Control of the Company, such options shall vest as follows:

[Vesting Schedule]

provided, however, if your continuous full-time employment is terminated at any time prior to a vesting date for any reason other than death, permanent disability or retirement under the applicable retirement plan or policy of the Company, any unvested options at such date of termination shall lapse.

Following vesting, your option is exercisable in accordance with the terms hereof at any time until the Expiration Date as to all or any portion of the Common Shares subject to the vested option.

Your option may be exercised only while you are a full-time employee of the Company or one of its subsidiaries. If vested, your option may also be exercised after termination of full-time employment as follows:

(A) If the termination of full-time employment is due to permanent disability or to retirement under the applicable retirement plan or policy of the Company or a subsidiary, you shall have the right to exercise the option in whole or in part until the Expiration Date.

(B) In the event of your death, the executor or administrator of your estate (or if your estate has already been probated, the beneficiary who has inherited the option) shall have the right to exercise the option in whole or in part only within the period of two (2) years after the date of your death, subject to the Expiration Date.

(C) If the termination of full-time employment is due to any other reason except your permanent disability or retirement as specified in (A) above, or your death as specified in (B) above, you shall have the right to exercise the option in whole or in part within the period of three (3) months after the date of such termination of full-time employment, subject to the Expiration Date.

The exercise price may be paid in cash or with other Common Shares of the Company that you have already owned for at least six (6) months. If you tender Common Shares of the Company to satisfy the exercise price, such Shares will be valued at their Fair Market Value on the day prior to exercise. The date of exercise shall be deemed to be the day when you have both delivered a notice of exercise to the Company and met the Plan requirements for payment of the exercise price (the "Exercise Date").

If you (or a permitted transferee as provided below) tender Common Shares of the Company to satisfy the exercise price, you will receive one (1) restorative or "reload" grant of stock options effective on the Exercise Date equivalent to the number of Common Shares surrendered to satisfy the exercise price (the "Reload Option"). The Reload Option will have an exercise price equal to the Fair Market Value of the Common

Shares on the Exercise Date. Except as otherwise specified herein, no Reload Option may be exercised (a) prior to the completion of one (1) year of continuous full-time employment following the Exercise Date; and (b) unless you have retained ownership of the Common Shares resulting from the option exercise on the Exercise Date (less a sufficient number of Common Shares to satisfy withholding tax obligations) for a period of one (1) year from the Exercise Date. No more than one (1) Reload Option will be granted hereunder. All other terms and conditions of the Reload Option will be identical to those contained herein, including without limitation the expiration and termination of the Reload Option.

You do not realize income upon the grant of your non-qualified stock option. However, in any year in which you exercise a part or all of such option, the excess of the fair market value of the Common Shares on the Exercise Date over the option price will be taxed as compensation at supplemental wage rates and will be subject to withholding for federal, state and local income taxes. Such withholding taxes must be paid to the Company at the time of exercise and may, at your option, be satisfied by surrendering to the Company a portion of the Common Shares received upon exercise of the stock option.

Your option is not transferable (other than by will or the laws of descent and distribution) except to (a) your spouse, children or grandchildren, (b) one or more trusts for the benefit of such family members; or (c) partnerships in which such family members are the only partners; provided, however, that you do not receive any consideration for the transfer. Any transferred option shall continue to be subject to the same terms and conditions that were applicable immediately prior to its transfer (except that such transferred option shall not be further transferable by the transferee *inter vivos*).

Receipt of shares upon exercise of options granted hereunder may be deferred pursuant to the terms of the Company's Stock Option Deferral Plan.

In the event of a Change in Control of the Company (as defined in the Plan), your options granted hereunder shall become exercisable immediately. The grant of your options hereunder is at all times subject to all other terms, conditions and provisions of the Plan (and any rules or procedures adopted thereunder by the Committee) to the extent not specifically addressed herein.

Please confirm your receipt of this letter and your acceptance of the terms stated herein by clicking on the "Accept" button below. **Failure to acknowledge receipt and accept the terms of this letter will jeopardize your ability to exercise the options granted herein.**

Sincerely yours,

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

PARKER-HANNIFIN CORPORATION 2006 TARGET INCENTIVE BONUS PLAN DESCRIPTION

1. Definitions:

(a) “Company” means Parker-Hannifin Corporation, an Ohio corporation.

(b) “Committee” means the Management Development and Compensation Committee of the Board of Directors of the Company.

(c) “Free Cash Flow” or “FCF” equals cash flow from operations less capital expenditures.

(d) “FCF Margin” is FCF as a percent of sales.

2. Participants: All of the executive officers of the Company, plus Group Presidents who are not executive officers; excluding however the Chief Executive Officer, President and two Executive Vice Presidents of the Company.

3. Payments earned under the Bonus Plan depend upon the Company’s FCF Margin for FY06.

4. Target awards for each participant are determined by the Committee. The payout under the Plan ranges from 25% to 200% of each participant’s target award with 100% payout set at achievement of FCF Margin of 6.0%.

FCF Payout Schedule

FY06 FCF Margin	Percentage of Target Award Paid
<3.0%	0%
3.0%	25%
4.0%	50%
5.0%	75%
6.0%	100%
6.9%	123%
8.0%	163%
≥9.0%	200%

5. The Committee has determined that it is appropriate to exclude discretionary pension plan contributions from calculating FCF Margin. The Committee retains discretion to exclude additional extraordinary items from actual results to the degree appropriate.

Exhibit 10(y)

PARKER-HANNIFIN CORPORATION
2004 NON-EMPLOYEE DIRECTORS' STOCK INCENTIVE PLAN

1. **Purpose**.

The 2004 Non-Employee Directors' Stock Incentive Plan is intended to help maintain and develop focused leadership and governance through ownership of Shares of the Corporation by non-employee directors of the Corporation.

2. **Definitions**.

In this Plan, except where the context otherwise indicates, the following definitions apply:

(a) "Award" means a Stock Option, a Stock Appreciation Right, Restricted Stock, or a Dividend Equivalent Right.

(b) "Board" means the Board of Directors of the Corporation.

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

(ii) individuals who, at the beginning of any period of 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 Corporation’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 Corporation in which such person is named as a nominee for director, without objection to such nomination) shall be, for purposes of this paragraph (ii), considered as though such person were a member of the Incumbent Board; provided, however, that no individual initially elected or nominated as a director of the Corporation as a result of an actual or threatened election contest with respect to directors or any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be a member of the Incumbent Board;

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

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

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

(d) "Code" means the Internal Revenue Code and the regulations promulgated thereunder, as in effect from time to time.

(e) "Compensation and Management Development Committee" or "Committee" means the committee of the Board so designated. The Committee will be constituted in a manner that satisfies all applicable legal requirements, including satisfying any independence standard contained in the listing requirements of the New York Stock Exchange.

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

(g) "Designated Beneficiary" means the person designated by the Grantee of an Award hereunder to be entitled, on the death of the Grantee, to any remaining rights arising out of such Award. Such designation must be made in writing and in accordance with such regulations as the Committee may establish.

(h) "Detrimental Activity" means activity that is determined in individual cases, by the Committee or its express delegate, to be detrimental to the interests of the Corporation or a Subsidiary, including without limitation (i) the rendering of services to an organization, or engaging in a business, that is, in the judgment of the Committee or its express delegate, in competition with the Corporation; (ii) the disclosure to anyone outside of the Corporation, or the use for any purpose other than the Corporation's business, of confidential information or material related to the Corporation, whether acquired by the Grantee during or after service with the Corporation; (iii) fraud, embezzlement, theft-in-office or other illegal activity; or (iv) a violation of the Corporation's Code of Ethics.

(i) "Dividend Equivalent Right," herein sometimes called a "DER," means the right of the Grantee thereof to receive, pursuant to the terms of the DER, credits based on the cash dividends that would be paid on the Shares specified in the DER if such shares were held by the grantee, as more particularly set forth in Section 10(a) below.

(j) “Eligible Director” means a Director who is not an employee of the Corporation.

(k) “Director” means a member of the Board of Directors of the Corporation.

(l) “Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time.

(m) “Fair Market Value” in relation to a Share as of any specific time shall mean the closing price as reported for the New York Stock Exchange—Composite Transactions on such date, or if no shares are traded on that date, the next preceding date on which trading occurred.

(n) “Grantee” means a recipient of an Award under this Plan.

(o) “Restricted Stock” means any Share issued with the restriction that the Grantee may not sell, transfer, pledge, or assign such Share and such other restrictions (which may include, but are not limited to, restrictions on the right to vote or receive dividends) which may expire separately or in combination, at one time or in installments, all as specified by the Award.

(p) “Rule 16b-3” means Rule 16b-3 (or any successor thereto) under the Exchange Act that exempts from Section 16(b) of the Exchange Act transactions under employee benefit plans, as in effect from time to time with respect to this Plan.

(q) “Share” means a common share, par value $.50, of the Corporation issued and reacquired by the Corporation or previously authorized but unissued.

(r) “Stock Appreciation Right,” herein sometimes called an “SAR,” means the right of the Grantee thereof to receive, pursuant to the terms of the SAR, a number of Shares or cash or a combination of Shares and cash, based on the increase in the value of the number of Shares specified in the SAR, as more particularly set forth in Section 8 below.

(s) “Stock Option” means the right of the Grantee thereof to acquire a number of Shares upon payment to the Corporation of the exercise price specified in the Award.

(t) “Subsidiary” means any corporation, partnership, or other entity in which the Corporation, directly or indirectly, owns a 50 percent or greater equity interest.

(u) “Terminate” or “Termination” means cease to be a Director, except by death.

(v) “1996 Plan” means the Corporation’s 1996 Non-Employee Directors’ Stock Option Plan.

3. **Eligibility.**

The selection of Eligible Directors to receive Awards will be within the discretion of the Committee. More than one Award may be granted to the same Eligible Director.

4. **Administration.**

(a) The Committee shall administer this Plan. The Committee will, subject to the terms of the Plan, have the authority to (i) select the Eligible Directors who will receive Awards; (ii) grant Awards; (iii) determine the number and types of Awards to be granted to Directors; (iv) subject to the terms of the Plan, determine the terms, conditions, vesting periods and restrictions applicable to Awards; (v) adopt, alter and repeal administrative rules and practices governing this Plan; (vi) interpret the terms and provisions of this Plan and any Awards granted under this Plan; (vii) prescribe the forms of any notices of Awards or other instruments relating to Awards; and (viii) otherwise supervise the administration of this Plan. All decisions by the Committee will be made with the approval of not less than a majority of its members.

(b) All determinations and interpretations pursuant to the provisions of this Plan shall be binding and conclusive upon the individual Director involved and all persons claiming under them.

(c) Transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3. To the extent any provision of this Plan or any action by the Committee under this Plan fails to so comply, such provision or action shall, without further action by any person, be deemed to be automatically amended to the extent necessary to effect compliance with Rule 16b-3, provided that if such provision or action cannot be amended to effect such compliance, such provision or action shall be deemed null and void, to the extent permitted by law and deemed advisable by the appropriate authority. Each Award to a Director under this Plan shall be deemed issued subject to the foregoing qualification.

(d) Except as otherwise determined by the Committee, an Award under this Plan is not transferable other than by will or the laws of descent and distribution and is not subject, in whole or in part, to attachment, execution, or levy of any kind.

(e) Any rights with respect to an Award granted under this Plan existing after the Grantee dies are exercisable by the Grantee's Designated Beneficiary or, if there is no such Designated Beneficiary who may, and does, lawfully do so, by the Grantee's personal representative.

(f) Except as otherwise provided herein, a particular form of Award may be granted to an Eligible Director either alone or in addition to other Awards hereunder. The provisions of particular forms of Award need not be the same with respect to each recipient.

(g) To the extent permitted by law, the Committee may delegate any of its authority to any other person or persons that it deems appropriate, provided the delegation does not cause the Plan or any Awards granted under this Plan to fail to qualify for the exemption provided by Rule 16b-3 or violate any independence standard contained in the New York Stock Exchange listing requirements.

(h) This Plan and all action taken under it shall be governed by the laws of the State of Ohio without giving effect to the principles of conflict of laws thereof.

(i) The Committee may permit or require any Grantee to exercise any Stock Options or SARs by means of electronic signature.

(j) Each Award shall be evidenced in such form (written, electronic or otherwise) as the Committee shall determine. Each Award may contain terms and conditions in addition to those set forth in the Plan.

5. **Awards That May Be Granted.**

(a) The aggregate number of Shares that may be delivered (i) upon the exercise of a Stock Option or SAR; (ii) as Restricted Stock and released from a substantial risk of forfeiture thereof; or (iii) in payment of DERs, subject to adjustment as provided in the Plan, is 250,000.

(b) To the extent that Shares subject to an outstanding Award are not delivered to a Grantee by reason of the expiration, termination, cancellation or forfeiture of such Award or by reason of the tendering or withholding of Shares to satisfy all or a portion the tax withholding obligations relating to an Award, then such Shares shall not be deemed to have been delivered for purposes of determining the maximum number of Shares available for delivery under the Plan. If the exercise price of any Stock Option granted under the Plan is satisfied by tendering Shares (by actual delivery or attestation), only the number of shares issued to the participant net of the Shares tendered shall be deemed to be delivered for purposes of determining the maximum number of Shares available for delivery under the Plan. When an unexercised Award lapses, expires, terminates or is forfeited, the related Shares may be available for distribution in connection with future Awards. If the benefit provided by any Award is paid in cash, any Shares covered by the Award will be available for distribution in connection with future Awards.

(c) The assumption of Awards granted by an organization acquired by the Corporation, or the grant of Awards under this Plan in substitution for any such Awards, will not reduce the number of Shares available for the grant of Awards under this Plan.

6. **Adjustments.**

In the event that the Committee shall determine that any (a) stock dividend, stock split, combination of Shares, recapitalization or other change in the capital structure of the Corporation, or (b) merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, issuance of rights or warrants to purchase securities, or (c) other corporate transaction or event having an effect similar to any of the foregoing affects the Shares of the Corporation such that an adjustment is required in order to preserve the benefits or potential benefits intended to be made available under this Plan, then the Committee shall, in its sole discretion, and in such manner as the Committee may deem equitable, adjust any or all of (i) the number and kind of Shares which thereafter may be the subject of Awards under this Plan, (ii) the number and kind of Shares subject to outstanding Awards, and (iii) the exercise price with respect to any of the foregoing. Moreover, in the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for any or all outstanding Awards under this Plan such alternative consideration as it, in good faith, may determine to be equitable in the circumstances and may require in connection therewith the surrender of all Awards so replaced.

7. **Stock Options**.

(a) One or more Stock Options may be granted to any Eligible Director. Each Stock Option so granted shall be subject to such terms and conditions as the Committee shall impose. The exercise price per Share shall be specified by the Award, but shall in no instance be less than 100 percent of Fair Market Value at the time of the Award. Payment of the exercise price shall be made in cash, Shares, or other consideration, or any combination thereof, in accordance with the terms of this Plan and any applicable regulations of the Committee in effect at the time and valued at Fair Market Value on the date prior to exercise of the Stock Option. All Stock Options granted hereunder shall have a maximum life of no more than ten (10) years from the date of issuance of the Award. In no event shall any Stock Option vest sooner than one (1) year from date of issuance of the Award except in the event of a Change in Control.

(b) The Committee shall not adjust or amend the exercise price of Stock Options previously awarded to any Grantee, whether through amendment, cancellation and replacement grant, or any other means.

(c) The Committee may grant reload Stock Options, separately or together with another Stock Option, pursuant to which, subject to the terms and conditions established by the Committee, the Grantee would be granted a new Stock Option when the payment of the exercise price of a previously granted Stock Option is made by the delivery of Shares owned by the Grantee, which new Stock Option would be an option to purchase the number of Shares not exceeding the number of Shares so provided as consideration upon the exercise of the previously granted Stock Option to which such reload Stock Option relates. Reload Stock Options may be granted with respect to Stock Options previously granted under the Plan or any other Stock Option plan of the Corporation. Reload Stock Options shall have a per Share exercise price equal to the Fair Market Value as of the date of grant of the reload Stock Option. Any Reload Option shall be subject to availability of sufficient Shares for grant under the Plan.

8. **Stock Appreciation Rights**.

(a) An SAR may be granted to an Eligible Director as a separate Award hereunder. Any SAR shall be subject to such terms and conditions as the Committee shall impose, which shall include provisions that (i) such SAR shall entitle the Grantee, upon exercise thereof in accordance with such SAR and the regulations of the Committee, to receive from the Corporation that number of Shares having an aggregate value equal to the excess of the Fair Market Value, at the time of exercise of such SAR, of one Share over the exercise price per Share specified by the Award of such SAR (which shall in no instance be less than 100 percent of Fair Market Value at the time of the Award) times the number of Shares specified in such SAR, or portion thereof, which is so exercised.

(b) Any Stock Option granted under this Plan may include an SAR, either at the time of the Award or by amendment. An SAR included in a Stock Option shall be subject to such terms and conditions as the Committee shall impose, which shall include provisions that

(i) such SAR shall be exercisable to the extent, and only to the extent, the Stock Option is exercisable; and

(ii) such SAR shall entitle the Grantee to surrender to the Corporation unexercised the Stock Option in which the SAR is included, or any portion thereof, and to receive from the Corporation in exchange therefor that number of Shares having an aggregate value equal to the excess of the Fair Market Value, at the time of exercise of such SAR, of one Share over the exercise price specified in the Award of such Stock Option times the number of Shares specified in the Award of such Stock Option, or portion thereof, which is so surrendered.

(c) All SARs granted hereunder shall have a maximum life of ten (10) years from the date of issuance of the Award. In no event shall any SAR vest sooner than one (1) year from the date of issuance of the Award except in the event of a Change in Control.

(d) In lieu of the right to receive all or any specified portion of such Shares, an SAR may entitle the holder thereof to receive the cash equivalent thereof as specified by the Award.

(e) An SAR may provide that such SAR shall be deemed to have been exercised at the close of business on the business day preceding the expiration of such SAR or the related Stock Option, if any, if at such time such SAR has positive value and would have expired.

9. **Restricted Stock**.

(a) An Award of Restricted Stock may be granted hereunder to an Eligible Director for such consideration, if any, as may be required by applicable law. The terms and conditions of Restricted Stock, including the vesting period, shall be specified by the Committee, at its sole discretion, in the Award.

(b) Any Shares of Restricted Stock issued hereunder may be evidenced in such manner as the Committee in its sole discretion shall deem appropriate, including, without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of shares of Restricted Stock awarded hereunder, such certificate shall bear an appropriate legend with respect to the restrictions applicable to such award.

(c) The grant of any Award of Restricted Stock may be conditioned upon the achievement of performance-based criteria. Further, any Award of Restricted Stock may specify performance-based criteria which, if achieved by the Corporation, will result in termination or early termination of the restrictions applicable to such Shares.

10. **Dividend Equivalent Rights; Interest Equivalents**.

(a) A DER may be granted hereunder to an Eligible Director, as a component of another Award or as a separate Award. The terms and conditions of DERs shall be specified by the Award. Dividend Equivalents Rights credited to the Grantee of a DER may be paid currently or may be deemed to be reinvested in additional Shares (which may thereafter accrue additional

Dividend Equivalents Rights). Any such reinvestment shall be at Fair Market Value at the time thereof. DERs may be settled in cash or Shares or a combination thereof, in a single installment or installments. A DER granted as a component of another Award may provide that such DER shall be settled upon exercise, settlement, or payment of, or lapse of restrictions on, such other Award, and that such DER shall expire or be forfeited or annulled under the same conditions as such other Award. A DER granted as a component of another Award may also contain terms and conditions different from such other Award.

(b) Any Award under this Plan that is settled in whole or in part in cash on a deferred basis may provide by the Award for interest equivalents to be credited with respect to such cash payment. Interest equivalents may be compounded and shall be paid upon such terms and conditions as may be specified by the Award.

11. **Deferral of Payment.**

With the approval of the Committee, the delivery of Shares, cash or any combination thereof subject to an award may be deferred, either in the form of installments or a single future delivery. The Committee may also permit or require selected Grantees to defer payment of some or all of their Awards, as well as other compensation, in accordance with procedures established by the Committee to assure that recognition of taxable income is deferred under the Code.

12. **Termination of Service.**

If the service of a Grantee as a Director terminates for any reason, all unexercised, deferred and unpaid Awards may be exercisable and paid only as specified in the Award and in accordance with rules established by the Committee. These rules may provide, as the Committee deems appropriate, subject to the terms of the Plan, for the expiration, continuation, or acceleration of the vesting of all or part of the Awards.

13. **Detrimental Activity.**

The Committee may cancel any unexpired, unpaid or deferred Awards at any time if the Grantee is not in compliance with all applicable provisions of this Plan or with the terms of any notice of Award or if the Grantee engages in Detrimental Activity. The Committee may, in its discretion and as a condition to the exercise of an Award, require a Grantee to acknowledge that he or she is in compliance with all applicable provisions of the Plan and of any notice of Award and has not engaged in any Detrimental Activity. Any Award may provide that if a Grantee, either during service as a Director or within a specified period after termination of such service, shall engage in any Detrimental Activity, and the Committee shall so find, forthwith upon notice of such finding, the Grantee shall:

(a) return to the Corporation, in exchange for payment by the Corporation of any amount actually paid therefor by the Grantee, all Shares that the Grantee has not disposed of that were issued pursuant to this Plan within a specified period prior to the date of the commencement of such Detrimental Activity; and

(b) with respect to any Shares so acquired that the Grantee has disposed of, pay to the Corporation in cash the difference between:

(i) any amount actually paid therefor by the Grantee pursuant to this Plan; and

(ii) the Fair Market Value of such Shares on the date of such acquisition.

To the extent that such amounts are not paid to the Corporation, the Corporation may set off the amounts so payable to it against any amounts that may be owing from time to time by the Corporation to the Grantee, whether as director fees, deferred compensation or in the form of any other benefit or for any other reason.

14. **Change in Control.**

The Committee may in its discretion and upon such terms as it deems appropriate, either in the Award or subsequent thereto, accelerate the date on which any outstanding Stock Option or SAR becomes exercisable or waive the restrictions or other terms and conditions on the vesting of any Restricted Stock in the event of a Change in Control or proposed Change in Control of the Corporation. In addition to the foregoing, the Corporation may, with the approval of the Committee, purchase Stock Options previously granted to any Grantee who is at the time of any such transaction an Eligible Director of the Corporation for a price equal to the difference between the consideration per Share payable pursuant to the terms of the transaction resulting in the Change in Control and the exercise price specified in the Award.

15. **Amendments to This Plan; Amendments of Outstanding Awards.**

(a) The Board may from time to time amend or terminate this Plan, or any provision hereof, provided, however, approval of the shareholders of the Corporation will be required to the extent necessary to comply with Rule 16b-3 or any other applicable law, regulation, or stock exchange listing requirement, or to qualify for an exemption or characterization that is deemed desirable by the Board.

(b) The Committee may, in its discretion, subject to the terms of the Plan, amend the terms of any Award, prospectively or retroactively, but no such amendment may impair the rights of any Grantee without his or her consent. The Committee may, in whole or in part, subject to the terms of the Plan, waive any restrictions or conditions applicable to, or accelerate the vesting of, any Award.

16. **Withholding Taxes.**

The Corporation shall have the right to deduct from any cash payment made under this Plan any federal, state or local income or other taxes required by law to be withheld with respect to such payment. It shall be a condition to the obligation of the Corporation to deliver Shares upon exercise of a Stock Option or SAR, upon settlement of a DER, upon delivery of Restricted Stock, or upon exercise, settlement, or payment of any other Award under this Plan, that the Grantee of such Award pay to the Corporation such amount as may be requested by the

Corporation for the purpose of satisfying any liability for such withholding taxes. Any Award under this Plan may provide by the Award that the Grantee of such Award may elect, in accordance with any applicable regulations of the Committee, to pay a portion or all of the amount of such minimum required or additional permitted withholding taxes in Shares. The Grantee shall authorize the Corporation to withhold, or shall agree to surrender back to the Corporation, on or about the date such withholding tax liability is determinable, Shares previously owned by such Grantee or a portion of the shares that were or otherwise would be distributed to such Grantee pursuant to such Award having a Fair Market Value on the day prior to the date such payment is made equal to the amount of such required or permitted withholding taxes to be paid in Shares.

17. **Grants of Awards to Eligible Directors Who are Foreign Nationals.**

Without amending this Plan, but subject to the limitations specified in Section 15 above, the Committee may grant, amend, administer, annul, or terminate Awards to Eligible Directors who are foreign nationals on such terms and conditions different from those specified in this Plan as may in the judgment of the Committee be necessary or desirable to foster and promote achievement of the purposes of this Plan.

18. **Termination.**

No Awards will be made under this Plan more than ten (10) years after the date on which this Plan is first approved by the shareholders of the Corporation, but all Awards made on or prior to such date will continue in effect thereafter subject to the terms thereof and this Plan.

19. **Effective Date.**

This Plan was approved by the Board on August 12, 2004 and will become effective when approved by the shareholders of the Corporation. Upon approval of the Plan by the shareholders of the Corporation, no further Awards may be made by the Corporation under the 1996 Plan.

**Exhibit (12) * to Report
on Form 10-K for Fiscal
Year Ended June 30, 2005
by Parker-Hannifin Corporation**

**Computation of Ratio of Earnings to Fixed Charges
as of June 30, 2005**

	Fiscal Year Ended June 30,				
	2005	2004	2003	2002	2001
EARNINGS					
Income from continuing operations before income taxes	$ 756,473	$ 480,126	$ 287,997	$ 218,036	$ 528,183
Add:					
Interest on indebtedness, exclusive of interest capitalized in accordance with FASB #34 and interest on ESOP loan guarantee	62,643	67,258	75,226	75,994	89,141
Amortization of deferred loan costs	1,457	2,293	1,786	1,357	810
Portion of rents representative of interest factor	22,117	21,751	21,110	20,509	18,663
Equity share of losses of companies for which debt obligations are not guaranteed			2,895	6,078	1,571
Amortization of previously capitalized interest	280	291	291	297	274
Income as adjusted	$ 842,970	$ 571,719	$ 389,305	$ 322,271	$ 638,642
FIXED CHARGES					
Interest on indebtedness, exclusive of interest capitalized in accordance with FASB #34 and interest on ESOP loan guarantee	$ 62,643	$ 67,258	$ 75,226	$ 75,994	$ 89,141
Amortization of deferred loan costs	1,457	2,293	1,786	1,357	810
Portion of rents representative of interest factor	22,117	21,751	21,110	20,509	18,663
Fixed charges	$ 86,217	$ 91,302	$ 98,122	$ 97,860	$ 108,614
RATIO OF EARNINGS TO FIXED CHARGES	9.78x	6.26x	3.97x	3.29x	5.88x

Note: Certain amounts presented, as applicable, have been restated to reflect a business divested in December 2004 as discontinued operations.

**Exhibit (13) to Report
On Form 10-K for Fiscal
Year Ended June 30, 2005
By Parker-Hannifin Corporation**

Forward-Looking Statements

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

- changes in business relationships with and purchases by or from major customers or suppliers, including delays or cancellations in shipments,
- uncertainties surrounding timing, successful completion or integration of acquisitions,
- threats associated with and efforts to combat terrorism,
- competitive market conditions and resulting effects on sales and pricing,
- increases in raw material costs that cannot be recovered in product pricing,
- the Company's ability to manage costs related to insurance and employee retirement and health care benefits, and
- global economic factors, including manufacturing activity, air travel trends, currency exchange rates, difficulties entering new markets and general economic conditions such as interest rates.

The Company undertakes no obligation to update or publicly revise these forward-looking statements to reflect events or circumstances that arise after the date of this Report.

MANAGEMENT’S DISCUSSION AND ANALYSIS

Overview

The Company is a leading worldwide diversified manufacturer of motion control technologies and systems, providing precision engineered solutions for a wide variety of commercial, mobile, industrial and aerospace markets.

The Company’s order rates are highly indicative of the Company’s future revenues and thus a key metric for future performance. The Company publishes its order rates on a monthly basis. The lead time between the time an order is received and revenue is realized can range from one day to 12 weeks for commercial, mobile and industrial orders and three to 18 months for aerospace orders. The Company believes the leading economic indicators of these markets that have a strong correlation to the Company’s future order rates are the Institute of Supply Management (ISM) index of manufacturing activity with respect to commercial, mobile and industrial markets and aircraft miles flown, revenue passenger miles and Department of Defense spending for aerospace markets. An ISM index above 50 indicates that the manufacturing economy is expanding resulting in the expectation that the Company’s order rates in the commercial, mobile and industrial markets should be positive year-over-year. The ISM index at the end of fiscal 2005 was 53.8 compared to 61.2 at the end of June 2004. With respect to the aerospace market, aircraft miles flown and revenue passenger miles have shown improvement over comparable fiscal 2004 levels and the Company expects continued improvement in 2006. The Company anticipates that Department of Defense spending will remain at its current level or be up slightly in the near term. The Company also believes that there is a high correlation between interest rates and Industrial manufacturing activity. The Federal Reserve raised the federal funds rate nine times during fiscal 2005. Additional increases in interest rates could have a negative impact on industrial production thereby lowering future order rates.

The Company’s major opportunities for growth are as follows:

- Leverage the Company’s broad product line with customers desiring to consolidate their vendor base and outsource engineering,
- Marketing systems solutions for customer applications,
- Expand the Company’s business presence outside of North America,
- New product introductions, including those resulting from the Company’s innovation initiatives, and
- Strategic acquisitions.

The financial condition of the Company remains strong as evidenced by the continued generation of substantial cash flows from operations, a debt to debt-equity ratio of 22.5 percent, ample borrowing capabilities and strong short-term credit ratings. Cash flows from operations in 2005 were $872 million, or 10.6 percent of sales. This record amount of cash flow was achieved even though the Company made discretionary contributions to its retirement and benefits plans of $83 million.

Many acquisition opportunities remain available to the Company within its target markets. During fiscal 2005, the Company completed 10 acquisitions with combined annual revenues of approximately $410 million. Acquisitions will continue to be considered from time to time to the extent there is a strong strategic fit, while at the same time, maintaining the Company’s strong financial position. The Company will also continue to assess the strategic fit of its existing businesses and initiate efforts to divest businesses that are not considered to be a good long-term fit for the Company, as evidenced by the divestiture of the Wynn’s automotive chemical business unit in fiscal 2005.

Current challenges facing the Company include maintaining premier customer service levels while benefiting from strong customer demand, successfully matching price increases to raw material price increases and the rising expenses related to insurance and employee retirement and health care benefits. The Company has implemented a number of strategic financial performance initiatives relating to growth and margin improvement in order to meet these challenges, including strategic procurement, strategic pricing, lean manufacturing and business realignments.

The discussion below is structured to separately discuss each of the financial statements presented on pages 13-15 to 13-19. All year references are to fiscal years.

Discussion of Consolidated Statement of Income

The Consolidated Statement of Income summarizes the Company's operating performance over the last three fiscal years.

(millions)	2005	2004	2003
Net sales	**$8,215**	$6,999	$6,312
Gross profit margin	**20.8%**	19.0%	16.9%
Selling, general and administrative expenses	**$ 872**	$ 776	$ 695
Goodwill impairment loss		1	
Interest expense	**67**	73	81
Other expense (income), net	**7**	(1)	(3)
Loss (gain) on disposal of assets	**4**	(2)	4
Effective tax rate from continuing operations	**27.6%**	30.0%	33.4%
Income from continuing operations	**$ 548**	$ 336	$ 192
Income from continuing operations, as a percent of sales	**6.7%**	4.8%	3.0%
Discontinued operations	**$ 57**	$ 10	$ 4
Net income	**$ 605**	$ 346	$ 196

Net sales in 2005 were 17.4 percent higher than 2004. The increase in sales in 2005 primarily reflects higher volume experienced throughout all of the Company's segments, especially in the Industrial North American and Industrial International operations. Acquisitions completed within the last 12 months contributed about one-third of the sales increase and the effect of currency rate changes contributed about 15 percent of the sales increase.

Net sales in 2004 were 10.9 percent higher than 2003. The increase in sales in 2004 primarily reflects higher volume experienced in the Industrial North American and Industrial International operations. Sales in the Aerospace operations and Climate & Industrial Controls Segment increased slightly during 2004. The effects of acquisitions completed in 2004 and currency-rate changes also contributed to the sales increase.

During 2005, the Company experienced strong business conditions in most of the markets that the Industrial North American businesses serve. The Company anticipates that business conditions will continue to be strong into 2006 translating into sales growth in the mid-single-digit range with operating margin increasing in proportion to the sales increase. Sales in the Industrial International operations are expected to increase approximately 10 percent with a corresponding low double-digit percentage increase in operating margin. The Industrial International sales and operating margin improvement is expected in Europe and the Asia Pacific region. Aerospace operations sales are expected to increase in the mid-single-digit range with operating margins remaining at or slightly below their 2005 level. The Climate & Industrial Controls operations are expected to experience improved economic conditions in 2006 resulting in double-digit sales growth and a corresponding double-digit operating margin percentage improvement.

Gross profit margin was higher in 2005 as a result of the increased sales volume, most notably in the Industrial Segment. The higher margins in both 2005 and 2004 reflect the effects of the Company's financial performance initiatives, resulting in better manufacturing utilization levels. Current-year acquisitions, not yet fully integrated, negatively affected the current-year gross margin.

Selling, general and administrative expenses increased 12.3 percent in 2005 due to higher expenses associated with employee benefit and performance-based compensation plans as well as an increase in professional fees.

Goodwill impairment loss in 2004 resulted from the Company's goodwill impairment test required to be performed under the provisions of SFAS No. 142. No impairment loss was required to be recognized in 2005 or 2003.

Interest expense declined in both 2005 and 2004 as a result of lower average debt outstanding. Interest expense in 2004 included expenses associated with renewing the Company's revolving credit agreement.

Loss (gain) on disposal of assets includes property, plant and equipment disposals, divestitures of businesses and asset impairments and other miscellaneous asset adjustments.

(millions)	**2005**	**2004**	**2003**
Property, plant and equipment disposals	**$ 3**	$ 2	$ 4
Divestitures		(9)	(5)
Asset adjustments	**1**	5	5

See Note 2 on page 13-24 for a discussion of divestitures. See Notes 1 and 3 on pages 13-21 and 13-25, respectively, for a discussion of asset adjustments.

Effective tax rate from continuing operations in 2005 was lower primarily due to a favorable ruling obtained from the Internal Revenue Service regarding research and development tax credits as well as the effect of tax planning initiatives related to recent acquisitions. The lower rate in 2004 was due primarily to the net effect of both the completion of tax planning initiatives that generated a capital loss that was used to offset capital gains in the current and prior years and the settlement of an IRS audit.

Income from continuing operations - In addition to the individual income statement items discussed above, net income in 2005 and 2004 was adversely affected by an additional expense of approximately $11 million and $28 million, respectively, related to domestic qualified defined benefit plans. The increase in expense associated with the Company's domestic qualified defined benefit plans results primarily from higher amortization of prior years' actuarial losses. Net income in 2006 is expected to be adversely affected by an additional $18 million in excess of the 2005 expense for domestic qualified defined benefit plans. The increase in pension expense in 2006 is primarily due to a reduction in the discount rate from 6.25 percent to 5.25 percent and higher expense from amortization of prior years' actuarial losses.

Discontinued operations represents the operating results and related gain on the sale, net of tax, of the Wynn's automotive chemical business unit which was divested in December 2004. The divested business unit developed and manufactured chemical car care products and maintenance equipment.

Other comprehensive income (loss) – Items included in other comprehensive income (loss) are gains and losses that under generally accepted accounting principles are recorded directly into stockholders' equity. The following are the Company's items of other comprehensive income (loss):

(millions)	**2005**	**2004**	**2003**
Foreign currency translation	**$ 13**	$34	$ 99
Unrealized (losses) gains on marketable equity securities	**(11)**	5	
Minimum pension liability	**(154)**	95	(297)
Unrealized (loss) on cash flow hedges	**(7)**		

The change in foreign currency translation in 2005 and 2004 resulted from the strengthening of the U.S. dollar against most other currencies. The minimum pension liability was recorded in comprehensive income in accordance with the requirements of SFAS No. 87 (see Note 10 on page 13-31 for further discussion). See page 13-12 for further discussion of the unrealized (loss) on cash flow hedges.

Discussion of Business Segment Information

The Business Segment information presents sales, operating income and assets on a basis that is consistent with the manner in which the Company's various businesses are managed for internal review and decision-making. See Note 1 on page 13-20 for a description of the Company's reportable business segments.

Industrial Segment (millions)

	2005	2004	2003
Sales			
North America	**$3,517**	$3,017	$2,768
International	**2,398**	1,970	1,583
Operating income			
North America	**468**	291	142
International	**267**	160	96
Operating income as a percent of sales			
North America	**13.3%**	9.6%	5.1%
International	**11.1%**	8.1%	6.1%
Backlog	**$ 944**	$ 840	$ 602
Assets	**4,714**	4,277	3,914
Return on average assets	**10.4%**	7.1%	3.7%

Sales in 2005 for the Industrial North American operations were 16.6 percent higher than 2004 following a 9.0 percent increase from 2003 to 2004. The increase in sales in 2005 was primarily due to acquisitions as well as higher end-user demand experienced in virtually all markets, with the largest increases in heavy-duty truck, construction, agriculture and mobile equipment. The sales increase from 2003 to 2004 was also primarily due to higher end-user demand experienced in the heavy-duty truck, construction and agriculture markets.

Sales in the Industrial International operations increased 21.8 percent in 2005 following an increase of 24.4 percent from 2003 to 2004. The increase in sales in 2005 was primarily due to higher volume across most markets in Europe, Latin America and the Asia Pacific region. Acquisitions completed in 2005 and the effect of foreign currency rate changes each contributed about 30 percent of the sales increase. The sales increase from 2003 to 2004 was primarily due to higher volume experienced in the Latin America and Asia Pacific region as well as the effect of foreign currency rate changes and acquisitions completed in 2004.

The higher Industrial North American operating margins in 2005 and 2004 were primarily due to the increased sales volume as well as operating efficiencies. The operating efficiencies reflect the benefits of past business realignment activities as well as the implementation of financial performance initiatives. Acquisitions, not yet fully integrated, negatively impacted margins in both 2005 and 2004. Included in Industrial North American operating income in 2005, 2004 and 2003 are business realignment charges of $3.7 million, $9.1 million and $8.3 million, respectively. The business realignment charges resulted from actions the Company took to structure the Industrial North American operations to operate in their then current economic environment and primarily consisted of severance costs and costs relating to the consolidation of manufacturing operations.

The Industrial International operating margin improvement in 2005 and 2004 was primarily due to the higher sales volume, especially in higher margin businesses, as well as the effects of the Company’s financial performance initiatives, especially in Europe and the Asia Pacific region.

Acquisitions, not fully integrated, negatively impacted margins in 2005. Operating income in 2005, 2004 and 2003 included $9.9 million, $4.5 million and $7.9 million, respectively, of business realignment charges that were taken to appropriately structure primarily the European operations.

Industrial Segment order rates were higher throughout 2005 as virtually all markets experienced continued strength in end-user demand. The Company expects order entry levels in 2006 in most markets of the Industrial North American operations to increase at the same pace as in 2005. Operating income in the Industrial North American operations is expected to increase as a result of the higher sales volume and continued implementation of the Company's financial performance initiatives. The Company expects the Industrial International operations to experience strong end-user demand resulting in higher sales with related improvements in operating margins. Operating margin improvements are primarily expected in the European operations and the Asia Pacific region while margins in the Latin American operations are expected to be down slightly. As part of the Company's financial performance initiatives, the recognition of additional business realignment charges may be required in 2006.

The increase in total Industrial Segment backlog from 2004 to 2005 is primarily due to acquisitions, which contributed one-half of the increase, as well as higher order rates in both the Industrial North American and Industrial International businesses. The increase in total Industrial Segment backlog from 2003 to 2004 is primarily due to higher order rates within most markets in both the Industrial North American and Industrial International businesses.

The increase in assets in 2005 was primarily due to current-year acquisitions and the effect of currency fluctuations partially offset by a decrease in property, plant and equipment. The increase in assets in 2004 was primarily due to current-year acquisitions and the effect of currency fluctuations.

Aerospace Segment (millions)

	2005	2004	2003
Sales	**$1,359**	$1,216	$1,183
Operating income	**199**	158	170
Operating income as a percent of sales	**14.7%**	13.0%	14.4%
Backlog	**$1,229**	$1,203	$1,043
Assets	**658**	635	664
Return on average assets	**30.8%**	24.3%	24.6%

Sales in 2005 increased 11.8 percent compared to an increase of 2.8 percent from 2003 to 2004. The increase in sales in 2005 reflects the continued recovery of the commercial airline industry, in both the original equipment manufacturer (OEM) and aftermarket markets, that began in late 2004 as well as continued strong demand in the military market. Sales in 2004 increased slightly primarily due to an upturn in commercial activity in late 2004 as well as higher volume in the military business throughout the year.

The higher margins in 2005 were primarily due to the higher sales volume as well as product mix partially offset by higher aircraft product liability insurance premiums. The continued implementation of the Company's financial performance initiatives also contributed to the margin improvement in 2005. The lower margins in 2004 were primarily due to higher costs associated with employee benefit plans and product liability insurance partially offset by higher commercial volume.

The slight increase in backlog in 2005 was primarily due to higher order rates in the commercial businesses being partially offset by lower order rates in the military business. The increase in backlog in 2004 was primarily due to higher order rates in both the commercial and military businesses. The upward trend in commercial order rates experienced in 2005 is expected to continue in 2006. Military order rates are expected to remain at their current level. Heavier commercial OEM volume in future product mix could result in lower margins.

The increase in assets in 2005 was primarily due to increases in accounts receivable and inventory partially offset by a decline in property, plant and equipment. The decline in assets in 2004 was primarily due to a decrease in inventory and property, plant and equipment partially offset by an increase in accounts receivable.

Climate & Industrial Controls Segment (millions)

	2005	2004	2003
Sales	**$ 794**	$ 671	$ 666
Operating income	**75**	72	63
Operating income as a percent of sales	**9.4%**	10.7%	9.5%
Backlog	**$ 131**	$ 122	$ 117
Assets	**696**	361	377
Return on average assets	**14.2%**	19.5%	16.6%

Sales in 2005 increased 18.3 percent compared to a slight increase in sales from 2003 to 2004. The increase in sales in 2005 was the result of current-year acquisitions partially offset by lower end-user demand experienced in the automotive market. The increase in sales in 2004 was primarily the result of the effect of foreign currency exchange rates and higher end-user demand in the commercial refrigeration and air conditioning market. The lower margins in 2005 are primarily due to unfavorable overhead absorption levels and higher automotive platform set-up costs as compared to 2004. The higher margin in 2004 was primarily a result of the realization of benefits from business realignment actions.

During 2005, the Climate & Industrial Controls Segment experienced soft business conditions in the automotive market. An improvement in business conditions in the automotive market in 2006 along with a full year of operating results from acquisitions made in 2005 are expected to result in sales and operating margin percentage increases in the low double-digit range.

The increase in assets in 2005 was primarily due to current-year acquisitions. The decrease in assets in 2004 was due to a decline in inventory, accounts receivable and property, plant and equipment.

Other Segment (millions)

	2005	2004	2003
Sales	**$ 146**	$125	$111
Operating income	**18**	8	2
Operating income as a percent of sales	**12.6%**	6.5%	2.2%
Backlog	**$ 52**	$ 38	$ 38
Assets	**120**	116	125
Return on average assets	**15.6%**	6.8%	2.0%

The Other Segment consists of a business unit which designs and manufactures custom-engineered buildings. The Company has entered into a definitive agreement to sell this business unit. Finalization of the sale is subject to regulatory approval and other customary closing conditions and is expected to take place in the first quarter of fiscal 2006. The Company anticipates recognizing a gain on the sale of this business, substantially all of which is attributed to foreign currency translation adjustments.

The increase in sales in 2005 and 2004 was primarily due to the effect of foreign currency exchange rates as well as higher demand for custom engineered buildings. The increase in margins in 2005 and 2004 was primarily due to the higher sales volume.

The increase in assets in 2005 was primarily due to an increase in accounts receivable and inventory. The decrease in assets in 2004 is primarily due to a business divestiture partially offset by the effect of currency fluctuations.

Corporate assets decreased 15.9 percent in 2005 and 4.8 percent in 2004. The fluctuation in 2005 was primarily due to a decrease in accounts receivable and investments and net assets of discontinued operations and an increase in inventory reserves. The fluctuation in 2004 is primarily due to the level of cash and cash equivalents.

Discussion of Consolidated 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.

(millions)	2005	2004
Accounts receivable	**$1,241**	$1,175
Inventories	**1,031**	976
Plant and equipment	**1,592**	1,586
Investments and other assets	**791**	798
Goodwill	**1,444**	1,178
Intangible assets, net	**240**	102
Accounts payable, trade	**584**	525
Shareholders' equity	**3,340**	2,982
Working capital	**$1,450**	$1,253
Current ratio	**2.09**	2.01

Accounts receivable are primarily receivables due from customers for sales of product ($1,127.7 million at June 30, 2005 and $1,039.1 million at June 30, 2004). The current-year increase in accounts receivable is primarily due to acquisitions. Days sales outstanding relating to trade receivables for the Company decreased to 46 days in 2005 compared to 48 days in 2004.

Inventories increased primarily due to acquisitions and the effect of currency rate changes partially offset by an increase in LIFO inventory reserves, which decreased total Inventories by $20.4 million in 2005. Days supply of inventory on hand decreased to 64 days in 2005 from 67 days in 2004.

Plant and equipment, net of accumulated depreciation, increased slightly in 2005 as the effect of currency rate changes and current-year acquisitions were offset mostly by depreciation expense exceeding capital expenditures.

Goodwill increased primarily as a result of current-year acquisitions.

Intangible assets, net consist primarily of patents, trademarks and customer lists. Intangible assets, net increased primarily due to current-year acquisitions.

Accounts payable, trade increased primarily due to current-year acquisitions.

Accrued payrolls and other compensation increased to $268.1 million from $234.7 million primarily due to higher incentive compensation accruals.

Accrued domestic and foreign taxes decreased to $105.8 million in 2005 from $123.0 million in 2004 primarily due to the timing of payment of estimated income taxes between 2004 and 2005.

Pensions and other postretirement benefits increased 30.1 percent in 2005. The change in this amount is explained further in Note 10 to the Consolidated Financial Statements.

Net deferred income taxes increased $71.0 million in 2005. The change in this amount is explained further in Note 4 to the Consolidated Financial Statements.

In June 2005, the State of Ohio enacted legislation creating a new gross receipts tax which replaces the Ohio franchise tax over a 5-year phase-in period. The gross receipts tax will be computed based on qualifying “taxable gross receipts” and will generally not consider any expenses or costs incurred to generate such receipts. As a result of the tax law change, deferred tax assets of $4.2 million were reversed in 2005 as no state tax benefit will be received when the liabilities become deductible.

Other liabilities increased to $189.7 million in 2005 from $167.7 million in 2004 as a result of higher long-term incentive compensation accruals.

Shareholders’ equity - The effect of currency rate changes during the year caused a $13.1 million increase in Shareholders’ equity. These rate changes also caused increases in accounts receivable, inventories, plant and equipment and various accrual accounts.

Discussion of Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows reflects cash inflows and outflows from the Company’s operating, investing and financing activities.

A summary of cash flows follows:

(millions)	2005	2004	2003
Cash provided by (used in):			
Operating activities	**$ 872**	$ 649	$ 557
Investing activities	**(565)**	(270)	(136)
Financing activities	**(138)**	(448)	(222)
Discontinued operations	**(19)**	13	(1)
Effect of exchange rates	**2**	(6)	1
Net increase (decrease) in cash and cash equivalents	**$ 152**	$ (62)	$ 199

Cash Flows From Operating Activities – The increase in net cash provided by operating activities in 2005 was primarily the result of an increase in net income and a decrease in cash used by other assets partially offset by a decrease in working capital and net income from discontinued operations. Working capital decreased in 2005 primarily due to a decrease in cash flow provided from inventories, accounts payable and accrued domestic and foreign taxes, partially offset by accounts receivable. The decrease in cash used by other assets is primarily due to a decrease in qualified defined benefit plan assets and other investment assets.

Cash Flows Used In Investing Activities – The significant increase in the amount of cash used in investing activities in 2005 is attributable to an increase in acquisition activity partially offset by an increase in proceeds from the sale of businesses. Capital expenditures increased $16.4 million in 2005. The level of capital expenditures is expected to be approximately 3 ½% of sales in 2006. Refer to Note 2 on page 13-23 for a summary of net assets of acquired companies at their respective acquisition dates.

Cash Flows From Financing Activities – In 2005, the Company decreased its outstanding borrowings by a net total of $21.2 million compared to a decrease of $415.4 million in 2004. The substantial level of cash flow from operating activities allowed the Company to minimize the borrowings necessary to complete acquisitions in 2005 and 2004. Common share activity used cash of $23.7 million in 2005 compared to providing cash of $56.2 million in 2004 primarily due to a significant increase in the purchase of shares of the Company’s common stock for treasury, partially offset by the exercise of stock options.

Excluded from Cash flows from financing activities are book overdrafts of $46.3 million, $33.4 million and $51.5 million in 2005, 2004 and 2003, respectively. These cash flows are included in Accounts payable, trade in Cash flows from operating activities. The book overdrafts result from a delay in sweeping cash from one bank to another and are settled the next business day; therefore, the book overdrafts are not considered bank borrowings by the Company.

The Company has the availability to issue securities with an aggregate initial offering price of $775 million under its universal shelf registration statement. Securities that may be issued under this shelf registration statement include debt securities, common stock, serial preferred stock, depositary shares, warrants, stock purchase contracts and stock purchase units.

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. As one means of achieving this objective, the Company has established a financial goal of maintaining a ratio of debt to debt-equity of 34 to 37 percent.

Debt to Debt-Equity Ratio (millions)	**2005**	**2004**
Debt	**$ 970**	$ 989
Debt & Equity	**4,311**	3,971
Ratio	**22.5%**	24.9%

The Company is currently exploring several acquisition opportunities and additional borrowings may be used to finance acquisitions completed in 2006.

Common share activity in 2005 primarily involves the exercise of stock options and the purchase of shares of the Company's common stock for treasury. The purchase of the Company's shares is done pursuant to a program to repurchase up to 1 million of the Company's common shares on the open market, at prevailing prices, including the systematic repurchase of no less than $10 million in common shares each fiscal quarter.

Dividends have been paid for 220 consecutive quarters, including a yearly increase in dividends for the last 49 fiscal years. The current annual dividend rate is $.80 per share.

As of June 30, 2005 the Company has committed lines of credit totaling $1,025 million through two multi-currency unsecured revolving credit agreements. The credit agreements support the Company's commercial paper note program, which is rated A-1 by Standard & Poor's, P-1 by Moody's and F-1 by Fitch, Inc. These ratings are considered investment grade. The revolving credit agreements contain provisions that increase the facility fee of the credit agreement in the event the Company's credit ratings are changed. A credit rating change would not limit the Company's ability to use the credit agreements nor would it accelerate the repayment of any outstanding borrowings.

The Company seeks to minimize its total cost of borrowing and therefore uses its commercial paper note program as its primary source of working capital liquidity. The primary alternative source of borrowing for working capital liquidity is the committed lines of credit, which typically bear a higher cost of borrowing.

The Company's revolving credit agreements and certain debt agreements contain certain financial and other covenants, the violation of which would limit or preclude the use of the agreements for future borrowings. The most restrictive financial covenant provides that the ratio of debt to total capitalization be less than 60 percent. As of June 30, 2005, the ratio of debt to total capitalization was 22.5 percent. The Company is in compliance with all covenants and expects to remain in compliance during the term of the agreements.

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

Contractual Obligations – The Company is obligated to make future payments in fixed amounts primarily under long-term debt and various lease agreements. The following table summarizes the Company's fixed contractual obligations.

In thousands	Payments due by period				
Contractual obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt (Note 9)	$ 958,370	$ 19,946	$ 80,950	$ 53,176	$ 804,298
Interest on long-term debt	275,633	54,105	65,921	56,868	98,739
Operating leases (Note 9)	150,155	47,631	57,373	22,333	22,818
Retirement benefits (Note 10)	1,431,941	200,019	225,637	250,432	755,853
Total	$2,816,099	$321,701	$429,881	$382,809	$1,681,708

Quantitative and Qualitative Disclosures About Market Risk

The Company enters into forward exchange contracts and costless collar contracts to reduce its exposure to fluctuations in related foreign currencies. The total carrying and fair value of open contracts and any risk to the Company as a result of these arrangements is not material to the Company's financial position, liquidity or results of operations. The Company has entered into two interest rate swap agreements for a total notional amount of EUR 300 million. The swap agreements expire in November 2005 and effectively protect the Company against adverse interest rate changes in the EURO bond market and have been designated as a hedge against the Company's anticipated refinancing of its EURO Notes that are due in November 2005. The fair value of the interest rate swap agreements was a liability of approximately $12 million as of June 30, 2005, which has been recorded in the Consolidated Balance Sheet. The net payment or receipt under the swap agreements will be recognized as an adjustment to interest expense over the term of the EURO Notes anticipated to be issued in November 2005. A 100 basis point decrease in the EURO bond rates specified in the interest rate swap agreements would change the fair value of the swap agreements by approximately $24.1 million.

The Company's debt portfolio contains variable rate debt, inherently exposing the Company to interest rate risk. The Company's objective is to maintain a 60/40 mix between fixed rate and variable rate debt thereby limiting its exposure to changes in near-term interest rates. A 100 basis point increase in near-term interest rates would increase annual interest expense on variable rate debt existing at June 30, 2005 by approximately $0.3 million.

Off-Balance Sheet Arrangements

The Company does not have off-balance sheet arrangements with unconsolidated entities.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The policies discussed below are considered by management to be more critical than other policies because their application places the most significant demands on management’s judgment.

Revenue Recognition – Substantially all of the Industrial Segment, the Climate & Industrial Controls Segment and the Other Segment revenues are recognized when the risks and rewards of ownership and title to the product have transferred to the customer. This generally takes place at the time the product is shipped. The Aerospace Segment uses the percentage of completion method to recognize a portion of its revenue. The percentage of completion method requires the use of estimates of costs to complete long-term contracts and for some contracts includes estimating costs related to aftermarket orders. The estimation of these costs requires substantial judgment on the part of management due to the duration of the contracts as well as the technical nature of the products involved. Adjustments to estimated costs are made on a consistent basis and a contract reserve is established when the costs to complete a contract exceed the contract revenues.

Impairment of Goodwill and Long-lived Assets – Goodwill is tested for impairment, at the reporting unit level, on an annual basis and between annual tests whenever events or circumstances indicate that the carrying value of a reporting unit’s goodwill may exceed its fair value. A discounted cash flow model is used to estimate the fair value of a reporting unit. This model requires the use of long-term planning forecasts and assumptions regarding industry specific economic conditions that are outside the control of the Company. Long-lived assets held for use are evaluated for impairment whenever events or circumstances indicate that the undiscounted net cash flows to be generated by their use and eventual disposition is less than their carrying value. The long-term nature of these assets requires the estimation of its cash inflows and outflows several years into the future and only takes into consideration technological advances known at the time of the impairment test.

Inventories – Inventories are valued at the lower of cost or market. Cost is determined on the last-in, first-out basis for a majority of U.S. inventories and on the first-in, first-out basis for the balance of the Company’s inventories. Inventories have been reduced by an allowance for obsolete inventories. The estimated allowance is based on management’s review of inventories on hand compared to estimated future usage and sales. Changes in the allowance have not had a material effect on the Company’s results of operations, financial position or cash flows.

Pensions and Postretirement Benefits Other Than Pensions – The annual net periodic expense and benefit obligations related to the Company’s defined benefit plans are determined on an actuarial basis. This determination requires critical assumptions regarding the discount rate, long-term return on plan assets, increases in compensation levels, amortization periods for actuarial gains and losses and health care cost trends. Assumptions are determined based on Company data and appropriate market indicators, and are evaluated each year as of the plan’s measurement date. Changes in the assumptions to reflect actual experience as well as the amortization of actuarial gains and losses could result in a material change in the annual net periodic expense and benefit obligations reported in the financial statements. For the Company's domestic defined benefit plans, a one-half percentage point change in the assumed long-term rate of return on plan assets is estimated to have a $6 million effect on pension expense and a one-half percentage point decrease in the discount rate is estimated to increase pension expense by $13 million. As of June 30, 2005, $819 million of past years' actuarial losses related to the Company's domestic defined benefit plans have yet to be amortized. These losses will generally be amortized over approximately 12 years and will negatively effect earnings in the future. Actuarial gains experienced in future years will help reduce the effect of the actuarial loss amortization.

Further information on pensions and postretirement benefits other than pensions is provided in Note 10 to the Consolidated Financial Statements.

Other Loss Reserves – The Company has a number of loss exposures incurred in the ordinary course of business such as environmental claims, product liability, litigation, recoverability of deferred income tax benefits and accounts receivable reserves. Establishing loss reserves for these matters requires management's estimate and judgment with regards to risk exposure and ultimate liability or realization. These loss reserves are reviewed periodically and adjustments are made to reflect the most recent facts and circumstances.

Recently Issued Accounting Pronouncements

In May 2005, the Financial Accounting Standards Board (FASB) issued SFAS No. 154, "Accounting Changes and Error Corrections." This Statement requires retrospective application to prior period's financial statements of changes in accounting principles, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change and is effective for accounting changes and corrections of errors made in fiscal years beginning after December 31, 2005. In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment." This Statement requires that the cost resulting from all share-based payment transactions be recognized in the financial statements and is effective for the Company beginning July 1, 2005. The Company currently expects to value its share-based payment transactions using a Black-Scholes valuation model. The amounts reflected in the table on page 13-22 are anticipated to approximate the effect of the adoption of this Statement.

Consolidated Statement of Income
(Dollars in thousands, except per share amounts)

For the years ended June 30,	2005	2004	2003
Net Sales	**$8,215,095**	$6,998,761	$6,311,693
Cost of sales	**6,508,111**	5,672,294	5,246,417
Gross profit	**1,706,984**	1,326,467	1,065,276
Selling, general and administrative expenses	**872,113**	775,502	694,815
Goodwill impairment loss (Note 7)		1,033	
Interest expense	**67,030**	73,219	81,407
Other expense (income), net	**7,420**	(1,309)	(2,600)
Loss (gain) on disposal of assets	**3,948**	(2,104)	3,657
Income from continuing operations before income taxes	**756,473**	480,126	287,997
Income taxes (Note 4)	**208,500**	143,953	96,160
Income from continuing operations	**547,973**	336,173	191,837
Income from discontinued operations (Note 2)	**56,719**	9,610	4,435
Net Income	**$ 604,692**	$ 345,783	$ 196,272
Earnings per Share (Note 5)			
Basic earnings per share			
Income from continuing operations	**$ 4.61**	$ 2.86	$ 1.65
Income from discontinued operations	**0.48**	0.08	0.04
Net income per share	**$ 5.09**	$ 2.94	$ 1.69
Diluted earnings per share			
Income from continuing operations	**$ 4.55**	$ 2.82	$ 1.64
Income from discontinued operations	**0.47**	0.09	0.04
Net income per share	**$ 5.02**	$ 2.91	$ 1.68

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

Consolidated Statement of Comprehensive Income
(Dollars in thousands)

For the years ended June 30,	2005	2004	2003
Net Income	**$ 604,692**	$ 345,783	$ 196,272
Other comprehensive income (loss), net of taxes (Note 11):			
Foreign currency translation adjustment	**13,138**	34,487	99,029
Minimum pension liability	**(154,377)**	94,513	(297,487)
Net unrealized (loss) gain on marketable equity securities	**(10,697)**	5,272	(27)
Unrealized cash flow hedging (loss)	**(7,318)**		
Comprehensive Income (Loss)	**$ 445,438**	$ 480,055	$ (2,213)

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

Business Segment Information
By Industry

(Dollars in thousands)	2005	2004	2003
Net Sales:			
Industrial:			
North America	**$3,516,627**	$3,016,820	$2,767,939
International	**2,398,439**	1,969,727	1,583,414
Aerospace	**1,359,431**	1,215,920	1,183,284
Climate & Industrial Controls	**794,308**	671,157	665,629
Other	**146,290**	125,137	111,427
	$8,215,095	$6,998,761	$6,311,693
Segment Operating Income:			
Industrial:			
North America	**$ 468,213**	$ 290,783	$ 142,092
International	**267,207**	159,641	96,389
Aerospace	**199,187**	157,946	170,372
Climate & Industrial Controls	**74,843**	71,769	63,441
Other	**18,452**	8,138	2,431
Total segment operating income	**1,027,902**	688,277	474,725
Corporate administration	**111,832**	106,281	79,760
Income from continuing operations before interest expense and other	**916,070**	581,996	394,965
Interest expense	**67,030**	73,219	81,407
Other expense	**92,567**	28,651	25,561
Income from continuing operations before income taxes	**$ 756,473**	$ 480,126	$ 287,997
Identifiable Assets:			
Industrial	**$4,713,574**	$4,277,413	$3,914,326
Aerospace	**658,394**	634,930	663,563
Climate & Industrial Controls	**695,641**	361,148	376,731
Other	**120,443**	116,145	124,879
	6,188,052	5,389,636	5,079,499
Corporate (a)	**710,909**	845,597	887,715
	$6,898,961	$6,235,233	$5,967,214
Property Additions (b):			
Industrial	**$ 196,394**	$ 165,983	$ 145,357
Aerospace	**12,919**	9,691	12,092
Climate & Industrial Controls	**40,050**	12,625	8,812
Other	**1,662**	1,847	1,731
Corporate	**9,900**	852	1,451
	$ 260,925	$ 190,998	$ 169,443
Depreciation:			
Industrial	**$ 198,247**	$ 195,865	$ 200,772
Aerospace	**20,777**	19,723	20,115
Climate & Industrial Controls	**19,954**	18,675	20,545
Other	**2,009**	2,067	1,716
Corporate	**6,228**	4,843	4,835
	$ 247,215	$ 241,173	$ 247,983

By Geographic Area (c)

(Dollars in thousands)	2005	2004	2003
Net Sales:			
North America	**$5,455,466**	$4,714,184	$4,457,132
International	**2,759,629**	2,284,577	1,854,561
	$8,215,095	$6,998,761	$6,311,693
Long-Lived Assets:			
North America	**$1,027,376**	$1,041,171	$1,166,879
International	**564,541**	544,818	485,279
	$1,591,917	$1,585,989	$1,652,158

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

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

(b) Includes value of net plant and equipment at the date of acquisition of acquired companies accounted for by the purchase method (2005 - $104,358; 2004 - $50,860; 2003 - $11,370).

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

Consolidated Balance Sheet

(Dollars in thousands)	June 30, 2005	2004
Assets		
Current Assets		
Cash and cash equivalents	**$ 336,080**	$ 183,847
Accounts receivable, less allowance for doubtful accounts (2005 - $13,586; 2004 - $13,322)	**1,241,029**	1,174,601
Inventories (Notes 1 and 6):		
Finished products	**455,818**	437,705
Work in process	**427,552**	415,440
Raw materials	**147,592**	123,113
	1,030,962	976,258
Prepaid expenses	**49,956**	43,907
Deferred income taxes (Notes 1 and 4)	**127,845**	112,828
Total Current Assets	**2,785,872**	2,491,441
Plant and equipment (Note 1):		
Land and land improvements	**184,296**	175,542
Buildings and building equipment	**1,025,669**	952,964
Machinery and equipment	**2,524,980**	2,441,116
Construction in progress	**42,494**	46,945
	3,777,439	3,616,567
Less accumulated depreciation	**2,185,522**	2,030,578
	1,591,917	1,585,989
Investments and other assets (Note 1)	**791,420**	798,242
Goodwill (Notes 1 and 7)	**1,443,811**	1,177,532
Intangible assets, net (Notes 1 and 7)	**239,891**	102,085
Deferred income taxes (Notes 1 and 4)	**46,050**	28,020
Net assets of discontinued operations (Note 2)		51,924
Total Assets	**$6,898,961**	$6,235,233
Liabilities and Shareholders' Equity		
Current Liabilities		
Notes payable and long-term debt payable within one year (Notes 8 and 9)	**$ 31,962**	$ 35,198
Accounts payable, trade	**584,253**	525,113
Accrued payrolls and other compensation	**268,113**	234,678
Accrued domestic and foreign taxes	**105,831**	123,030
Other accrued liabilities	**345,768**	320,625
Total Current Liabilities	**1,335,927**	1,238,644
Long-term debt (Note 9)	**938,424**	953,796
Pensions and other postretirement benefits (Note 10)	**1,058,814**	813,635
Deferred income taxes (Notes 1 and 4)	**35,911**	79,028
Other liabilities	**189,738**	167,676
Total Liabilities	**3,558,814**	3,252,779
Shareholders' Equity (Note 11)		
Serial preferred stock, $.50 par value, authorized 3,000,000 shares; none issued		
Common stock, $.50 par value, authorized 600,000,000 shares; issued 120,437,280 shares in 2005 and 119,711,057 shares in 2004 at par value	**60,219**	59,856
Additional capital	**478,219**	451,891
Retained earnings	**3,352,888**	2,840,787
Unearned compensation related to ESOP (Note 9)	**(36,818)**	(48,868)
Deferred compensation related to stock options	**2,347**	2,347
Accumulated other comprehensive (loss)	**(470,964)**	(311,710)
	3,385,891	2,994,303
Common stock in treasury at cost: 743,767 shares in 2005 and 227,067 shares in 2004	**(45,744)**	(11,849)
Total Shareholders' Equity	**3,340,147**	2,982,454
Total Liabilities and Shareholders' Equity	**$6,898,961**	$6,235,233

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,	2005	2004	2003
Cash Flows From Operating Activities			
Net income	**$ 604,692**	$ 345,783	$ 196,272
Adjustments to reconcile net income to net cash provided by operating activities:			
Net (income) from discontinued operations	**(56,719)**	(9,610)	(4,435)
Depreciation	**247,215**	241,173	247,983
Amortization	**17,484**	10,580	10,682
Deferred income taxes	**16,268**	(4,093)	21,828
Foreign currency transaction loss	**9,456**	1,950	5,227
Loss on sale of plant and equipment	**3,948**	7,139	8,102
(Gain) on divestiture of businesses		(11,444)	(7,400)
Changes in assets and liabilities, net of effects from acquisitions and divestitures:			
Accounts receivable	**(7,954)**	(138,828)	60,072
Inventories	**13,829**	71,696	104,806
Prepaid expenses	**(2,720)**	10,203	(2,444)
Other assets	**(13,607)**	(74,531)	(73,765)
Accounts payable, trade	**30,153**	81,378	(27,620)
Accrued payrolls and other compensation	**24,568**	30,445	(2,413)
Accrued domestic and foreign taxes	**2,167**	50,626	21,949
Other accrued liabilities	**(15,012)**	(1,851)	22,057
Pensions and other postretirement benefits	**(2,947)**	3,438	(8,020)
Other liabilities	**994**	35,430	(15,319)
Net cash provided by operating activities	**871,815**	649,484	557,562
Cash Flows From Investing Activities			
Acquisitions (less cash acquired of $21,720 in 2005, $63,691 in 2004, and $196 in 2003)	**(558,569)**	(200,314)	(16,648)
Capital expenditures	**(156,567)**	(140,138)	(158,073)
Proceeds from sale of plant and equipment	**20,359**	27,195	20,752
Proceeds from sale of businesses	**120,000**	33,213	14,709
Other	**10,217**	9,783	2,856
Net cash (used in) investing activities	**(564,560)**	(270,261)	(136,404)
Cash Flows From Financing Activities			
(Payments for) proceeds from common share activity	**(23,724)**	56,223	9,386
(Payments of) notes payable, net	**(16,927)**	(12,785)	(370,467)
Proceeds from long-term borrowings	**1,094**	18,962	258,642
(Payments of) long-term borrowings	**(5,369)**	(421,605)	(33,891)
Dividends paid, net of tax benefit of ESOP shares	**(92,612)**	(89,286)	(85,833)
Net cash (used in) financing activities	**(137,538)**	(448,491)	(222,163)
Net cash (used in) provided by operating activities of discontinued operations	**(19,004)**	12,969	(505)
Effect of exchange rate changes on cash	**1,520**	(5,704)	976
Net increase (decrease) in cash and cash equivalents	**152,233**	(62,003)	199,466
Cash and cash equivalents at beginning of year	**183,847**	245,850	46,384
Cash and cash equivalents at end of year	**$ 336,080**	$ 183,847	$ 245,850
Supplemental Data:			
Cash paid during the year for:			
Interest, net of capitalized interest	**$ 66,827**	$ 73,433	$ 73,575
Income taxes	**186,853**	96,097	44,632

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

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 full-line manufacturer of motion-control products, including fluid power systems, electromechanical controls and related components. The Company evaluates performance based on segment operating income before Corporate general and administrative expenses, Interest expense and Income taxes.

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

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

The Company also reports a Climate & Industrial Controls Segment and an Other Segment. The Climate & Industrial Controls Segment manufactures motion-control systems and components for use primarily in the refrigeration and air conditioning and transportation industries. The Other Segment consists of a business unit which designs and manufactures custom-engineered buildings. In December 2004 and February 2004, the Company divested businesses included in the Other Segment which developed and manufactured chemical car care products and maintenance equipment and sold industrial lubricants, respectively (See Note 2 for further discussion). The products in the Climate & Industrial Controls Segment and the Other Segment are marketed primarily through field sales employees and independent distributors.

See the table of Business Segment Information "By Industry" and "By Geographic Area" on pages 13–16 and 13-17 for further disclosure of business segment information.

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

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

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

Basis of Consolidation - The consolidated financial statements include the accounts of all domestic and foreign subsidiaries. All material intercompany transactions and profits have been eliminated in the consolidated financial statements. The Company does not have off-balance sheet arrangements with unconsolidated entities. Within the Business Segment Information, intersegment and interarea sales are recorded at fair market value and are immaterial in amount.

Revenue Recognition - Revenue is recognized when the risks and rewards of ownership and title to the product have transferred to the customer. The Company's revenue recognition policies are in compliance with the SEC's Staff Accounting Bulletin (SAB) No. 104. Shipping and handling costs billed to customers are included in Net sales and the related costs in Cost of sales.

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. In November 2004, the Financial Accounting Standards Board issued SFAS No. 151, "Inventory Costs – an amendment of ARB No. 43, Chapter 4." This Statement requires certain abnormal expenses be recognized as current-period charges. This Statement is effective for the Company beginning July 1, 2005 and is not expected to have a material effect on the Company's results of operations, financial position or cash flows.

Long-term Contracts - The Company enters into long-term contracts for the production of aerospace products and the manufacture of custom-engineered buildings. For financial statement purposes, revenues are recognized using the percentage-of-completion method. The extent of progress toward completion is measured using the units-of-delivery method. Unbilled costs on these contracts are included in inventory. Progress payments are netted against the inventory balances. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

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

Investments and Other Assets - Investments in joint-venture companies in which ownership is 50% or less and in which the Company does not have operating control are stated at cost plus the Company's equity in undistributed earnings. These investments and the related earnings are not material to the consolidated financial statements. During 2005 the Company recorded a charge of $8,766 ($.05 per share) related to a real estate investment. During 2003 the Company recorded a charge of $2,565 ($.02 per share) related to an adjustment in an equity investment in a publicly traded Japanese company. Investments and other assets include a prepaid pension cost at June 30, 2005 and 2004 of $366,675 and $371,819, respectively, and an intangible asset recognized in connection with an additional minimum pension liability of $90,310 and $95,076 at June 30, 2005 and 2004, respectively.

Goodwill - The Company conducts a formal impairment test of goodwill on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value.

Intangible Assets- Intangible assets primarily include patents, trademarks and customer lists and are recorded at cost and amortized on a straight-line method. Patents are amortized over their remaining legal life. Trademarks are amortized over the estimated time period over which an economic benefit is expected to be received. Customer lists are amortized over a period based on historical customer attrition rates.

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.

Product Warranty- In the ordinary course of business the Company warrants its products against defect in design, materials and workmanship over various time periods. The warranty accrual at June 30, 2005 and 2004 is immaterial to the financial position of the Company and the change in the accrual during 2005 was immaterial to the Company's results of operations and cash flows.

Foreign Currency Translation - Assets and liabilities of most foreign subsidiaries are translated at current exchange rates, and income and expenses are translated using weighted average exchange rates. The effects of these translation adjustments, as well as gains and losses from certain intercompany transactions, are reported in the Accumulated other comprehensive (loss) component of Shareholders' equity. Such adjustments will affect Net income only upon sale or liquidation of the underlying foreign investments, which, except for the divestiture discussed on page 13-24, is not contemplated at this time. Exchange gains and losses from transactions in a currency other than the local currency of the entity involved, and translation adjustments in countries with highly inflationary economies, are included in Net income.

Financial Instruments - The Company's financial instruments consist primarily of investments in cash, cash equivalents and long-term investments as well as obligations under notes payable and long-term debt. Due to their short term nature, the carrying values for Cash and cash equivalents, Investments and other assets and Notes payable approximate fair value. See Note 9 for fair value of long-term debt.

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

The Company has entered into two interest rate swap agreements for a total notional amount of EUR 300 million. The swap agreements effectively protect the Company against adverse interest rate changes in the EURO bond market and have been designated as a hedge against the Company's anticipated refinancing of its EURO Notes that are due in November 2005. The fair value of the interest rate swap agreements was a liability of approximately $12 million as of June 30, 2005, which has been recorded in the Consolidate Balance Sheet. The net payment or receipt under the swap agreements will be recognized as an adjustment to interest expense over the term of the EURO Notes anticipated to be issued in November 2005.

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

The total carrying and fair value of open forward exchange and costless collar contracts and any risk to the Company as a result of the arrangements as described above is not material.

Stock Options - The Company applies the intrinsic-value based method to account for stock options granted to employees or 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. The Company does recognize compensation expense related to the issuance of restricted stock. The following table illustrates the effect on net income and earnings per share as if the fair value based method had been applied to all outstanding and unvested stock awards using the nominal vesting period approach:

		2005	**2004**	**2003**
Net income, as reported		**$604,692**	$345,783	$196,272
Add: Stock-based employee compensation included in reported net income, net of tax		**10,139**	7,691	(327)
Deduct: Total stock-based employee compensation expense determined under fair value method, net of tax		**28,258**	27,109	18,498
Pro forma net income		**$586,573**	$326,365	$177,447
Earnings per share:				
Basic:	as reported	**$ 5.09**	$ 2.94	$ 1.69
	pro forma	**$ 4.94**	$ 2.77	$ 1.52
Diluted:	as reported	**$ 5.02**	$ 2.91	$ 1.68
	pro forma	**$ 4.87**	$ 2.74	$ 1.51

In December 2004, the FASB issued SFAS No. 123 (revised 2004), “Share-Based Payment.” This Statement requires that the cost resulting from all share-based payment transactions be recognized in the financial statements. This Statement is effective for the Company beginning July 1, 2005. The Company currently expects to value its share-based payment transactions using a Black-Scholes valuation model. The amounts reflected in the table above are anticipated to approximate the effect of the adoption of this Statement.

Reclassifications- Certain prior period amounts have been reclassified to conform to the current year presentation, most notably presenting the operations of a divested business unit as discontinued operations.

2. Acquisitions and Divestitures

Acquisitions – In October 2004, the Company completed the acquisition of the Sporlan Valve Company (Sporlan). Sporlan is a manufacturer of refrigeration and air conditioning components, controls and systems. In November 2004, the Company acquired Acadia Elastomers Corporation, a producer of sealing solutions. Annual sales for these businesses and other businesses acquired during fiscal 2005, for their most recent fiscal year prior to acquisition, were approximately $410 million. Total purchase price for all businesses acquired during fiscal 2005 was approximately $580 million in cash.

In February 2004, the Company completed the acquisition of Denison International plc (Denison). Denison is an industrial manufacturer and service provider for highly engineered hydraulic fluid power systems and components. Annual sales for this business and other businesses acquired during fiscal 2004, for their most recent fiscal year prior to acquisition, were approximately $188 million. Total purchase price for all businesses acquired during fiscal 2004 was approximately $264 million in cash.

All acquisitions were accounted for by the purchase method, and results of operations for all acquisitions are included as of the respective dates of acquisition. The purchase price allocation for acquisitions in 2005, 2004 and 2003 are presented below. Some of the 2005 purchase price allocations are preliminary and may require subsequent adjustment.

	2005	2004	2003
Assets acquired:			
Accounts receivable	**$ 51,333**	$ 49,556	$ 5,339
Inventories	**58,513**	51,192	7,227
Prepaid expenses	**2,703**	2,675	219
Deferred income taxes	**1,919**	(4,462)	
Plant & equipment	**104,358**	50,860	11,370
Intangible and other assets	**154,674**	54,519	2,851
Goodwill	**274,995**	78,192	3,544
	648,495	282,532	30,550
Liabilities and equity assumed:			
Notes payable	**8,819**	3,466	242
Accounts payable	**26,301**	12,139	2,786
Accrued payrolls	**8,209**	8,037	795
Accrued taxes	**433**	4,542	79
Other accrued liabilities	**15,127**	17,593	1,247
Long-term debt	**6,415**	2,402	785
Pensions and other postretirement benefits	**7,239**	18,583	
Deferred income taxes	**17,383**	11,681	3,882
Other liabilities		3,775	4,086
	89,926	82,218	13,902
Net assets acquired	**$558,569**	$200,314	$16,648

Divestitures – In December 2004 the Company divested a business unit which developed and manufactured chemical car care products and maintenance equipment. This business was part of the Other Segment for segment reporting purposes. The following results of operations for this business unit have been presented as discontinued operations for all periods presented:

	2005	2004	2003
Net sales	**$55,485**	$108,146	$98,350
Earnings before income taxes	**6,336**	13,942	9,385
Net income	**4,172**	$ 9,610	$ 4,435
Gain on disposal, net of taxes of $16,914	**$52,547**		

As of June 30, 2005, there were no assets or liabilities remaining from the discontinued operations. The net assets of discontinued operations as of June 30, 2004 primarily consisted of $24,430 of accounts receivable, $15,120 of inventory, $20,879 in goodwill, $5,865 of property, plant and equipment, net, $9,448 of accounts payable and $5,894 of other liabilities.

In June 2004, the Company completed the divestiture of its Zenith Pump (Zenith) division. Zenith was part of the Industrial Segment for segment reporting purposes. In February 2004, the Company completed the divestiture of Wynn's Industrie, an industrial lubricants unit of the Wynn's Specialty Chemicals business. Wynn's Industrie was part of the Other Segment for segment reporting purposes. In May 2003, the Company completed the divestiture of its United Aircraft Products (UAP) division. The UAP division was part of the Aerospace Segment for segment reporting purposes. The divestitures resulted in a gain of $11,070 ($6,223 after-tax or $.05 per share) and $7,400 ($4,618 after-tax or $.04 per share) in 2004 and 2003, respectively, and are reflected in Loss (gain) on disposal of assets in the Consolidated Statement of Income. The results of operations and net assets of the divested businesses were immaterial to the consolidated results of operations and financial position of the Company.

The Company has entered into a definitive agreement to sell the business unit comprising the Other Segment which designs and manufactures custom-engineered buildings. Finalization of the sale is subject to regulatory approval and other customary closing conditions and is expected to take place in the first quarter of fiscal 2006. The results of operations and net assets of this business unit are immaterial to the consolidated results of operations and financial position of the Company. The Company anticipates recognizing a gain on the sale of this business unit, substantially all of which is attributed to foreign currency translation adjustments.

3. Charges Related to Business Realignment

In 2005, the Company recorded a $14,263 charge ($8,900 after-tax or $.08 per share) for the costs to structure its businesses in light of current and anticipated customer demand. The Company believes the realignment actions taken will positively impact future results of operations, but will have no material effect on liquidity and sources and uses of capital. The charge primarily related to severance costs attributable to approximately 600 employees in the Industrial Segment. A portion of the severance costs have been paid with the remaining payments expected to be made by June 30, 2006. The business realignment costs are presented primarily in the Cost of sales caption in the Consolidated Statement of Income for 2005. A significant portion of the fiscal 2005 charge relates to the closure of a manufacturing facility in Hilden, Germany. The facility was acquired as part of the Denison International acquisition. The decision to close the facility results from the completion of the Company's acquisition integration analysis.

In 2004, the Company recorded a $15,146 charge ($10,140 after-tax or $.09 per share) for the costs to structure its businesses in light of current and anticipated customer demand. The Company believes the realignment actions taken will positively impact future results of operations, but will have no material effect on liquidity and sources and uses of capital. The charge primarily related to severance costs attributable to approximately 1,200 employees in the Industrial Segment, 90 employees in the Climate & Industrial Controls Segment, 15 employees in the Other Segment and 5 employees in the Aerospace Segment. All severance payments have been made as of June 30, 2005. Of the pre-tax amount, $13,591 relates to the Industrial Segment, $443 relates to the Climate & Industrial Controls Segment, $1,003 relates to the Other Segment and $109 relates to the Aerospace Segment. The business realignment costs are presented primarily in the Cost of sales caption in the Consolidated Statement of Income for 2004.

In 2003, the Company recorded a $24,624 charge ($16,275 after-tax or $.14 per share) related to costs of structuring its businesses in response to current and anticipated customer demand. The Company believes the realignment actions taken will positively impact future results of operations, but will have no material effect on liquidity and sources and uses of capital. The business realignment charge primarily consists of severance costs of $16,237 and $8,387 of costs relating to the consolidation of manufacturing product lines. The severance costs are attributable to approximately 1,050 employees in the Industrial Segment, 210 employees in the Aerospace Segment and 50 employees in the Other Segment. All severance payments have been made as of June 30, 2004. Of the pre-tax amount, $18,715 relates to the Industrial Segment, $2,495 relates to the Aerospace Segment, $2,106 relates to the Climate & Industrial Controls Segment and $1,308 relates to the Other Segment. The business realignment charge is presented in the Consolidated Statement of Income for 2003 in the following captions: $20,133 in Cost of sales; $992 in Selling, general and administrative expenses; and $3,499 in Loss (gain) on disposal of assets.

4. Income Taxes

Income from continuing operations before income taxes was derived from the following sources:

	2005	2004	2003
United States	**$439,717**	$295,362	$190,812
Foreign	**316,756**	184,764	97,185
	$756,473	$480,126	$287,997

Income taxes include the following:

	2005	2004	2003
Federal	**$108,182**	$ 74,527	$28,097
Foreign	**78,676**	61,976	44,794
State and local	**5,374**	11,543	1,441
Deferred	**16,268**	(4,093)	21,828
	$208,500	$143,953	$96,160

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

	2005	2004	2003
Statutory Federal income tax rate	**35.0%**	35.0%	35.0%
State and local income taxes	**.6**	1.7	.6
Export tax benefit	**(1.3)**	(1.5)	(1.3)
Foreign tax rate difference	**(3.8)**	(1.7)	(2.7)
Cash surrender of life insurance	**(.4)**	(.7)	.8
Research tax credit	**(2.5)**		
Capital loss	**(.2)**	(4.2)	
Other	**.2**	1.4	1.0
Effective income tax rate	**27.6%**	30.0%	33.4%

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:

	2005	2004
Postretirement benefits	**$ 215,595**	$ 142,890
Other liabilities and reserves	**92,778**	87,013
Long-term contracts	**10,689**	11,542
Operating loss carryforwards	**45,009**	55,634
Foreign tax credit carryforwards	**3,276**	486
Valuation allowance	**(33,199)**	(54,093)
Depreciation and amortization	**(222,021)**	(198,234)
Inventory	**15,143**	11,040
Net deferred tax asset	**$ 127,270**	$ 56,278
Change in net deferred tax asset:		
Provision for deferred tax	**$ (16,268)**	$ 4,093
Items of other comprehensive income	**97,511**	(45,696)
Acquisitions and other	**(10,251)**	(20,227)
Total change in net deferred tax	**$ 70,992**	$ (61,830)

At June 30, 2005, the Company has recorded deferred tax assets of $45,009 resulting from $286,447 in loss carryforwards. A valuation allowance has been established due to the uncertainty of realizing certain operating loss carryforwards and items of other comprehensive income. Some of the operating loss carryforwards can be carried forward indefinitely and others can be carried forward from one to 19 years. The decrease in the valuation allowance in 2005 was primarily due to a change in the uncertainty of realizing certain operating loss and capital loss carryforwards. A decrease in the valuation allowance in the amount of $5,568 was attributable to the Denison acquisition, of which $2,812 reduced goodwill.

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

Accumulated undistributed earnings of foreign operations reinvested in their operations amounted to $546,740, $364,864 and $321,479, at June 30, 2005, 2004 and 2003, respectively.

The American Jobs Creation Act, signed into law in October of 2004, provides the Company a one-time opportunity to repatriate accumulated undistributed earnings and claim an 85% dividend received deduction against the repatriated amount. At the present time, the Company does not anticipate repatriating any accumulated undistributed earnings.

5. Earnings Per Share

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

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

	2005	2004	2003
Numerator:			
Income from continuing operations	**$ 547,973**	$ 336,173	$ 191,837
Denominator:			
Basic - weighted average common shares	**118,794,564**	117,707,772	116,381,880
Increase in weighted average from dilutive effect of exercise of stock options	**1,654,442**	1,298,696	512,626
Diluted - weighted average common shares, assuming exercise of stock options	**120,449,006**	119,006,468	116,894,506
Basic earnings per share from continuing operations	**$ 4.61**	$ 2.86	$ 1.65
Diluted earnings per share from continuing operations	**$ 4.55**	$ 2.82	$ 1.64

For 2005, 2004 and 2003, 0.2 million, 0.3 million, and 3.1 million common shares, respectively, subject to stock options were excluded from the computation of diluted earnings per share from continuing operations because the effect of their exercise would be anti-dilutive.

6. Inventories

Inventories valued on the last-in, first-out cost method were approximately 37% and 36%, respectively, of total inventories in 2005 and 2004. The current cost of these inventories exceeds their valuation determined on the LIFO basis by $172,944 in 2005 and $152,579 in 2004. Progress payments of $17,978 in 2005 and $14,100 in 2004 are netted against inventories.

7. Goodwill and Intangible Assets

The Company conducts an annual impairment test as required by FASB Statement No. 142. The annual impairment test performed in 2005 and 2003 resulted in no impairment loss being recognized. The goodwill impairment test performed in 2004 resulted in an impairment charge of $1,033 ($682 after-tax or $.01 per share) and was recorded in the Industrial Segment. The Company uses a discounted cash flow analysis for purposes of estimating the fair value of a reporting unit. The impairment charges primarily resulted from declining market conditions and lower future growth potential relative to expectations at the acquisition date for the reporting unit involved.

The changes in the carrying amount of goodwill for the year ended June 30, 2005 are as follows:

	Industrial Segment	Aerospace Segment	Climate & Industrial Controls Segment	Other Segment	Total
Balance June 30, 2004	$ 926,603	$ 79,623	$ 96,705	$74,601	$1,177,532
Acquisitions	108,901		166,094		274,995
Foreign currency translation	(2,393)	(48)	(21)	(565)	(3,027)
Goodwill adjustments	(4,451)		11	(1,249)	(5,689)
Balance June 30, 2005	**$1,028,660**	**$ 79,575**	**$ 262,789**	**$72,787**	**$1,443,811**

"Goodwill adjustments" primarily represent final adjustments to the purchase price allocation during the twelve-month period subsequent to the acquisition date and goodwill associated with businesses divested.

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

June 30,	2005		2004	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Patents	**$ 48,973**	**$ 17,598**	$ 36,077	$ 14,491
Trademarks	**93,471**	**7,137**	38,298	3,057
Customer lists and other	**142,797**	**20,615**	56,148	10,890
Total	**$ 285,241**	**$ 45,350**	$ 130,523	$ 28,438

Total intangible amortization expense in 2005, 2004 and 2003 was $15,857, $7,083 and $5,760, respectively. The estimated amortization expense for the five years ending June 30, 2006 through 2010 is $19,771, $18,548, $17,050, $16,371 and $16,031, respectively.

8. Financing Arrangements

The Company has committed lines of credit totaling $1,025,000 through two multi-currency unsecured revolving credit agreements with a group of banks, all of which was available at June 30, 2005. One agreement, totaling $625,000, expires September 2008, and the other, totaling $400,000, expires September 2009. The credit agreements support the Company's commercial paper note program. The interest on borrowings is based upon the terms of each specific borrowing and is subject to market conditions. These agreements also require facility fees of up to 8/100ths of one percent of the commitment per annum at the Company's present rating level. Covenants in some of the agreements include a limitation on the Company's ratio of debt to total capitalization. It is the Company's policy to reduce the amount available for borrowing under the revolving credit agreements, on a dollar for dollar basis, by the amount of commercial paper notes outstanding.

The Company has other lines of credit, primarily short-term, aggregating $206,301 from various foreign banks, of which $191,439 was available at June 30, 2005. Most of these agreements are renewed annually.

As of June 30, 2005 the Company has $775,000 available under its universal shelf registration statement.

The Company is authorized to sell up to $1,025,000 of short-term commercial paper notes, rated A-1 by Standard & Poor's, P-1 by Moody's and F-1 by Fitch, Inc. At June 30, 2005 and 2004 there were no commercial paper notes outstanding.

Short-term borrowings from foreign banks make up the balance of Notes payable. The balance and weighted average interest rate of the Notes payable at June 30, 2005 and 2004 were $12,016 and 2.8% and $18,468 and 1.6%, respectively.

9. Debt

June 30,	2005	2004
Domestic:		
Debentures		
7.30%, due 2011	**$100,000**	$100,000
Fixed rate medium-term notes		
6.55% to 7.39%, due 2007-2019	**195,000**	195,000
Fixed rate senior notes		
4.88%, due 2013	**225,000**	225,000
ESOP loan guarantee		
6.34%, due 2009	**42,785**	54,479
Variable rate demand bonds		
2.41%, due 2010-2025	**20,035**	20,035
Foreign:		
Bank loans, including revolving credit		
1.0% to 10.0%, due 2006-2016	**11,976**	6,506
Euro Notes		
6.25%, due 2006	**363,060**	365,880
Other long-term debt, including capitalized leases	**514**	3,626
Total long-term debt	**958,370**	970,526
Less long-term debt payable within one year	**19,946**	16,730
Long-term debt, net	**$938,424**	$953,796

Included in Long-term debt are $363 million of Euro Notes that are due in November 2005. The settlement of this obligation is not expected to require the use of working capital in fiscal 2006 because the Company has both the intent and ability to refinance this debt on a long-term basis. The repayment of this debt has been excluded from the schedule of long-term debt payable over the next five years as presented below.

Principal amounts of Long-term debt payable in the five years ending June 30, 2006 through 2010 are $19,946, $38,060, $42,890, $7,069 and $46,107, respectively. The carrying value of the Company's Long-term debt (excluding leases) was $957,856 and $969,901 at June 30, 2005 and 2004, respectively, and was estimated to have a fair value of $1,007,406 and $1,015,761, at June 30, 2005 and 2004, respectively. The 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. Some of the debt agreements include a limitation on the Company's ratio of secured debt to net tangible assets and debt to total capitalization.

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

Lease Commitments - Future minimum rental commitments as of June 30, 2005, under noncancelable operating leases, which expire at various dates, are as follows: 2006-$47,631; 2007-$34,929; 2008-$22,444; 2009-$12,948; 2010-$9,385 and after 2010-$22,818.

Rental expense in 2005, 2004 and 2003 was $66,350, $65,252 and $63,331, respectively.

10. 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 uses a June 30 measurement date for a majority of its pension plans. 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 cost for all plans was $121,596, $109,160 and $58,623 for 2005, 2004 and 2003, respectively. Pension cost for all defined benefit plans accounted for using SFAS No. 87, "Employers' Accounting for Pensions," was as follows:

	2005	2004	2003
Service cost	**$ 64,901**	$ 67,103	$ 56,613
Interest cost	**129,609**	119,770	113,464
Expected return on plan assets	**(134,397)**	(127,968)	(132,152)
Net amortization and deferral and other	**58,274**	47,025	16,887
Net periodic benefit cost	**$ 118,387**	$ 105,930	$ 54,812

	2005	2004
Change in benefit obligation		
Benefit obligation at beginning of year	**$2,177,110**	$1,995,511
Service cost	**64,901**	67,103
Interest cost	**129,609**	119,770
Actuarial loss	**328,884**	16,172
Benefits paid	**(101,629)**	(92,372)
Plan amendments	**(7,694)**	5,288
Acquisitions	**7,199**	25,042
Foreign currency translation and other	**(4,636)**	40,596
Benefit obligation at end of year	**$2,593,744**	$2,177,110
Change in plan assets		
Fair value of plan assets at beginning of year	**$1,624,503**	$1,315,899
Actual gain on plan assets	**106,274**	244,272
Employer contributions	**105,385**	110,674
Benefits paid	**(91,513)**	(83,384)
Acquisitions	**8,158**	9,698
Foreign currency translation and other	**(2,997)**	27,344
Fair value of plan assets at end of year	**$1,749,810**	$1,624,503
Funded status		
Plan assets (under) benefit obligation	**$ (843,934)**	$ (552,607)
Unrecognized net actuarial loss	**984,702**	693,448
Unrecognized prior service cost	**88,062**	93,323
Unrecognized initial net obligation (asset)	**229**	(130)
Net amount recognized	**$ 229,059**	$ 234,034

Amounts recognized on the Consolidated Balance Sheet

	2005	2004
Prepaid benefit cost	**$ 366,675**	$ 371,819
Accrued benefit liability	**(944,328)**	(703,181)
Intangible asset	**90,310**	95,076
Accumulated other comprehensive loss	**716,402**	470,320
Net amount recognized	**$ 229,059**	$ 234,034

The accumulated benefit obligation for all defined benefit plans was $2,339,083 and $1,958,613 at June 30, 2005 and 2004, respectively. The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were $2,543,461, $2,294,486 and $1,701,537, respectively, at June 30, 2005, and $2,137,471, $1,922,560 and $1,582,576, respectively, at June 30, 2004.

If the accumulated benefit obligation exceeds the fair value of plan assets, accounting rules require that the Company recognize a liability that is at least equal to the unfunded accumulated benefit obligation. Accordingly, a minimum pension liability of $806,711 and $565,397 has been recognized at June 30, 2005 and 2004, respectively. The net of tax effect of recording the minimum pension liability on shareholders' equity was a decrease of $154,377 in 2005 and an increase of $94,513 in 2004. The minimum pension liability could be reversed should the fair value of plan assets exceed the accumulated benefit obligation at the end of 2006.

The Company expects to contribute approximately $95 million to its defined benefit pension plans in 2006. The majority of the expected contribution is discretionary. Estimated future benefit payments in the five years ending June 30, 2006 through 2010 are $97,417, $102,000, $108,578, $114,812 and $120,490, respectively and $715,187 in the aggregate for the five years ending June 30, 2011 through June 30, 2015.

The assumptions used to measure net periodic benefit cost for the Company's significant defined benefit plans are:

	2005	2004	2003
U.S. defined benefit plans			
Discount rate	**6.25%**	6.25%	7.25%
Average increase in compensation	**4.9%**	4.9%	4.9%
Expected return on plan assets	**8.25%**	8.25%	8.5%
Non-U.S. defined benefit plans			
Discount rate	**2 to 6.25%**	2 to 6.75%	4.5 to 6.75%
Average increase in compensation	**1 to 4%**	1 to 3.5%	2.5 to 3.75%
Expected return on plan assets	**1 to 7.75%**	1 to 7.5%	5 to 7.75%

The assumptions used to measure the benefit obligation for the Company's significant defined benefit plans are:

	2005	2004
U.S. defined benefit plans		
Discount rate	**5.25%**	6.25%
Average increase in compensation	**4.9%**	4.9%
Non-U.S. defined benefit plans		
Discount rate	**2 to 5.5%**	2 to 6.25%
Average increase in compensation	**1 to 4%**	1 to 4%

The discount rate assumption is based on current rates on investment grade corporate bonds over the same estimated time period that benefit payments will be required to be made. The expected return on plan assets assumption is based on the weighted-average expected return of the various asset classes in the plans' portfolio. The asset class return is developed using historical asset return performance as well as current market conditions such as inflation, interest rates and equity market performance.

The weighted-average allocation of the majority of the assets related to defined benefit plans is as follows:

	2005	2004
Equity securities	**64%**	66%
Debt securities	**34%**	31%
Other	**2%**	3%
	100%	100%

The investment strategy for the defined benefit pension plan assets focuses on achieving prudent actuarial funding ratios while maintaining acceptable levels of risk. This strategy requires an investment portfolio that is broadly diversified across various asset classes and investment managers. The current weighted-average target asset allocation is 63% equity securities, 35% debt securities and 2% other. At June 30, 2005 and 2004, the plans' assets included Company stock with market values of $74,350 and $71,293, respectively.

Employee Savings Plan - The Company sponsors an employee stock ownership plan (ESOP) as part of its existing savings and investment 401(k) plan. The ESOP is available to eligible domestic employees. Parker Hannifin common stock is used to match contributions made by employees to the ESOP up to a maximum of 4.0 percent of an employee's annual compensation. A breakdown of shares held by the ESOP is as follows:

	2005	2004	2003
Allocated shares	**9,558,612**	9,453,916	9,440,648
Suspense shares	**1,004,423**	1,315,814	1,844,112
Total shares held by the ESOP	**10,563,035**	10,769,730	11,284,760
Fair value of suspense shares	**$ 62,284**	$ 78,238	$ 77,434

In 1999, the ESOP was leveraged and the loan was unconditionally guaranteed by the Company. The Company's matching contribution and dividends on the shares held by the ESOP are used to repay the loan, and shares are released from the suspense account as the principal and interest are paid. The unreleased portion of the shares in the ESOP suspense account is not considered outstanding for purposes of earnings per share computations. Company contributions to the ESOP, recorded as compensation and interest expense, were $40,396 in 2005, $37,208 in 2004 and $37,733 in 2003. Dividends earned by the suspense shares and interest income within the ESOP totaled $962 in 2005, $1,245 in 2004 and $1,580 in 2003.

In 2004, the Company added to the employee savings plan a new separate account called the retirement income account (RIA). The RIA replaces the defined benefit pension plan for new employees hired at locations that previously offered a salary-based formula under the pension plan. Employees who were already under the salary-based formula in the pension plan were given the choice to stay in the pension plan or participate in the RIA. The Company makes a contribution to the participant's RIA account each year, the amount of which is based on the participant's age and years of service. Participants do not contribute to the RIA. Company contributions to the RIA were $2,258 in 2005.

In addition to shares within the ESOP, as of June 30, 2005 employees have elected to invest in 2,325,158 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.

Certain employees are covered under benefit provisions that include prescription drug coverage for Medicare eligible retirees. In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) was signed into law. The Act introduced a plan sponsor subsidy based on a percentage of a beneficiary's annual prescription drug benefit, within defined limits, and the opportunity for a retiree to obtain prescription drug benefits under Medicare. The impact of the subsidy on the Company's other postretirement benefits was immaterial.

Postretirement benefit cost included the following components:

	2005	2004	2003
Service cost	**$1,885**	$1,633	$1,289
Interest cost	**6,301**	6,270	5,957
Net amortization and deferral	**71**	409	2,323
Net periodic benefit cost	**$8,257**	$8,312	$9,569

	2005	2004
Change in benefit obligation		
Benefit obligation at beginning of year	**$ 104,895**	$ 101,488
Service cost	**1,885**	1,633
Interest cost	**6,301**	6,270
Actuarial loss	**11,348**	744
Benefits paid	**(6,908)**	(5,010)
Acquisitions and other	**2,448**	(230)
Benefit obligation at end of year	**$ 119,969**	$ 104,895
Funded status		
Benefit obligation in excess of plan assets	**$(119,969)**	$(104,895)
Unrecognized net actuarial loss	**28,417**	17,521
Unrecognized prior service cost	**(2,646)**	(3,267)
Net amount recognized	**$ (94,198)**	$ (90,641)
Amounts recognized on the Consolidated Balance Sheet:		
Accrued benefit liability	**$ (94,198)**	$ (90,641)

The assumptions used to measure the net periodic benefit cost for postretirement benefit obligations are:

	2005	2004	2003
Discount rate	**6.25%**	6.25%	7.25%
Current medical cost trend rate	**9.8%**	8.9%	9.9%
Ultimate medical cost trend rate	**5%**	5%	5%
Medical cost trend rate decreases to ultimate in year	**2012**	2010	2010

The discount rate assumption used to measure the benefit obligation was 5.25% in 2005 and 6.25% in 2004.

Estimated future benefit payments for other postretirement benefits in the five years ending June 30, 2006 through 2010 are $7,602, $7,517, $7,542, $7,495 and $7,635, respectively and $40,666 in the aggregate for the five years ending June 30, 2011 through June 30, 2015.

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

	1% Increase	1% Decrease
Effect on total of service and interest cost components	**$ 1,051**	**$ (823)**
Effect on postretirement benefit obligation	**$ 14,200**	**$ (11,562)**

Other - The Company has established nonqualified deferred compensation programs, which permit officers, directors and certain management employees annually to elect to defer a portion of their compensation, on a pre-tax basis, until their retirement. The retirement benefit to be provided is based on the amount of compensation deferred, Company match, and earnings on the deferrals. Deferred compensation expense was $13,622, $20,006 and $7,127 in 2005, 2004 and 2003, respectively.

The Company has invested in corporate-owned life insurance policies to assist in meeting the obligation under these programs, including a $55 million cash contribution in 2004. The policies are held in a rabbi trust and are recorded as assets of the Company.

11. Shareholders' Equity

Common Shares	2005	2004	2003
Balance July 1	**$ 59,856**	$ 59,143	$ 59,062
Shares issued under stock incentive plans (2005 – 726,224 ; 2004 – 1,425,321; 2003 – 168,442)	**363**	713	81
Balance June 30	**$ 60,219**	$ 59,856	$ 59,143
Additional Capital			
Balance July 1	**$ 451,891**	$ 389,021	$ 378,918
Shares issued under stock option plans	**1,385**	34,825	1,393
Tax benefit of stock option plans	**16,520**	13,627	1,675
Restricted stock issued	**214**	2,088	852
Shares related to ESOP	**8,209**	12,330	6,183
Balance June 30	**$ 478,219**	$ 451,891	$ 389,021
Retained Earnings			
Balance July 1	**$2,840,787**	$2,584,268	$2,473,808
Net income	**604,692**	345,783	196,272
Cash dividends paid on common shares, net of tax benefits	**(92,591)**	(89,264)	(85,812)
Balance June 30	**$3,352,888**	$2,840,787	$2,584,268
Unearned Compensation Related to ESOP			
Balance July 1	**$ (48,868)**	$ (63,418)	$ (79,474)
Unearned compensation related to ESOP debt guarantee	**12,050**	14,550	16,056
Balance June 30	**$ (36,818)**	$ (48,868)	$ (63,418)

	2005	2004	2003
Deferred Compensation Related to Stock Options			
Balance July 1 and June 30	**$2,347**	$2,347	$2,347
Accumulated Other Comprehensive Income (Loss)			
Balance July 1	**$(311,710)**	$(445,982)	$(247,497)
Foreign currency translation	**13,138**	34,487	99,029
Unrealized (loss) gain on marketable securities (net of tax of: 2005 - $6,451; 2004 – $4,979; 2003 – $16)	**(10,706)**	8,262	(27)
Realized loss (gain) on marketable securities (net of tax of: 2005 - $7; 2004 – $1,802)	**9**	(2,990)	
Minimum pension liability (net of tax of: 2005 - $93,127; 2004 - $44,464; 2003 - $127,558)	**(154,377)**	94,513	(297,487)
Unrealized (loss) on cash flow hedges (net of tax of: 2005 - $4,410)	**(7,318)**		
Balance June 30	**$(470,964)**	$(311,710)	$(445,982)
Common Stock in Treasury			
Balance July 1	**$ (11,849)**	$ (4,468)	$ (3,648)
Shares purchased at cost (2005 – 1,000,000; 2004 – 224,891; 2003 – 45,000)	**(61,781)**	(12,691)	(1,696)
Shares issued under stock option plans (2005 – 413,582 ; 2004 – 135,291; 2003 – 14,522)	**23,779**	6,021	538
Restricted stock issued (surrendered)	**4,107**	(711)	338
Balance June 30	**$ (45,744)**	$ (11,849)	$ (4,468)

Shares surrendered upon exercise of stock options: 2005 – 655,385; 2004 – 737,594; 2003 – 111,538.

Share Repurchases - The Company has a program to repurchase up to 1 million of the Company’s common shares per fiscal year on the open market, at prevailing prices, including the systematic repurchase of no less than $10 million in common shares each fiscal quarter. At June 30, 2005, the remaining authorization to repurchase was 1.78 million shares. Repurchases are primarily funded from operating cash flows, and the shares are initially held as treasury stock.

12. Stock Incentive Plans

Employees’ Stock Options - The Company’s incentive plan provides 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 date options are granted. Outstanding options generally are exercisable either one or two years after the date of grant and expire no more than ten years after grant.

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

As permitted by SFAS No. 123, “Accounting for Stock-Based Compensation,” the Company continues to account for its stock option and stock incentive plans in accordance with Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees,” and makes no charges against capital with respect to options granted. See Note 1 on page 13-22 for 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.

The fair values for the significant options granted in 2005, 2004 and 2003 were estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	Aug/04	**Aug/03**	**Aug/02**
Risk-free interest rate	**3.50%**	3.4%	3.3%
Expected life of option	**4.2 yrs**	4.4 yrs	4.6 yrs
Expected dividend yield of stock	**1.7%**	1.7%	1.6%
Expected volatility of stock	**32.7%**	36.8%	38.0%

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

	2005	**2004**	**2003**
Options exercisable	**5,445,970**	4,957,612	4,898,070
Weighted-average option price per share of options exercisable	**$ 41.88**	$ 39.95	$ 37.57
Weighted-average fair value of options granted during the year	**$ 14.97**	$ 14.38	$ 12.68
Shares available for grant	**8,552,300**	9,594,980	525,951

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, 2003	8,317,257	$ 39.08
Granted	2,347,725	47.43
Exercised	(2,270,221)	36.75
Canceled	(95,392)	
Outstanding June 30, 2004	8,299,369	$ 42.03
Granted	**1,728,775**	**55.17**
Exercised	**(1,776,432)**	**39.28**
Canceled	**(101,003)**	
Outstanding June 30, 2005	**8,150,709**	**$ 45.31**

The range of exercise prices and the remaining contractual life of options as of June 30, 2005 were:

Range of exercise prices	$24-$36	$39-$45	$47-$75
Options outstanding:			
Outstanding as of June 30, 2005	951,672	3,413,974	3,785,063
Weighted-average remaining contractual life	4.2 yrs	6.1 yrs	8.4 yrs
Weighted-average exercise price	$ 33.40	$ 42.40	$ 50.93
Options exercisable:			
Outstanding as of June 30, 2005	951,672	3,413,974	1,080,324
Weighted-average remaining contractual life	4.2 yrs	6.1 yrs	7.9 yrs
Weighted-average exercise price	$ 33.40	$ 42.40	$ 47.70

Restricted Stock - Restricted stock was issued under the Company's 2003 and 1993 Stock Incentive Program to certain key employees under the Company's 2002-03-04, 2001-02-03 and 2000-01-02 Long Term Incentive Plans (LTIP). Value of the payments was set at the market value of the Company's common stock on the date of issuance. Shares were earned and awarded, and an estimated value was accrued, based upon attainment of criteria specified in the LTIP over the cumulative years of each 3-year Plan. Plan participants are entitled to cash dividends and to vote their respective shares, but the shares are restricted as to transferability for three years following issuance.

Restricted Shares for LTIP Plan	**2005**	2004	2003
Number of shares issued	**66,393**	19,566	18,953
Average share value on date of issuance	**$ 60.52**	$ 47.29	$ 41.20
Total value	**$ 4,018**	$ 925	$ 781

Under the Company's 2003-04-05 LTIP a payout of shares of restricted stock from the Company's 2003 Stock Incentive Program will be issued to certain key employees in 2006. The balance of the 2003-04-05 LTIP payout will be made as deferred cash compensation (if elected by the participant) or in cash. The total payout, valued at $12,118 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 2005, 2004 and 2003, 3,132, 9,382 and 12,679 shares, respectively, were issued in lieu of directors' fees.

Non-employee Directors' Stock Options - The Company's Non-employee Directors' Stock Incentive Plan provides for the granting of nonqualified options to non-employee directors to purchase shares of common stock at a price not less than 100 percent of the fair market value of the stock on the date the options are granted. Outstanding options are exercisable either one or two years after the date of grant and expire no more than ten years after grant.

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

	Shares Subject To Options	Average Option Price Per Share
Outstanding June 30, 2003	55,013	$ 39.40
Granted	16,965	48.94
Exercised	(9,500)	32.38
Outstanding June 30, 2004	62,478	$ 43.06
Granted	**39,095**	**56.29**
Exercised	**(13,663)**	**44.05**
Outstanding June 30, 2005	**87,910**	**$ 48.79**

As of June 30, 2005, 42,815 options were exercisable and 246,655 shares were available for grant.

At June 30, 2005, the Company had 17,082,161 common shares reserved for issuance in connection with its stock incentive plans.

13. 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, 2005, 119,693,513 shares of Common Stock were reserved for issuance under this Agreement. Under certain conditions involving acquisition of or an offer for 15 percent or more of the Company's Common Stock, all holders of Rights, except an acquiring entity, would be entitled to purchase, at an exercise price of $100, a value of $200 of Common Stock of the Company or an acquiring entity, or at the option of the Board, to exchange each Right for one share of Common Stock. The Rights remain in existence until February 17, 2007, unless earlier redeemed (at one cent per Right), exercised or exchanged under the terms of the agreement. In the event of an unfriendly business combination attempt, the Rights will cause substantial dilution to the person attempting the business combination. The Rights should not interfere with any merger or other business combination that is in the best interest of the Company and its shareholders since the Rights may be redeemed.

14. Research and Development

Research and development costs amounted to $165,331 in 2005, $143,023 in 2004 and $122,013 in 2003. These amounts include both costs incurred by the Company related to independent research and development initiatives as well as costs incurred in connection with research and development contracts. Customer reimbursements included in the total cost for each of the respective years were $34,757, $48,435 and $29,561.

15. 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. 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 liabilities. While the outcome of pending proceedings cannot be predicted with certainty, management believes that any liabilities that may result from these proceedings will not have a material adverse effect on the Company's liquidity, financial condition or results of operations.

Environmental - The Company is currently responsible for environmental remediation at 31 manufacturing facilities presently or formerly operated by the Company and has been named as a "potentially responsible party," along with other companies, at two off-site waste disposal facilities and three regional sites.

As of June 30, 2005, the Company has a reserve of $20,612 for environmental matters, which are probable and reasonably estimable. This reserve is recorded based upon the best estimate of 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 and the amount of the Company's liability in proportion to other responsible parties. This reserve is net of $3,363 for discounting, primarily at a 4.5 percent discount rate, a portion of the costs at 30 locations to operate and maintain remediation treatment systems as well as gauge treatment system effectiveness through monitoring and sampling over periods up to 30 years.

The Company's estimated total liability for the above mentioned sites ranges from a minimum of $20,612 to a maximum of $66,517. The actual costs to be incurred by the Company will be dependent on final determination of remedial action required, negotiations with federal and state agencies, changes in regulatory requirements and technology innovation, the effectiveness of remedial technologies employed, the ability of other responsible parties to pay, and any insurance or third party recoveries.

16. Quarterly Information (Unaudited)

2005 (a)	**1st**	**2nd**	**3rd**	**4th**	**Total**
Net sales	**$ 1,919,968**	**$ 1,942,887**	**$ 2,141,708**	**$ 2,210,532**	**$ 8,215,095**
Gross profit	**409,569**	**396,530**	**428,824**	**472,061**	**1,706,984**
Income from continuing operations	**130,533**	**113,853**	**142,175**	**161,412**	**547,973**
Net income	**132,783**	**171,127**	**139,370**	**161,412**	**604,692**
Diluted earnings per share from continuing operations	**1.09**	**94**	**1.18**	**1.34**	**4.55**
Net diluted earnings per share	**1.11**	**1.41**	**1.15**	**1.34**	**5.02**

2004 (b)	**1st**	**2nd**	**3rd**	**4th**	**Total**
Net sales	$ 1,562,105	$ 1,593,340	$ 1,879,057	$ 1,964,259	$ 6,998,761
Gross profit	279,223	279,538	352,760	414,946	1,326,467
Income from continuing operations	54,387	53,494	105,740	122,552	336,173
Net income	56,691	55,771	107,848	125,473	345,783
Diluted earnings per share from continuing operations	.46	.45	.88	1.02	2.82
Net diluted earnings per share	.48	.47	.90	1.05	2.91

Diluted earnings per share are computed independently for each of the quarters presented, therefore, the sum of the quarterly diluted earnings per share may not equal the total computed for the year.

(a) Income from continuing operations for the first quarter include a $1,459 charge ($910 after-tax or $.01 per diluted share) related to business realignment costs. Income from continuing operations for the second quarter include a $1,056 charge ($659 after-tax or $.01 per diluted share) related to business realignment costs. Income from continuing operations for the third quarter include a $6,267 charge ($3,911 after-tax or $.03 per diluted share) related to business realignment costs. Income from continuing operations for the fourth quarter include a $5,481 charge ($3,420 after-tax or $.03 per diluted share) related to business realignment costs. Net income for the second quarter includes an after-tax gain of $55,352 ($.47 per diluted share) related to the divestiture of a business. Net income for the third quarter includes an after-tax loss of $2,805 ($.03 per diluted share) resulting from additional accounting adjustments related to the gain on the divestiture of a business.

(b) Results for the first quarter include a $6,940 charge ($4,650 after-tax or $.04 per diluted share) related to business realignment costs. Results for the second quarter include a $3,654 charge ($2,448 after-tax or $.02 per diluted share) related to business realignment costs. Results for the third quarter include a $1,542 charge ($1,025 after-tax or $.01 per diluted share) related to business realignment costs. Results for the fourth quarter include a $3,010 charge ($2,017 after-tax or $.02 per diluted share) related to business realignment costs, a $1,033 goodwill impairment charge ($682 after-tax or $.01 per diluted share) and a gain of $9,973 ($6,223 after-tax or $.05 per diluted share) related to the divestiture of a business.

17. Stock Prices and Dividends (Unaudited)

(In dollars)		1st	2nd	3rd	4th	Full Year
2005	**High**	**$59.42**	**$78.42**	**$76.23**	**$62.98**	**$78.42**
	Low	**53.14**	**58.65**	**59.12**	**56.80**	**53.14**
	Dividends	**.190**	**.190**	**.200**	**.200**	**.780**
2004	High	$50.85	$59.80	$61.00	$59.96	$61.00
	Low	40.76	44.57	53.50	51.73	40.76
	Dividends	.190	.190	.190	.190	.760
2003	High	$47.30	$48.20	$48.93	$45.84	$48.93
	Low	35.95	34.52	35.82	38.00	34.52
	Dividends	.180	.180	.190	.190	.740

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

Management's Report On Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)). Internal control over financial reporting is designed to provide reasonable assurance as to the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

We assessed the effectiveness of our internal control over financial reporting as of June 30, 2005. We have excluded six entities from our evaluation of internal control over financial reporting as of June 30, 2005 because the entities were acquired in purchase business combinations during the year ended June 30, 2005. On a combined basis, the entities represent approximately 3.0% of total assets and 2.8% of total revenues as of and for the fiscal year ended June 30, 2005. In making this assessment, we used the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*. We concluded that based on its assessment, the Company's internal control over financial reporting was effective as of June 30, 2005.

Our assessment of the effectiveness of the Company's internal control over financial reporting as of June 30, 2005 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

/s/ Donald E. Washkewicz
Chairman and
Chief Executive Officer

/s/ Timothy K. Pistell
Executive Vice President – Finance
and Administration and
Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
of Parker Hannifin Corporation:

We have completed an integrated audit of Parker Hannifin Corporation's 2005 consolidated financial statements and of its internal control over financial reporting as of June 30, 2005 and audits of its 2004 and 2003 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements and financial statement schedule

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1), present fairly, in all material respects, the financial position of Parker Hannifin Corporation and its subsidiaries (the "Company") at June 30, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2005, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing in Item 15(a)(1) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A, that the Company maintained effective internal control over financial reporting as of June 30, 2005 based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2005, based on criteria established in *Internal Control - Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in Management’s Report on Internal Control Over Financial Reporting, management has excluded six entities from its assessment of internal control over financial reporting as of June 30, 2005 because they were acquired by the Company in purchase business combinations during the year ended June 30, 2005. We have also excluded these six entities from our audit of internal control over financial reporting. The excluded entities are wholly-owned subsidiaries whose total assets and total revenues represent 3.0% and 2.8%, respectively, of the related consolidated financial statement amounts as of and for the year ended June 30, 2005.

/s/ PricewaterhouseCoopers LLP
Cleveland, Ohio
August 15, 2005

Five-Year Financial Summary

(Amounts in thousands, except per share information)	2005	2004	2003	2002	2001
Net sales	**$8,215,095**	$6,998,761	$6,311,693	$6,149,122	$5,979,604
Cost of sales	**6,508,111**	5,672,294	5,246,417	5,116,570	4,728,156
Selling, general and administrative expenses	**872,113**	775,502	694,815	686,485	679,963
Goodwill impairment loss		1,033		39,516	
Interest expense	**67,030**	73,219	81,407	82,484	95,775
Income taxes	**208,500**	143,953	96,160	87,886	187,391
Income - continuing operations	**547,973**	336,173	191,837	130,150	340,792
Net income	**604,692**	345,783	196,272	130,150	340,792
Basic earnings per share - continuing operations	**4.61**	2.86	1.65	1.13	2.98
Diluted earnings per share - continuing operations	**4.55**	2.82	1.64	1.12	2.96
Basic earnings per share	**5.09**	2.94	1.69	1.13	2.98
Diluted earnings per share	**$ 5.02**	$ 2.91	$ 1.68	$ 1.12	$ 2.96
Average number of shares outstanding - Basic	**118,795**	117,708	116,382	115,409	114,305
Average number of shares outstanding - Diluted	**120,449**	119,006	116,895	116,061	115,064
Cash dividends per share	**$ .780**	$ .760	$ .740	$ .720	$ .700
Net income as a percent of net sales	**7.4%**	4.9%	3.1%	2.1%	5.7%
Return on average assets	**9.2%**	5.7%	3.3%	2.3%	12.8%
Return on average equity	**19.1%**	12.6%	7.7%	5.1%	27.0%
Book value per share	**$ 28.14**	$ 25.24	$ 21.63	$ 22.26	$ 21.99
Working capital	**$1,449,945**	$1,252,797	$ 947,690	$ 875,781	$ 783,233
Ratio of current assets to current liabilities	**2.1**	2.0	1.7	1.6	1.6
Plant and equipment, net	**$1,591,917**	$1,585,989	$1,652,158	$1,696,965	$1,548,688
Total assets	**6,898,961**	6,235,233	5,967,214	5,752,583	5,337,661
Long-term debt	**938,424**	953,796	966,332	1,088,883	857,078
Shareholders' equity	**$3,340,147**	$2,982,454	$2,520,911	$2,583,516	$2,528,915
Debt to debt-equity percent	**22.5%**	24.9%	35.6%	36.8%	35.7%
Depreciation	**$ 247,215**	$ 241,173	$ 247,983	$ 231,235	$ 200,270
Capital expenditures	**$ 156,567**	$ 140,138	$ 158,073	$ 206,564	$ 334,748
Number of employees	**50,638**	48,099	46,449	48,176	46,302
Number of shareholders	**54,632**	54,683	51,154	53,001	50,731
Number of shares outstanding at year-end	**118,689**	118,168	116,526	116,051	114,989

**Exhibit (21)* to Report
on Form 10-K for Fiscal
Year Ended June 30, 2005
by Parker-Hannifin Corporation**

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

Name	Incorporated	Percentage Owned(1)
265 Warwick LLC	Ohio	100
Acadia International Insurance Limited	Ireland	100
Advanced Products NV	Belgium	100
Advanced Products Seals and Gaskets	United Kingdom	100
Advanced Products S.A.	France	100
Alkid Corporation	California	100
Dynamic Seals, Inc.	Delaware	100
Leader Holdings, Inc.	Delaware	100
Leader Gasket, Inc.	Louisiana	100
Leader Gasket (Cyprus) Limited	Cyprus	100
Leader Gasket of Slovakia, S.R.O.	Slovakia	100
Parker-Hannifin (Africa) Proprietary Limited	South Africa	100
Parker Hannifin Namibia (Pty) Ltd.	Namibia	100
Parker Hannifin Argentina SAIC	Argentina	100
Parker Hannifin Climate & Industrial Controls, Ltd.	Korea	100
Parker Hannifin Connectors Ltd.	Korea	100
Parker Hannifin Corp. Chile Limitada	Chile	100
Parker Hannifin Customer Support Inc.	Delaware	100
Parker Hannifin Danmark A/S	Denmark	100
Parker Hannifin Fluid Power Systems & Components (Shanghai) Co., Ltd.	China	100
Parker Hannifin Holding, S. de R.L. de C.V.	Mexico	100
Parker Hannifin Cartera Industrial, S.L.	Spain	100
Parker Industrial S de RL de CV	Mexico	100
Parker Sistemas de Automatizacion S.A. de C.V.	Mexico	100
Parker Baja Servicios S.A. de C.V.	Mexico	100
Parker Brownsville Servicios S.A. de C.V.	Mexico	100
Parker Hannifin de Mexico S.A. de C.V.	Mexico	100
Parker Servicios de Mexico S.A. de C.V.	Mexico	100
PH Spain LLC	Delaware	100
Parker Hannifin Hong Kong Limited	Hong Kong	100
Denison Hydraulics Limited	Hong Kong	100
Shanghai Denison Hydraulics EnGG. Ltd.	China	85
Shanghai Denison Hydraulics Components Limited	China	100
Parker-Hannifin India Private Ltd.	India	100
Parker-Hannifin International Corp.	Delaware	100
Parker Canada (Limited Partner) Co.	Canada	100
Parker Canada Management Inc.	Canada	100

Name	Incorporated	Percentage Owned(1)
Parker-Hannifin International Corp.		
Parker Canada (Limited Partner) Co. (Continued)		
Parker Ontario Limited Partnership	Canada	100(2)
Parker Canada Holding Co.	Canada	100
Parker Hannifin AB	Sweden	100
Parker Canada Investment Co.	Canada	100
Parker Hannifin Canada	Canada	100(3)
Parker Hannifin (N.Z.) Limited	New Zealand	100
Parker Hannifin A/S	Norway	100
Parker Hannifin (Australia) Pty. Ltd.	Australia	100
Denison Hydraulics Pty. Ltd.	Australia	100
Parker Hannifin B.V.	Netherlands	100
Parker Denison BV	Netherlands	100
Parker Filtration B.V.	Netherlands	100
Parker Filtration and Separation BV	Netherlands	100
Parker Hannifin Finance B.V.	Netherlands	100
Parker-Hannifin N.V. S.A.	Belgium	100
Parker Hose BV	Netherlands	100
Parker Pneumatic BV	Netherlands	100
Parker Polyflex BV	Netherlands	100
Parker Hannifin France Finance SAS	France	100
Parker Hannifin France Holding SAS	France	100
Parker Hannifin France SAS	France	100
Parker Hannifin SNC	France	100
Parker Hannifin Holding GmbH	Germany	100
Bayside Controls GmbH	Germany	100
Parker Hannifin GesmbH	Austria	100
Parker Hannifin Management GmbH	Germany	100
Denison Hydraulik GmbH	Germany	100
Parker Hannifin Verwaltungs GmbH	Germany	100
Parker Hannifin GmbH & Co. KG	Germany	100
Parker Hannifin Industrial s.r.o.	Czech Republic	100
Parker Hannifin Sp. z.o.o.	Poland	100
Parker-Hannifin s.r.o.	Czech Republic	100
Parker Hannifin (Holdings) Ltd.	United Kingdom	79(4)
Alenco (Holdings) Ltd.	United Kingdom	100
Parker Hannifin GB Ltd.	United Kingdom	100
Parker Hannifin plc	United Kingdom	100
Parker Hannifin (2004) Limited	United Kingdom	100
Denison International Ltd.	United Kingdom	100
Denison Financial Holdings Ltd.	United Kingdom	100
Denison Hydraulics UK Ltd.	United Kingdom	100
Commercial Intertech Holdings Limited	United Kingdom	100
Commercial Hydraulics Pensions Limited	United Kingdom	100

Name	Incorporated	Percentage Owned(1)
Parker-Hannifin International Corp.		
Parker Hannifin (Holdings) Ltd. (Continued)		
Parker Hannifin (UK) Ltd.	United Kingdom	100
PH Trading Ltd.	United Kingdom	100
Parker Hannifin de Venezuela, S.A.	Venezuela	100
Parker Hannifin Indústria e Comércio Ltda.	Brazil	100
Parker Atenas Indústria e Exportação Ltda.	Brazil	100
Parker Italy Holding LLC	Delaware	100
Parker Italy Holding S.r.l.	Italy	100
Parker Hannifin Oy	Finland	100
Parker Hannifin S.p.A.	Italy	100
Parker Calzoni Srl	Italy	100
Parker Seals S.p.A.	Italy	100
Parker ITR Srl	Italy	100
Parker Italy (PH España Holding) LLC	Delaware	100
Parker Hannifin Industries and Assets Holding SL	Spain	100
Parker Hannifin (Espana) SA	Spain	100
Parker Hannifin Portugal, Lda.	Portugal	100
Denison Hydraulics SL	Spain	100
Parker International Capital Management Hungary Ltd.	Hungary	100
Parker Korea Ltd.	Korea	100
Parker Mobile Control Division Asia Co. Ltd.	Korea	100
Parker Royalty Partnership	Ohio	100(5)
Parker Sales (Ireland) Limited	Ireland	100
PH Astron Holding LLC	Delaware	100
Parker Hannifin Japan Ltd.	Japan	100
Parker Hannifin (Malaysia) Sdn Bhd	Malaysia	100
Parker Hannifin Motion & Control (Shanghai) Co. Ltd.	China	100
Parker Hannifin LLC	Russia	100
Parker-Hannifin Singapore Pte. Ltd.	Singapore	100
Parker Hannifin Taiwan Ltd.	Taiwan	100
Parker Hannifin (Thailand) Co., Ltd.	Thailand	100
Parker Intangibles LLC	Delaware	100
Parker Lucifer S.A.	Switzerland	100
Parker-Markwel Industries Private Limited	India	100
Parker Shenyang Rubber Products Co. Ltd.	China	51
Parker Tejing Hydraulics (Tianjin) Co., Ltd.	China	70
Winco Enterprises Inc.	California	100

(1) Excludes directors' qualifying shares

(2) Ontario limited partnership
(3) Ontario general partnership
(4) Parker Canada Holding Co. owns the remaining 21% interest.
(5) Ohio general partnership; Parker-Hannifin Corporation owns remaining 10% interest.

All of the foregoing subsidiaries are included in the Company’s consolidated financial statements. In addition to the foregoing, the Company owns eighteen 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, 2005
By Parker-Hannifin Corporation

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Forms S-3 (Nos. 333-02761, 333-96453, 333-88206 and 333-82806) and S-8 (Nos. 33-53193, 33-43938, 2-66732, 333-95477, 333-34542, 333-103181, 333-103633, 333-107691, 333-117761 and 333-126957) of Parker-Hannifin Corporation of our report dated August 15, 2005 relating to the financial statements, financial statement schedule, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Cleveland, Ohio
September 2, 2005

Exhibit 24

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 or her name below confirms, as of the date appearing opposite his or her signature, that each of the following "Authorized Representatives" is authorized on his or her behalf to sign and to submit to the Securities and Exchange Commission Annual Reports on Form 10-K and amendments thereto as required by the Act:

Authorized Representatives

Donald E. Washkewicz
Nickolas W. Vande Steeg
Timothy K. Pistell
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 or her 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 or her name below until such time as the Commission shall receive from such person a written communication terminating or modifying the authority.

	Date
/s/ D.E. Washkewicz Donald E. Washkewicz, Chairman of the Board of Directors and Principal Executive Officer	8/11/05
/s/ T.K. Pistell Timothy K. Pistell, Principal Financial Officer	8/11/05
/s/ Dana A. Dennis Dana A. Dennis Principal Accounting Officer	8/11/05
/s/ Duane E. Collins Duane E. Collins, Director	8/11/05
/s/ W.E. Kassling William E. Kassling, Director	8/22/05
/s/ R.J. Kohlhepp Robert J. Kohlhepp, Director	8/11/05
/s/ Peter W. Likins Peter W. Likins, Director	8/11/05
/s/ Giulio Mazzalupi Giulio Mazzalupi, Director	8/11/05

	Date
/s/ K-P Müller Klaus-Peter Müller, Director	8/11/05
/s/ Candy M. Obourn Candy M. Obourn, Director	8/11/05
/s/ Hector R. Ortino Hector R. Ortino, Director	8/11/05
/s/ Allan L. Rayfield Allan L. Rayfield, Director	8/11/05
/s/ Joseph M. Scaminace Joseph M. Scaminace, Director	8/11/05
/s/ Wolfgang R. Schmitt Wolfgang R. Schmitt, Director	8/11/05
/s/ Debra L. Starnes Debra L. Starnes, Director	8/11/05
/s/ Markos Tambakeras Markos I. Tambakeras, Director	8/11/05
/s/ N.W. Vande Steeg Nickolas W. Vande Steeg, Director	8/11/05

Exhibit 31(i)(a)

CERTIFICATIONS

I, Donald E. Washkewicz, certify that:

1. I have reviewed this annual report on Form 10-K of Parker-Hannifin Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: September 2, 2005

/s/ Donald E. Washkewicz

Donald E. Washkewicz
Chief Executive Officer

Exhibit 31(i)(b)

CERTIFICATIONS

I, Timothy K. Pistell, certify that:

1. I have reviewed this annual report on Form 10-K of Parker-Hannifin Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: September 2, 2005

/s/ Timothy K. Pistell

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

Exhibit 32

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Annual Report on Form 10-K of Parker-Hannifin Corporation (the "Company") for the fiscal year ended June 30, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, that, to such officer's knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Dated: September 2, 2005

/s/ Donald E. Washkewicz

Name: Donald E. Washkewicz
Title: Chief Executive Officer

/s/ Timothy K. Pistell

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

VIA EDGAR

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: Parker-Hannifin Corporation
Commission File No. 1-4982
Annual Report on Form 10-K for
Fiscal Year Ended June 30, 2005

September 2, 2005

Gentlemen:

In accordance with Rule 13a-1 of the General Rules and Regulations under the Securities Exchange Act of 1934, enclosed is Parker-Hannifin Corporation's Annual Report on Form 10-K for the fiscal year ended June 30, 2005.

There was no material change by the Company from the preceding fiscal year in accounting principles or practices or in the method of applying any such principles or practices.

Very truly yours,

/s/ Thomas A. Piraino, Jr.

Thomas A. Piraino, Jr.
Vice President and Secretary

cc: D. J. Dailey
D. A. Dennis
N. A. Haydoo
T. L. Meyer