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, 2003

OR

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

For the transition period from __________ to __________

Commission File 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. Yes ☒ No ☐.

The approximate aggregate market value of the voting stock held by non-affiliates of the Registrant as of December 31, 2002, excluding, for purposes of this computation only, stock holdings of the Registrant's Directors and Officers: $5,422,827,992.

The number of Common Shares outstanding on July 31, 2003 was 118,167,923.

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, 2003 are incorporated by reference into Parts I, II and IV hereof.

(2) Definitive Proxy Statement for the Company's 2003 Annual Meeting of Shareholders to be held on October 22, 2003 are incorporated by reference into Part III hereof.

PARKER-HANNIFIN CORPORATION

FORM 10-K

Fiscal Year Ended June 30, 2003

PART I

ITEM 1. Business. Parker-Hannifin Corporation is a leading worldwide full-line manufacturer of motion control products, including fluid power systems, electromechanical controls and related components. Fluid power involves the transfer and control of power through the medium of liquid, gas or air, in hydraulic, pneumatic and vacuum applications. Fluid power systems move and position materials, control machines, vehicles and equipment and improve industrial efficiency and productivity. Components of a simple fluid power system include a pump which generates pressure, valves which control the fluid's flow, an actuator which translates the pressure in the fluid into mechanical energy, a filter to insure proper fluid condition and numerous hoses, couplings, fittings and seals. Electromechanical control involves the use of electronic components and systems to control motion and precisely locate or vary speed in automation applications. In addition to motion control products, the Company also is a leading worldwide producer of fluid purification, fluid control, process instrumentation, air conditioning, refrigeration, electromagnetic shielding and thermal management products and designs and manufactures custom-engineered buildings. Also, through Wynn Oil Company and its subsidiaries (the "Wynn's Specialty Chemical Group"), the Company develops, manufactures and markets specialty chemical products and maintenance service equipment.

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 Company's manufacturing, service, distribution and administrative facilities are located in 37 states and worldwide in 43 foreign countries. Its motion control technology is used in the products of its business Segments: Industrial; Aerospace; Climate & Industrial Controls; and Other. The products are sold as original and replacement equipment through product and distribution centers worldwide. The Company markets its products through its direct-sales employees, independent distributors, sales representatives and builder/dealers. Parker products are supplied to approximately 380,000 customers in virtually every significant manufacturing, transportation and processing industry. For the fiscal year ended June 30, 2003, net sales were $6,410,610,000; Industrial Segment products accounted for 69% of net sales, Aerospace Segment products for 17%, Climate & Industrial Controls Segment products for 11% and Other Segment products for 3%.

Markets

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

The approximately 380,000 customers who purchase the Company's products are found throughout virtually every significant manufacturing, transportation and processing industry. No customer accounted for more than 4% of the Company's total net sales for the fiscal year.

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

The products manufactured by the Climate & Industrial Controls Segment are used principally in mobile air conditioning systems, industrial refrigeration systems, residential and commercial 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.

Astron Building Systems® ("Astron") of the Other Segment produces pre-engineered single and multi-story buildings that serve industries throughout Europe. The Wynn's Specialty Chemical Group of the Other Segment develops and manufactures a wide variety of specialty chemical car care and industrial products that are marketed to automobile service technicians, consumers and industrial product users.

Principal Products, Methods of Distribution and Competitive Conditions

Industrial Segment. The product lines of the Company's Industrial Segment cover most of the components of motion control systems. The Fluid Connectors Group manufactures connectors, including tube fittings, hose fittings, valves, hoses and couplers, which control, transmit and contain fluid. The Hydraulics Group produces hydraulic components and systems for builders and users of industrial and mobile machinery and equipment, such as cylinders, accumulators, rotary actuators, valves, motors and pumps, hydrostatic steering units, power units, integrated hydraulic circuits, electrohydraulic systems, metering pumps 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 sealing devices, including o-rings and o-seals; gaskets and packings, which insure leak-proof connections; electromagnetic interference shielding; and thermal management products. The Filtration Group manufactures filters, systems and instruments to monitor and to remove contaminants from fuel, air, oil, water and other fluids and gases, including hydraulic, lubrication and coolant filters; process, chemical and microfiltration filters; compressed air and gas purification filters; lube oil and fuel filters; fuel conditioning filters; fuel filters/water separators; cabin air filters; intake air filters; and nitrogen and hydrogen generators and condition monitoring devices. The Instrumentation Group manufactures high quality critical flow components for process instrumentation, ultra-high-purity, medical and analytical applications, including fittings, valves, regulators and PTFE products.

Industrial Segment products include both standard items which are produced in large quantities and custom units which are engineered and produced to original equipment manufacturers' specifications for application to a particular end product. Both standard and custom products are also used in the replacement of original motion control system components. Industrial Segment products are marketed primarily through field sales employees and more than 8,300 independent distributors.

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

The Aerospace Segment offers complete hydraulic 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 the general aviation and military markets.

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

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

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

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

Other Segment. The principal products of the Company’s Other Segment are custom-engineered buildings which are designed and manufactured by Astron; and automotive and industrial chemical products and professional automotive service equipment that are developed by the Wynn’s Specialty Chemical Group.

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.

The Wynn’s Specialty Chemical Group’s product line includes professional chemical products, programs and equipment for automobile service technicians, automotive chemical products for consumers, and forging compounds, cleaners, release agents, lubricants, cutting and drawing fluids and multipurpose coolants used in precision metal forming and machining operations. Products are marketed primarily to consumers, automobile dealerships and other automotive service facilities, and industrial and manufacturing companies and are distributed through a strong network of independent distributors as well as a direct sales force.

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

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, its manufacturing and distribution capability, and competitive price. The Company believes that it is one of the principal suppliers in the climate and industrial controls marketplace.

In the Other Segment, the Company competes on the basis of product quality and performance, strong brand recognition (Wynn's) and competitive price.

Research and Product Development

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

Research and development costs relating to the development of new products or services and the improvement of existing products or services amounted to $122,710,000 in fiscal year 2003, $109,090,000 in fiscal year 2002 and $115,004,000 in fiscal 2001. Reimbursements of customer-sponsored research included in the total cost for each of the respective years were $29,561,000, $13,517,000 and $17,143,000.

Patents, Trademarks, Licenses

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

Backlog and Seasonal Nature of Business

The Company's backlog at June 30, 2003 was approximately $1,803,091,000 and at June 30, 2002 was approximately $1,862,992,000. Approximately 81% of the Company's backlog at June 30, 2003 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, 2003, the Company is involved in environmental remediation at 24 manufacturing facilities presently or formerly operated by the Company and has been named as a “potentially responsible party,” along with other companies, at three off-site waste disposal facilities and two regional Superfund sites.

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

As of June 30, 2003, the Company has a reserve of $15,282,000 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 $15,282,000 to a maximum of $44,177,000. The actual costs to be incurred by the Company will be dependent on final delineation of contamination, final determination of remedial action required, negotiations with federal and state agencies with respect to cleanup levels, changes in regulatory requirements, innovations in investigatory and remedial technology, effectiveness of remedial technologies employed, the ultimate ability to pay of the other responsible parties, and any insurance or third party recoveries.

Energy Matters and Sources and Availability of Raw Materials

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

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

Employees

The Company employed approximately 46,787 persons as of June 30, 2003, of whom approximately 19,899 were employed by foreign subsidiaries.

Business Segment Information

The net sales, segment operating income and identifiable assets by business segment and net sales and long-lived assets by geographic area for the past three fiscal years, as set forth on pages 13-11 to 13-12 of Exhibit 13 hereto, are 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	President, Chief Executive Officer and Director	1997	53
Dennis W. Sullivan	Executive Vice President and Director	1978	64
John D. Myslenski	Senior Vice President and Operating Officer	1997	52
Nickolas W. Vande Steeg	Senior Vice President and Operating Officer	1995	60
Timothy K. Pistell	Vice President—Finance and Administration and Chief Financial Officer	1993	56
Lee C. Banks	Vice President and President, Instrumentation Group	2001	40
Robert P. Barker	Vice President and President, Aerospace Group	2003	53
Robert W. Bond	Vice President and President, Automation Group	2000	45
Lynn M. Cortright	Vice President and President, Climate & Industrial Controls Group	1999	62
Dana A. Dennis	Vice President and Controller	1999	55

Heinz Droxner	Vice President and President, Seal Group	2002	58
William G. Eline	Vice President—Chief Information Officer	2002	47
Daniel T. Garey	Vice President—Human Resources	1995	60
Stephen L. Hayes	Vice President	1993	62
Pamela J. Huggins	Vice President and Treasurer	2003	49
Marwan M. Kashkoush	Vice President and President, Hydraulics Group	2000	49
Thomas W. Mackie	Vice President and President, Fluid Connectors Group	2000	56
M. Craig Maxwell	Vice President—Technology and Innovation	2003	45
John K. Oelslager	Vice President and President, Filtration Group	1997	60
Thomas A. Piraino, Jr.	Vice President, General Counsel and Secretary	1998	54

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

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

Mr. Myslenski was named Senior Vice President in August 2002 and was elected Operating Officer effective in October 2001. He was a Corporate Vice President from October 2001 to December 2002; Vice President, Operations from July 2001 to October 2001; Vice President from October 1997 to July 2001; and President of the Fluid Connectors Group from July 1997 to July 2001.

Mr. Vande Steeg was named Senior Vice President in August 2002 and was elected Operating Officer effective in January 2002. He was a 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. Pistell was elected as Vice President – Finance and Administration and Chief Financial Officer effective in April 2003. He was 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 Instrumentation Group effective in July 2001. He was 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 December 2000.

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 Automation Group effective in April 2000. He was Vice President—Operations of the Fluid Connectors Group from July 1997 to April 2000.

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

Mr. Dennis was elected as a Vice President in October 2001 and as Controller effective in July 1999. He was Vice President/Controller of the Automation Group from August 1997 to 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 and General Manager of the O-Ring Division Europe from October 1987 to July 1999.

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 and Vice President—Enterprise Systems International from October 1987 to July 2000.

Mr. Hayes was elected a Vice President in April 1993. He was President of the Aerospace Group from April 1993 to March 2003.

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 2000 to April 2003 and Corporate Financial Services Manager from April 1996 to June 2000.

Mr. Kashkoush was elected as a Vice President in July 2000 and named President of the Hydraulics Group in February 2000. He was President of the European Operations of the Hydraulics Group from February 1999 to February 2000 and Group Vice President—Sales and Marketing of the Hydraulics Group from July 1997 to February 1999.

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

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

ITEM 2. **Properties**. The following table sets forth the principal plants and other materially important properties of the Company and its subsidiaries. The leased properties are indicated with an asterisk. A "(1)" indicates that the property is occupied by the Company's Industrial Segment, a "(2)" indicates 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	Azusa(4)
	Camarillo(1)
	Irvine(1)(2)
	Modesto(1)
	Richmond(1)
	Rohnert Park(1)
	San Diego(1)
	Sante Fe Springs*(1)
Colorado	Englewood(1)
Connecticut	New Britain(3)
Florida	Longwood(3)
	Miami*(1)
	Sarasota(1)
	Vero Beach*(1)
Georgia	Dublin(2)
Illinois	Bensenville(1)
	Broadview(3)
	Des Plaines(1)

State	City
	Elgin(1)
	Lincolnshire(1)
	Rockford(1)
Indiana	Albion(1)
	Ashley(1)
	Goshen(1)
	Indianapolis*(1)
	New Haven(3)
	Syracuse(1)
	Tell City(1)
Iowa	Davenport*(1)
	Red Oak(1)
Kansas	Manhattan(1)
Kentucky	Lexington(1)
Maine	Kittery(1)
	Portland(3)
Maryland	Baltimore*(1)
Massachusetts	Auburn*(1)
	Ayer(2)
	Haverhill*(1)
	Tewksbury*(1)
	Woburn(1)
Michigan	Kalamazoo(2)
	Lakeview(1)
	Mason(1)
	Otsego(1)
	Oxford(1)
	Richland(1)
	Troy*(1)(3)
Minnesota	Blaine(1)
	Chanhassen(1)
	Deerwood(1)
	Golden Valley(1)
	Minneapolis(1)
	New Hope*(1)
	New Ulm(1)
Mississippi	Batesville(3)
	Booneville(3)
	Holly Springs(1)
	Madison(1)
	Olive Branch*(1)
Missouri	Kennett(3)
Nebraska	Alliance(1)
	Gothenburg(1)

State	City
	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)
	Lyons(3)
	Smithtown(2)
North Carolina	Forest City(1)
	Kings Mountain(1)
	Sanford(1)
	Snow Hill(1)
	Wilson(1)
Ohio	Akron(1)(3)
	Avon(2)
	Brookville(1)
	Columbus(1)
	Eastlake(1)
	Eaton(1)
	Elyria(1)(2)
	Green Camp(1)
	Hicksville(1)
	Kent(1)
	Lewisburg(1)
	Mayfield Heights(1)(2)(3)
	Mentor(2)
	Metamora(1)
	Milford*(1)
	Ravenna(1)
	St. Marys(1)
	Strongsville*(1)
	Vandalia(1)
	Wadsworth(1)
	Wickliffe(1)
	Youngstown(1)
Oklahoma	Henryetta*(1)
Oregon	Eugene(1)
Pennsylvania	Canton(1)
	Harrison City(1)
South Carolina	Beaufort(1)
	Bishopville(1)

State	City
	Moncks Corner(2)
	Spartanburg(1)
Tennessee	Collierville*(3)
	Greeneville(1)
	Greenfield(3)
	Lebanon(1)
	Livingston(1)
Texas	Ft. Worth(1)
	Houston*(1)
	Mansfield(1)
Utah	Ogden(2)
	Salt Lake City(1)
Virginia	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	Burton*(1)
	Castle Hill(1)(3)
	Elizabeth West (1)
	Wodonga*(1)
Austria	Wiener Neustadt(1)
Belgium	Brussels*(1)
	St. Niklaas(4)
Brazil	Cachoeirinha(1)
	Curitiba*(1)
	Jacarei(1)(2)(3)
	São Paulo(1)(3)
Canada	Brampton*(1)
	Grimsby(1)(3)
	Orillia(1)
	Owen Sound(1)
Chile	Santiago*(1)
Czech Republic	Chomutov(1)(3)
	Prague*(1)(3)
	Prerov*(4)
	Sadská(1)

Country	City
Denmark	Espergarde(1)
	Ishöj(1)(3)
Egypt	Cairo*(1)
England	Barnstaple(1)
	Buxton(1)
	Cannock(1)
	Cornwall*(1)
	Cradley Heath(1)
	Derby*(1)
	Dewsbury(1)
	Grantham(1)
	Halesowen(1)
	Hemel Hempstead(1)(3)
	Marlow*(1)
	Ossett(1)
	Poole*(1)
	Rotherham(1)
	Warwick(1)
	Watford(1)
Finland	Hyrynsalmi*(1)
	Urjala(1)
	Vantaa(1)
France	Annemasse(1)
	Aubagne*(1)
	Contamine(1)
	Evreux(1)
	Pontarlier(1)
	Wissembourg(1)
Germany	Bielefeld(1)
	Bietigheim-Bissingen(1)
	Chemnitz(1)
	Cologne(1)
	Erfurt(1)
	Geringswalde(1)
	Hilden*(1)
	Hochmössingen(1)
	Kaarst(1)
	Lampertheim(1)
	Mücke(1)
	Offenburg*(1)
	Pleidelsheim(1)
	SchoIßHolte(1)
	Wiesbaden(2)
Greece	Athens*(1)

Country	City
Hungary	Budapest*(1)
India	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)(3)
Luxembourg	Diekirch(4)
Malaysia	Kuala Lumpur*(2)
Mexico	Guaymas*(2)
	Matamoros(1)
	Montemorelos(3)
	Monterrey(1)(3)
	Tijuana(1)
	Toluca(1)
Netherlands	Amelo*(1)
	Arnhem(1)
	Etten-Leur*(1)
	Hendrik-Ido-Ambacht(1)
	Hoogezand(1)
	Oldenzaal(1)(3)
New Zealand	Mt. Wellington(1)
Norway	Langhus(1)
Peoples Republic of China	Hong Kong*(1)(3)
	Shanghai(1)(3)
Poland	Swiebodzice*(3)
	Warsaw*(1)(3)
	Wroclaw(1)
Portugal	Porto*(1)
Romania	Bucharest*(1)
Russia	Moscow*(1)
Singapore	Singapore*(1)(2)(3)
Slovenia	Novo Mesto*(1)
South Africa	Kempton Park(1)(3)
South Korea	Chonan(3)
	Hwaseong(1)
	Seoul*(1)

Country	City
	Yangsan(1)
Spain	Barcelona*(1)
	Madrid(1)(3)
Sweden	Borås(1)
	Falköping(1)
	Spånga(1)
	Trollhätten(1)
	Ulricehamn(1)
Switzerland	Geneva(3)
Taiwan	Taipei*(1)(3)
Thailand	Bangkok*(1)(3)
Ukraine	Kiev*(1)
United Arab Emirates	Abu Dhabi*(1)
Venezuela	Caracas*(1)(3)

The Company believes that its properties have been adequately maintained, are in good condition generally and are suitable and adequate for its business as presently conducted. The extent of utilization of the Company’s properties varies among its plants and from time to time. 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 and Related Stockholder Matters. As of July 31, 2003, the number of shareholders of record of the Company was 5,969 and the number of beneficial owners was approximately 51,000. Information regarding stock price and dividend information with respect to the Company’s common stock, as set forth on page 13-34 of Exhibit 13 hereto, is incorporated herein by reference.

ITEM 6. Selected Financial Data. The information set forth on page 13-37 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 13-9 of Exhibit 13 hereto is incorporated herein by reference.

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

The Company's debt portfolio contains variable rate debt, inherently exposing the Company to interest rate risk. The Company's objective is to maintain a 60/40 mix between fixed rate and variable rate debt thereby limiting its exposure to changes in near term interest rates. The Company has entered into an interest rate swap agreement for a $200 million notional principal amount. The swap agreement converts a portion of the Company's variable rate debt to a fixed rate through 2004. The agreement is with a major financial institution and the risk of loss is considered remote. The carrying and fair value of this agreement is not material to the Company's financial position, liquidity or results of operations. A one hundred basis point increase in near term interest rates would increase annual interest expense on variable rate debt by approximately $3.0 million.

For further discussion see the Significant Accounting Policies Footnote on pages 13-15 to 13-18 of Exhibit 13 hereto and incorporated herein by reference.

ITEM 8. **Financial Statements and Supplementary Data**. The information set forth on pages 13-10 to 13-37 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 2003. 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.

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

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 2003 Annual Meeting of Shareholders to be held October 22, 2003 ("2003 Proxy Statement") and is incorporated herein by reference. Information with respect to the executive officers of the Company is included in Part I hereof. The information set forth under the captions “Audit Committee Financial Expert” and “Audit Committee” in the 2003 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.

ITEM 11. Executive Compensation. The information set forth under the captions “Compensation of Directors” and “Executive Compensation” in the 2003 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 2003 Proxy Statement is incorporated herein by reference. The information set forth under the caption “Equity Compensation Plan Information” in the 2003 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 2003 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 2003 Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

a. The following are filed or furnished 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.

b. During the quarter ended June 30, 2003, the Registrant filed or furnished the following reports on Form 8-K:

1. On April 15, 2003 to furnish the press release issued and Webcast presented by the Registrant announcing earnings for the quarter ended March 31, 2003 (Items 9 and 12).
2. On June 4, 2003 to file the press release issued by the Registrant recommending that its shareholders reject a "mini-tender" offer from TRC Capital (Item 5).

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
Vice President—Finance and
Administration and Chief Financial Officer

August 29, 2003

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.

Signature and Title

DUANE E. COLLINS, Chairman of the Board of Directors; DONALD E. WASHKEWICZ, Chief Executive Officer and Director; DANA A. DENNIS, Principal Accounting Officer; JOHN G. BREEN, 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; WOLFGANG R. SCHMITT, Director; DEBRA L. STARNES, Director; and DENNIS W. SULLIVAN, Director.

Date: August 29, 2003

/S/ TIMOTHY K. PISTELL
Timothy K. Pistell,
Vice President—Finance and
Administration, Principal Financial Officer and
Attorney-in-Fact

PARKER-HANNIFIN CORPORATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

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

PARKER-HANNIFIN CORPORATION

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED JUNE 30, 2001, 2002 and 2003
(Dollars in Thousands)

Column A	Column B	Column C	Column D	Colum E
Description	Balance at Beginning OF Period	Additions Charged to Costs and Expenses	Other (Deductions)/ Additions (A)	Balance At End Of Period
Allowance for doubtful accounts:				
Year ended June 30, 2001	$ 10,420	$ 4,104	$ (3,414)	$ 11,110
Year ended June 30, 2002	11,110	6,500	(2,214)	15,396
Year ended June 30, 2003	$ 15,396	$ 4,257	$ (4,349)	$ 15,304

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

Exhibit Index

Exhibit No.	Description of Exhibit
(3)	Articles of Incorporation and By-Laws:
(3)(a)	Amended Articles of Incorporation(A).
(3)(b)	Code of Regulations, as amended(B).
(4)	Instruments Defining Rights of Security Holders:
(4)(a)	Rights Agreement, dated January 31, 1997, between the Registrant and 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 pages 13-24 to 13-25 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.*
(10)(b)	Parker-Hannifin Corporation Change in Control Severance Plan, as amended(E).*
(10)(c)	Form of Indemnification Agreement entered into by the Registrant and its directors and executive officers.
(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(F).*

(10)(e)	Exchange Agreement entered into as of February 22, 2000 between the Registrant and Daniel T. Garey including the Executive Estate Protection Agreement among the Registrant, Daniel T. Garey, and the Daniel T. Garey and Diane-Worthington Garey Irrevocable Trust dated December 22, 1999 (the “Trust”) and the Collateral Assignment between the Trust and the Registrant(G).*
(10)(f)	Exchange Agreement entered into as of October 12, 2000 between the Registrant and Thomas A. Piraino, Jr. including an Executive Estate Protection Plan comprised of the Executive Estate Protection Agreement among the Registrant, Thomas A. Piraino, Jr., and the Thomas A. Piraino, Jr. and Barbara C. McWilliams Irrevocable Trust dated September 1, 2000 (the “Trust”) and the Collateral Assignment between the Trust and the Registrant(H).*
(10(g)	Exchange Agreement entered into as of October 29, 1999 between the Registrant and Michael J. Hiemstra including an Executive Estate Protection Plan comprised of the Executive Estate Protection Agreement among the Registrant, Michael J. Hiemstra, and the Irrevocable Trust Creating Vested Trusts for Children of Michael J. Hiemstra dated August 16, 1999 (the “Trust”) and the Collateral Assignment between the Trust and the Registrant(I).*
(10)(h)	Cancellation Agreement dated November 1, 2002 between the Registrant, Michael J. Hiemstra and the Irrevocable Trust Creating Vested Trusts for Children of M. J. Hiemstra dated August 16, 1999(J).*
(10)(i)	Form of Executive Life Insurance Agreement entered into by the Registrant and certain executives (including executive officers), as restated(K).*
(10)(j)	Parker-Hannifin Corporation Supplemental Executive Retirement Benefits Program (August 15, 1996 Restatement)(L).*
(10)(k)	Amendment to the Parker-Hannifin Corporation Supplemental Executive Retirement Benefits Program.*
(10)(l)	Parker-Hannifin Corporation 1993 Stock Incentive Program, as amended(M).*
(10)(m)	Parker-Hannifin Corporation 2003 Target Incentive Bonus Plan Description (N).*
(10)(n)	Parker-Hannifin Corporation 2001-02-03 Long Term Incentive Plan Description(O).*
(10)(o)	Parker-Hannifin Corporation 2002-03-04 Long Term Incentive Plan Description(P).*
(10)(p)	Parker-Hannifin Corporation 2003-04-05 Long Term Incentive Plan Description(Q).*

(10)(q)	Parker-Hannifin Corporation Savings Restoration Plan, as restated(R).*
(10)(r)	Parker-Hannifin Corporation Pension Restoration Plan, as amended and restated(S).*
(10)(s)	Parker-Hannifin Corporation Executive Deferral Plan, as restated(T).*
(10)(t)	Parker-Hannifin Corporation Volume Incentive Plan, as amended(U).*
(10)(u)	Parker-Hannifin Corporation Non-Employee Directors' Stock Plan, as amended(V).*
(10)(v)	Parker-Hannifin Corporation Non-Employee Directors Stock Option Plan(W).*
(10)(w)	Parker-Hannifin Corporation Deferred Compensation Plan for Directors, as amended and restated(X).*
(10)(x)	Parker-Hannifin Corporation Stock Option Deferral Plan(Y).*
(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 13-22 of Exhibit 13 hereto.
(12)	Computation of Ratio of Earnings to Fixed Charges as of June 30, 2003.
(13)	Excerpts from Annual Report to Shareholders for the fiscal year ended June 30, 2003 which are incorporated herein by reference thereto.
(21)	List of subsidiaries of the Registrant.
(23)	Consent of Independent Auditors.
(24)	Power of Attorney.
(31)(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)(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(b) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2001 (Commission File No. 1-4982).

(F) 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).

(G) Incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended March 31, 2000 (Commission File No. 1-4982).

(H) Incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 2000 (Commission File No. 1-4982).

(I) Incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 1999 (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 December 31, 2002 (Commission File No. 1-4982).

(K) 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).

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

(M) 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).

(N) Incorporated by reference to Exhibit 10(m) to the Registrant’s Report on Form 10-K for the fiscal year ended June 30, 2002 (Commission File No. 1-4982).

(O) Incorporated by reference to Exhibit 10(p) to the Registrant’s Report on Form 10-K for the fiscal year ended June 30, 2000 (Commission File No. 1-4982).

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

(Q) Incorporated by reference to Exhibit 10(q) to the Registrant’s Report on Form 10-K for the fiscal year ended June 30, 2002 (Commission File No. 1-4982).

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

(S) 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).

(T) Incorporated by reference to Exhibit 10(c) to the Registrant’s Report on Form 10-Q for the quarterly period ended September 30, 2002 (Commission File No. 1-4982).

(U) 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).

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

(W) 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).

(X) 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).

(Y) 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).

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.

PARKER-HANNIFIN CORPORATION
CHANGE IN CONTROL SEVERANCE AGREEMENT

THIS AGREEMENT is entered into as of the ______ day of ____, 20 __, by and between Parker-Hannifin Corporation (the “Company”) and ________________ (the “Executive”).

W I T N E S S E T H

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

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

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

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

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

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

(a) “Board” means the Board of Directors of the Company.

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

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

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

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

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

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

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

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

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

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

(f) “Date of Termination” means the date on which the Executive’s employment by the Company terminates.

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

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

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

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

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

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

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

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

(k) “RONA Plan” means the Company’s Return on Net Assets Plan, or any successor thereto.

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

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

(n) “Target Incentive Program” means the Company’s Target Incentive Program, or any successor thereto.

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

(p) “Year” means the fiscal year of the Company.

2. Payments Upon Termination of Employment.

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

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

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

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

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

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

(e) If subsequent to a Change in Control and the end of the Termination Period, the employment of the Executive shall be terminated by the Company (other than by reason of a Nonqualifying Termination), the Company shall pay the Executive within five (5) days following his Date of Termination a lump sum cash payment equal to the sum of (i) the Executive's highest annual rate of base salary during the 12-month period immediately preceding the Date of Termination and (ii) the higher of (A) the Executive's average Bonus (annualized for any partial Years of employment) earned during the 3-Year period immediately preceding the Year in which the Date of Termination occurs and (B) the Executive's Target Bonus Amount for the Year in which the Date of Termination occurs; provided, that any amount paid pursuant to clauses (i) and (ii) of this Section 2(e) shall offset an equal amount of any severance relating to salary or bonus continuation to be received by the Executive upon termination of employment of the Executive under any severance plan, policy or arrangement of the Company.

(f) If subsequent to a Change in Control and the end of the Termination Period, the employment of the Executive shall be terminated by the Company, the Company shall pay the Executive within five (5) days following his Date of Termination a lump sum cash payment equal to (i) the Executive’s base salary from the Company and its Subsidiaries through the Date of Termination and any outstanding Bonus or long-term bonus awards for which payment is due and owing at such time, (ii) any accrued vacation pay, and (iii) if the termination is other than for Cause, to the extent not provided under the Company’s Bonus plans, a pro-rata portion of the Executive’s Earned Bonus Amount for the Year in which the Executive’s Date of Termination occurs, in each case to the extent not theretofore paid.

3. Gross-Up Payment.

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

Payment is to be made, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes and (3) have otherwise allowable deductions for federal income tax purposes at least equal to those which could be disallowed because of the inclusion of the Gross-Up Payment in the Executive's adjusted gross income. The payment of a Gross-Up Payment under this Section 3(a) shall in no event be conditioned upon the Executive's termination of employment or the receipt of severance benefits under this Agreement.

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

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

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

5. Reimbursement of Expenses. If any contest or dispute shall arise under this Agreement involving termination of the Executive's employment with the Company or involving the failure or refusal of the Company to perform fully in accordance with the terms hereof, the Company

shall reimburse the Executive, on a current basis, for all legal fees and expenses, if any, incurred by the Executive in connection with such contest or dispute (regardless of the result thereof), together with interest in an amount equal to the prime rate of Key Bank from time to time in effect, but in no event higher than the maximum legal rate permissible under applicable law, such interest to accrue from the date the Company receives the Executive's statement for such fees and expenses through the date of payment thereof.

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

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

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

9. Successors' Binding Obligation.

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

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

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

10. Notice.

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

If to the Executive:

If to the Company:

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

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

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

11. Full Settlement; No Mitigation. The Company's obligation to make any payments provided for by this Agreement to the Executive and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action

which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment.

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

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

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

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

estate or his beneficiaries under any other employee benefit plan or compensation program of the Company.

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

PARKER-HANNIFIN CORPORATION

By: ______________________________

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

____

Name:
Title:

EXHIBIT A

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

The Make Whole Amount shall be calculated as follows:

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

2. The term "Made Whole Amount", as used herein, shall mean the EDP Amount plus the Make Whole Amount. The Make Whole Amount is the amount which, when added to the EDP Amount, will yield After-Tax Annuity Benefits (as hereinafter defined) equal to the After-Tax Projected Benefits, based on the following assumptions:

a. The Made Whole Amount will be taxed at the Tax Rate upon receipt by the Executive.

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

c. The Annuity will accrue interest at the Moody's Rate, less 80 basis points (i.e., 0.80%).

d. Annual Annuity payments will be taxed at the Tax Rate (after taking into account the annuity exclusion ratio), yielding "After-Tax Annuity Benefits".

INDEMNIFICATION AGREEMENT

This Indemnification Agreement ("Agreement") is made as of the 14th day of August, 2003, by and between Parker-Hannifin Corporation, an Ohio corporation (the "Company"), and ________________ (the "Indemnitee").

RECITALS

A. The Indemnitee is presently serving as a member (a "Director") of the board of directors (the "Board") of the Company and the Company desires the Indemnitee to continue in that capacity. The Indemnitee is willing, subject to certain conditions including the execution and performance of this Agreement by the Company, to continue in that capacity.

B. In addition to the indemnification to which the Indemnitee is entitled under the Regulations of the Company (as in effect on the date hereof, the "Regulations"), the Company has obtained, at its sole expense, insurance protecting the Company and its officers and directors including the Indemnitee against certain losses arising out of actual or threatened actions, suits, or proceedings to which such persons may be made or threatened to be made parties. However, as a result of circumstances having no relation to, and beyond the control of, the Company and the Indemnitee, there can be no assurance of the continuation or renewal of that insurance.

Accordingly, and in order to induce the Indemnitee to continue to serve in the Indemnitee's present capacity, the Company and the Indemnitee agree as follows:

1. Continued Service. The Indemnitee shall continue to serve at the will of the Company as a Director of the Company so long as the Indemnitee is duly elected and qualified in accordance with the Regulations or until the Indemnitee resigns in writing in accordance with applicable law. This Agreement shall not be deemed either an employment contract or a contract for continued services between the Company or any of its Affiliates and the Indemnitee.

2. Indemnification.

   (a) The Company shall indemnify and hold harmless the Indemnitee to the fullest extent permitted by the laws of the State of Ohio in effect on the date hereof or as such laws may from time to time hereafter be amended to increase the scope of such permitted indemnification, if or when the Indemnitee was or is a party, or is threatened to be made a party, to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the Company), by reason of the fact that the Indemnitee is or was a Director, officer, employee, or agent of the Company, or is or was serving at the request of the Company as a director, trustee, officer, employee, member, manager, or agent of another corporation, domestic or foreign, nonprofit or for profit, a limited liability company, or a partnership, joint venture, trust, or other enterprise, or by reason of any action alleged to have been taken or omitted in any such capacity, against any and all expenses, including attorney's fees, judgments, fines and amounts paid in settlement (collectively, "Expenses"), actually and reasonably incurred by the Indemnitee in connection therewith, including any appeal of or from any judgment or decision, unless it is proved by clear and convincing evidence in a court of competent jurisdiction that the Indemnitee's action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the Company or undertaken with reckless disregard for the best interests of the Company and, with respect to any criminal action or proceeding, if the Indemnitee had no reasonable cause to believe the Indemnitee's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, or conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the Indemnitee did not satisfy the foregoing standard of conduct to the extent applicable thereto.

(b) The Company shall indemnify and hold harmless the Indemnitee, to the fullest extent permitted by the laws of the State of Ohio in effect on the date hereof or as such laws may from time to time hereafter be amended to increase the scope of such permitted indemnification, if or when the Indemnitee was or is a party, or is threatened to be made a party, to any threatened, pending, or completed action, suit or proceeding by or in the right of the Company to procure a judgment in its favor, by reason of the fact that the Indemnitee is or was a Director, officer, employee, or agent of the Company, or is or was serving at the request of the Company as a director, trustee, officer, employee, member, manager, or agent of another corporation, domestic or foreign, nonprofit or for profit, a limited liability company, or a partnership, joint venture, trust, or other enterprise, against any and all Expenses actually and reasonably incurred by the Indemnitee in connection with the defense or settlement thereof or any appeal of or from any judgment or decision, unless it is proved by clear and convincing evidence in a court of competent jurisdiction that the Indemnitee's action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the Company or undertaken with reckless disregard for the best interests of the Company, except that no indemnification shall be made in respect of any action, suit or proceeding in which the only liability asserted against the Indemnitee is pursuant to Section 1701.95 of the Ohio Revised Code ("ORC").

(c) Any indemnification under Section 2(a) or 2(b), unless ordered by a court, shall be made by the Company only as authorized in the specific case, upon a determination that indemnification of the Indemnitee is proper in the circumstances because the Indemnitee has met the applicable standard of conduct set forth in Section 2(a) or 2(b). Such determination shall be made:

(i) by the Board by a majority vote of a quorum consisting of Directors who were not and are not parties to or threatened with the action, suit, or proceeding referred to in Section 2(a) or 2(b);

(ii) if such a quorum of disinterested Directors is not obtainable or if a majority vote of such quorum of disinterested Directors so directs, in a written opinion by independent legal counsel (designated for such purpose by the Board) which shall not be an attorney, or a firm having associated with it an attorney, who has been retained by or who has performed services for the Company or any person to be indemnified within the five years preceding such determination;

(iii) by the shareholders of the Company; or

(iv) by the court of common pleas or the court in which such action, suit, or proceeding was brought.

(d) To the extent that the Indemnitee has been successful on the merits or otherwise, including the dismissal of an action without prejudice, in defense of any action, suit, or proceeding referred to in Section 2(a) or 2(b), or in defense of any claim, issue, or matter therein, the Indemnitee shall be indemnified against Expenses actually and reasonably incurred by the Indemnitee in connection therewith. Expenses actually and reasonably incurred by the Indemnitee in defending any such action, suit, or proceeding shall be paid by the Company as they are incurred in advance of the final disposition of such action, suit, or proceeding under the procedure set forth in Section 4(b).

(e) For purposes of this Agreement, references to “other enterprise” shall include any employee benefit plan; references to “fines” shall include any excise taxes assessed on the Indemnitee with respect to any employee benefit plan; and references to “serving at the request of the Company” shall include any service as a director, officer, employee, or agent of the Company which imposes duties on, or involves services by, the Indemnitee with respect to an employee benefit plan, its participants or beneficiaries.

3. Additional Indemnification. Pursuant to ORC Section 1701.13(E)(6), without limiting any right which the Indemnitee may have pursuant to Section 2 or any other provision of this Agreement or the Articles of Incorporation of the Company (as amended as of the date hereof, the “Articles”), the Regulations, the ORC, any policy of insurance, or otherwise, but subject to any limitation on the maximum permissible indemnity which may exist under applicable law at the time of any request for indemnity hereunder and subject to the following provisions of this Section 3, the Company shall indemnify the Indemnitee against any amount which the Indemnitee is or becomes obligated to pay relating to or arising out of any claim made against the Indemnitee because of any act, failure to act, or neglect or breach of duty, including any actual or alleged error, misstatement, or misleading statement, which the Indemnitee commits, suffers, permits, or acquiesces in while acting in the Indemnitee’s capacity as a Director of the Company. The payments which the Company is obligated to make pursuant to this Section 3 shall include any and all Expenses actually and reasonably incurred by the Indemnitee in connection therewith, including any appeal of or from any judgment or decision;

provided, however, that the Company shall not be obligated under this Section 3 to make any payment in connection with any claim against the Indemnitee:

(a) to the extent of any fine or similar governmental imposition which the Company is prohibited by applicable law from paying which results from a final, nonappealable order; or

(b) to the extent based upon or attributable to the Indemnitee having actually realized a personal gain or profit to which the Indemnitee was not legally entitled, including profit from the purchase and sale by the Indemnitee of equity securities of the Company which are recoverable by the Company pursuant to Section 16(b) of the Securities Exchange Act of 1934, or profit arising from transactions in publicly traded securities of the Company which were effected by the Indemnitee in violation of Section 10(b) of the Securities Exchange Act of 1934, or Rule 10b-5 promulgated thereunder.

A determination as to whether the Indemnitee shall be entitled to indemnification under this Section 3 shall be made in accordance with Section 4(a). Expenses incurred by the Indemnitee in defending any claim to which this Section 3 applies shall be paid by the Company as they are actually and reasonably incurred in advance of the final disposition of such claim under the procedure set forth in Section 4(b).

4. Certain Procedures Relating to Indemnification. (a) For purposes of pursuing the Indemnitee's rights to indemnification under Sections 2 or 3, the Indemnitee shall (i) submit to the Board a sworn statement of request for indemnification substantially in the form of Exhibit 1 (the "Indemnification Statement") averring that the Indemnitee is entitled to indemnification hereunder; and (ii) present to the Company reasonable evidence of all amounts for which indemnification is requested. Submission of an Indemnification Statement to the Board shall create a presumption that the Indemnitee is entitled to indemnification hereunder, and the Company shall, within 60 calendar days after submission of the Indemnification Statement, make the payments requested in the Indemnification Statement to or for the benefit of the Indemnitee, unless (i) within such 60-calendar day period the Board shall resolve by vote of a majority of the Directors at a meeting at which a quorum is present that the Indemnitee is not entitled to indemnification under Section 3, (ii) such vote shall be based upon clear and convincing evidence (sufficient to rebut the foregoing presumption), and (iii) the Indemnitee shall have received within such period notice in writing of such vote, which notice shall disclose with particularity the evidence upon which the vote is based. The foregoing notice shall be sworn to by all persons who participated in the vote and voted to deny indemnification. The provisions of this Section 4(a) are intended to be procedural only and shall not affect the right of Indemnitee to indemnification under Section 3 so long as Indemnitee follows the prescribed procedure and any determination by the Board that Indemnitee is not entitled to indemnification and any failure to make the payments requested in the Indemnification Statement shall be subject to judicial review by any court of competent jurisdiction.

(b) For purposes of obtaining payments of Expenses in advance of final disposition pursuant to the second sentence of Section 2(d) or the last sentence of Section 3, the Indemnitee shall submit to the Company a sworn request for advancement of Expenses substantially in the form of Exhibit 2 (the "Undertaking"), averring that the Indemnitee has reasonably incurred actual Expenses in defending an action, suit or proceeding referred to in Section 2(a) or 2(b) or any claim referred to in Section 3, or pursuant to Section 9. Unless at the time of the Indemnitee's act or omission that is the subject of an action referred to in Section 2(a) or 2(b), the Articles or the Regulations prohibit such advances by specific reference to ORC Section 1701.13(E)(5)(a) and unless the only liability asserted against the Indemnitee in the subject action, suit or proceeding is pursuant to ORC Section 1701.95, the Indemnitee shall be eligible to execute Part A of the Undertaking by which the Indemnitee undertakes to (i) repay such amount if it is proved by clear and convincing evidence in a court of competent jurisdiction that the Indemnitee's action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the Company or undertaken with reckless disregard for the best interests of the Company and (ii) reasonably cooperate with the Company concerning the action, suit, or proceeding. In all cases, the Indemnitee shall be eligible to execute Part B of the Undertaking by which the Indemnitee undertakes to repay such amount if it ultimately is determined that the Indemnitee is not entitled to be indemnified by the Company under this Agreement or otherwise. In the event that the Indemnitee is eligible to and does execute both Part A and Part B of the Undertaking, the Expenses which are paid by the Company pursuant thereto shall be required to be repaid by the Indemnitee only if the Indemnitee is required to do so under the terms of both Part A and Part B of the Undertaking. Upon receipt of the Undertaking, the Company shall thereafter promptly pay such Expenses of the Indemnitee as are noticed to the Company in writing and in reasonable detail arising out of the matter described in the Undertaking. No security shall be required in connection with any Undertaking.

5. Partial Indemnity, etc. If the Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of any Expenses but not for all of the total amount thereof, the Company will nevertheless indemnify the Indemnitee for the portion thereof to which the Indemnitee is entitled. In connection with any determination as to whether Indemnitee is entitled to be indemnified hereunder, there will be a presumption that Indemnitee is so entitled, which presumption the Company may overcome only by its adducing clear and convincing evidence to the contrary.

6. Limitation on Indemnity. Notwithstanding anything contained herein to the contrary, the Company shall not be required hereby to indemnify the Indemnitee with respect to any action, suit, or proceeding that was initiated by the Indemnitee unless (a) such action, suit, or proceeding was initiated by the Indemnitee to enforce any rights to indemnification arising hereunder pursuant to Section 9, (b) authorized by another agreement to which the Company is a party whether heretofore or hereafter entered, or (c) otherwise ordered by the court in which the suit was brought.

7. Subrogation; Duplication of Payments.

(a) In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

(b) The Company shall not be liable under this Agreement to make any payment in connection with any claim made against Indemnitee to the extent Indemnitee has actually received payment (under any insurance policy, the Regulations or otherwise) of the amounts otherwise payable hereunder.

8. Defense of Claims. The Company will be entitled to participate in the defense of any action, suit, proceeding or claim that is the subject of an indemnification claim made hereunder by the Indemnitee, or to assume the defense thereof, with counsel reasonably satisfactory to the Indemnitee, provided that in the event that (a) the use of counsel chosen by the Company to represent the Indemnitee would present such counsel with an actual or potential conflict, (b) the named parties in any such action, suit, proceeding or claim (including any impleaded parties) include both the Company and the Indemnitee and the Indemnitee concludes that there may be one or more legal defenses available to the Indemnitee that are different from or in addition to those available to the Company, or (c) any such representation by the Company would be precluded under the applicable standards of professional conduct then prevailing, then the Indemnitee will be entitled to retain separate counsel (but not more than one law firm plus, if applicable, local counsel in respect of any particular action, suit, proceeding or claim) at the Company's expense. The Company will not, without the prior written consent of the Indemnitee, effect any settlement of any threatened or pending action, suit or proceeding to which the Indemnitee is or could have been a party unless such settlement solely involves the payment of money and includes an unconditional release of the Indemnitee from all liability on any claims that are the subject matter of such action, suit, proceeding or claim.

9. Fees and Expenses of Enforcement. It is the intent of the Company that the Indemnitee not be required to incur the expenses associated with the interpretation, enforcement or defense of the Indemnitee's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Indemnitee hereunder. Accordingly, if it should appear to the Indemnitee that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any action, suit or proceeding designed to deny, or to recover from, the Indemnitee the benefits provided or intended to be provided to the Indemnitee hereunder, the Company irrevocably authorizes the Indemnitee from time to time to retain counsel of the Indemnitee's choice, at the expense of the Company as hereafter provided, to advise and represent the Indemnitee in connection with any such interpretation, enforcement or

defense, including the initiation or defense of any litigation or other legal action, whether by or against the Company or any director, officer, shareholder, or other person affiliated with the Company, in any jurisdiction. Regardless of the outcome thereof, the Company shall pay and be solely responsible for any and all costs, charges, and expenses including fees and expenses of attorneys and others, reasonably incurred by the Indemnitee pursuant to this Section 9.

10. Merger or Consolidation. In the event that the Company shall be a constituent corporation in a consolidation, merger, or other reorganization, the Company, if it shall not be the surviving, resulting, or acquiring corporation therein, shall require as a condition thereto that the new, surviving, resulting, or acquiring corporation agree to assume all of the obligations of the Company hereunder and to indemnify and hold harmless the Indemnitee to the full extent provided herein. Whether or not the Company is the new, resulting, surviving, or acquiring corporation in any such transaction, the Indemnitee shall also stand in the same position under this Agreement with respect to the new, resulting, surviving, or acquiring corporation as the Indemnitee would if the Indemnitee had served the new, resulting, surviving, or acquiring corporation in the same capacity.

11. Nonexclusivity and Severability.

(a) The rights to indemnification provided by this Agreement shall not be exclusive of, and shall be in addition to, any other rights of indemnification to which the Indemnitee may be entitled under the Articles, the Regulations, the ORC or any other statute, any insurance policy, agreement, or vote of shareholders or disinterested directors, or otherwise (collectively, “Other Indemnity Provisions”), both as to action in the Indemnitee’s official capacities and as to action in another capacity while holding the Indemnitee’s offices or positions, and shall continue after the Indemnitee has ceased to be a Director, trustee, officer, employee, member, manager, or agent of the Company or other entity for which the Indemnitee’s service gives rise to a right hereunder, and shall inure to the benefit of the Indemnitee’s heirs, executors, and administrators. To the extent that (i) Indemnitee otherwise would have any greater right to indemnification under any Other Indemnity Provision, Indemnitee will be deemed to have such greater right hereunder and (ii) any change is made to any Other Indemnity Provision that permits any greater right to indemnification than that provided under this Agreement as of the date hereof, Indemnitee will be deemed to have such greater right hereunder. The Company will not adopt any amendment to the Articles or the Regulations the effect of which would be to deny, diminish or encumber the Indemnitee’s rights under this Agreement, the Articles, the Regulations, the substantive laws of the Company’s jurisdiction of incorporation, or any other contract or otherwise.

(b) If any provision of this Agreement or the application of any provision hereof to any person or circumstances is held invalid, unenforceable, or otherwise illegal, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected, and the provision so held to be invalid, unenforceable, or otherwise illegal shall be reformed to the extent (and only to the extent) necessary to make it enforceable, valid, and legal.

12. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio, without giving effect to the principles of conflict of laws thereof.

13. Modification. This Agreement and the rights and duties of the Indemnitee and the Company hereunder may be modified only by an instrument in writing signed by both parties hereto.

14. Notices. Any notice, claim, request or demand required or permitted hereunder shall be in writing and shall be deemed to have been duly given (a) when received if delivered in person, (b) five days after being sent by registered or certified mail, return receipt requested, postage prepaid, (c) when transmitted by facsimile (with confirmation of receipt) or (d) one business day after being sent by a nationally recognized overnight delivery service, to the appropriate party at the address or facsimile number specified below:

If to the Company, to:

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

If to the Indemnitee, to the address set forth on the signature page hereto.

Either party hereto may change its address or facsimile number for the purposes of this Section 14 by giving notice as provided herein.

15. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same agreement.

16. Headings. The headings contained in this Agreement are included for purposes of convenience only, and shall not affect the meaning or interpretation of this Agreement.

17. Miscellaneous. References to Sections and Exhibits in this Agreement are references to Sections of and Exhibits to this Agreement unless otherwise indicated. The Exhibits to this Agreement are incorporated herein by reference and made a part of this Agreement for all purposes. The word “including” means including without limitation. Any reference to the singular in this Agreement shall also include the plural and vice versa.

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

PARKER-HANNIFIN CORPORATION

By: ______________________________

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

INDEMNITEE:

____

Name:
Address:

Exhibit 1

INDEMNIFICATION STATEMENT

STATE OF ____________________)
) SS
COUNTY OF __________________)

I, ______________________, being first duly sworn, do depose and say as follows:

1. This Indemnification Statement is submitted pursuant to the Indemnification Agreement, dated ___________, 20__ (the “Indemnification Agreement”), by and between Parker-Hannifin Corporation (the “Company”), an Ohio corporation, and the undersigned.
2. I am requesting indemnification against costs, charges, expenses (which may include fees and expenses of attorneys and/or others), judgments, fines, and amounts paid in settlement (collectively, “Liabilities”), which have been actually and reasonably incurred by me in connection with a claim referred to in Section 3 of the aforesaid Indemnification Agreement.
3. With respect to all matters related to any such claim, I am entitled to be indemnified as herein contemplated pursuant to the aforesaid Indemnification Agreement.
4. Without limiting any other rights which I have or may have, I am requesting indemnification against Liabilities which have or may arise out of ____ ____________________ ____ ____________________ ____.

____

[Signature of Indemnitee]

Subscribed and sworn to before me, a Notary Public in and for said County and State, this ______ day of ______________, 20__.

____

[Seal]

My commission expires the ______ day of ______, 20__.

Exhibit 2

UNDERTAKING

STATE OF ____________________)
) SS
COUNTY OF __________________)

I, ______________________, being first duly sworn do depose and say as follows:

1. This Undertaking is submitted pursuant to the Indemnification Agreement, dated _______________, 20__ (the “Indemnification Agreement”), by and between Parker-Hannifin Corporation (the “Company”), an Ohio corporation, and the undersigned.

2. I am requesting payment of costs, charges, and expenses which I have reasonably incurred or will reasonably incur in defending an action, suit or proceeding, referred to in Section 2(a) or 2(b) or any claim referred to in Section 3, or pursuant to Section 9, of the aforesaid Indemnification Agreement.

3. The costs, charges, and expenses for which payment is requested are, in general, all expenses related to____ ____ ____ ____ ____.

4. Part A

I hereby undertake to (a) repay all amounts paid pursuant hereto if it is proved by clear and convincing evidence in a court of competent jurisdiction that my action or failure to act which is the subject of the matter described herein involved an act or omission undertaken with deliberate intent to cause injury to the Company or undertaken with reckless disregard for the best interests of the Company and (b) reasonably cooperate with the Company concerning the action, suit, proceeding or claim.

____

[Signature of Indemnitee]

4. Part B

I hereby undertake to repay all amounts paid pursuant hereto if it ultimately is determined that I am not entitled to be indemnified by the Company under the aforesaid Indemnification Agreement or otherwise.

____

[Signature of Indemnitee]

Subscribed and sworn to before me, a Notary Public in and for said County and State, this ____________ day of __________, 20 __.

____

[Seal]

My commission expires the ________ day of ______________, 20__.

Exhibit (10)(k)

AMENDMENT TO THE PARKER-HANNIFIN CORPORATION SUPPLEMENTAL EXECUTIVE RETIREMENT BENEFITS PROGRAM

WHEREAS, Parker-Hannifin Corporation (the "Corporation") maintains the Parker-Hannifin Corporation Supplemental Executive Retirement Benefits Program, as most recently amended and restated effective as of August 15, 1996 (the "Plan"); and

WHEREAS, the Plan provides for the use of a specified rate of interest to be used for certain lump sum payments that may be made under the Plan; and

WHEREAS, the Corporation has determined that it is necessary to revise the definition of the specified rate;

NOW, THEREFORE, Section 1(w) of the Plan is hereby amended as follows, effective as of April 1, 2003:

"(w) Specified Rate: The average of the daily closing On-The-Run Long Bond rates as displayed by the Bloomberg Professional Financial System at screen "GT 30 GVT" (or any successor screen), for the second full calendar month preceding the month in which a payment is to be made; provided that if the U.S. Treasury should resume issuance of 30-Year Treasury Bonds, the Specified Rate shall be the monthly average annual yield of 30-Year United States Treasury Bonds for constant maturities as published by the Federal Reserve Bank and in effect on the first day of the month prior to the month in which a payment is to be made. Notwithstanding the foregoing, for purposes of calculating a Change in Control Lump Sum Payment, the Specified Rate shall be the interest rate for immediate annuities of the Pension Benefit Guaranty Corporation (PBGC) in effect on the date of the Change in Control as set forth in Appendix B to Part 2619 of 29 Code of Federal Regulations, or any other successor or similar rate."

Executed at Cleveland Ohio, this 16th date of April, 2003.

PARKER-HANNIFIN CORPORATION

By: /s/ THOMAS A. PIRAINO, JR.

Its: Vice President, General Counsel and Secretary

And

By: /s/ T. K. PISTELL

Its: Vice President, Finance and Administration and Chief Financial Officer

Exhibit (12) * to Report
on Form 10-K for Fiscal
Year Ended June 30, 2003
by Parker-Hannifin Corporation

Computation of Ratio of Earnings to Fixed Charges
as of June 30, 2003

	Fiscal Year Ended June 30,				
	2003	2002	2001	2000	1999
EARNINGS					
Income from continuing operations before income taxes	$ 297,382	$ 218,036	$ 528,183	$ 562,187	$ 477,694
Add:					
Interest on indebtedness, exclusive of interest capitalized in accordance with FASB #34 and interest on ESOP loan guarantee	75,380	75,994	89,141	51,576	63,132
Amortization of deferred loan costs	1,786	1,357	810	659	565
Portion of rents representative of interest factor	21,524	20,509	18,663	13,457	14,093
Equity share of losses of companies for which debt obligations are not guaranteed	2,895	6,078	1,571	1,359	
Amortization of previously capitalized interest	291	297	274	254	313
Income as adjusted	$ 399,258	$ 322,271	$ 638,642	$ 629,492	$ 555,797
FIXED CHARGES					
Interest on indebtedness, exclusive of interest capitalized in accordance with FASB #34 and interest on ESOP loan guarantee	$ 75,380	$ 75,994	$ 89,141	$ 51,576	$ 63,132
Capitalized interest					2
Amortization of deferred loan costs	1,786	1,357	810	659	565
Portion of rents representative of interest factor	21,524	20,509	18,663	13,457	14,093
Fixed charges	$ 98,690	$ 97,860	$ 108,614	$ 65,692	$ 77,792
RATIO OF EARNINGS TO FIXED CHARGES	4.05x	3.29x	5.88x	9.58x	7.14x

Exhibit (13) to Report
On Form 10-K for Fiscal
Year Ended June 30, 2003
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 future performance and earnings projections of the Company and individual segments 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 initiatives. A change in economic conditions in individual markets may have a particularly volatile effect on segment projections. 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, and
- global economic factors, including currency exchange rates, difficulties entering new markets and general economic conditions such as interest rates.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis is designed to provide the reader of the financial statements a narrative summary of the Company's results of operations and financial condition. The discussion below is structured to separately discuss each of the financial statements presented on pages 13-10 to 13-14. 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.

Net sales of $6.41 billion for 2003 were 4.3 percent higher than the $6.15 billion for 2002. Acquisitions completed in 2003 and the effects of foreign currency rate changes accounted for all of the sales increase. Lower demand was experienced in virtually all of the markets in the Industrial North American operations as the recession-like business conditions experienced in 2002 continued to prevail throughout 2003. Sales in the Industrial International operations were higher across most businesses in Latin America and the Asia Pacific region while sales in Europe remained flat. The Aerospace operations experienced lower demand in the commercial original equipment and aftermarket businesses.

Net sales of $6.15 billion for 2002 were 2.8 percent higher than the $5.98 billion for 2001. Acquisitions completed in 2002 accounted for all of the increase. Lower demand was experienced across all of the Company's operations during 2002 except in the Climate & Industrial Controls Segment. The lower demand in 2002 resulted from recessionary business conditions that were present throughout the year. In the Industrial North American operations, lower demand was experienced across most markets, most notably in semi-conductor manufacturing, heavy-duty trucks and factory automation. Sales in the Industrial International operations were lower across all businesses in Europe, Latin America and the Asia Pacific region. Currency rate changes reduced volume increases within the Industrial International operations by $26.7 million. The Aerospace operations experienced lower demand in the commercial original equipment and aftermarket businesses.

The Company expects sales in the Industrial North American operations to remain essentially the same as 2003 with operating profits improving as a result of the Company's continued focus on financial performance initiatives. Sales in the Industrial European operations are expected to increase marginally with profits improving as a result of financial performance initiatives, including the continued movement of production facilities to low cost countries. Sales and profits in the Asia Pacific and Latin America regions are anticipated to grow as business conditions in substantially all markets are expected to improve. In Latin America, the economic uncertainty in Argentina and Brazil may temper the extent of the market improvements. The Aerospace operations expect the commercial OEM and aftermarket businesses to be depressed throughout 2004. The defense business is projected to remain relatively constant. The Climate & Industrial Controls operations are expected to experience the same economic conditions as the Industrial North American operations. As part of the Company's financial performance initiatives, the recognition of additional business realignment charges may be required in 2004.

Gross profit margin as a percent of sales was 17.2 percent in 2003 compared to 16.8 percent in 2002 and 20.9 percent in 2001. The higher margins in 2003 reflect the effect of the Company's financial performance initiatives and less business realignment costs recorded in 2003 than in 2002.

The lower margins in 2002 reflect lower sales volume experienced across all of the Company's operations and a reduction in inventories in the Industrial operations, resulting in the underabsorption of manufacturing costs, as well as the effect of business realignment costs.

Selling, general and administrative expenses as a percent of sales remained at the 2002 level of 11.2 percent, and declined from 11.4 percent in 2001. Effective July 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" and ceased amortizing goodwill as of that date. Selling, general and administrative expenses in 2001 included $59.6 million of goodwill amortization.

Goodwill impairment loss of $39.5 million in 2002 resulted from the Company's goodwill impairment tests required to be performed under the provisions of SFAS No. 142. No impairment loss was required to be recognized in 2003.

Interest expense decreased by $0.9 million in 2003 after a decrease of $13.3 million in 2002. The decrease in both 2003 and 2002 was primarily due to lower weighted-average interest rates. Interest expense in 2001 included $5.4 million related to an early-redemption premium and the write-off of deferred issuance costs.

Interest and other (income), net was $3.0 million in 2003 compared to $2.5 million in 2002 and $4.8 million in 2001. Fiscal 2001 includes a $3.7 million gain on the sale of marketable equity securities and $3.0 million of business realignment charges.

Loss (gain) on disposal of assets was a $3.8 million loss in 2003, an $8.5 million loss in 2002 and a $47.7 million gain in 2001. The loss in 2003 includes $10.2 million in losses related to fixed asset disposals and a $7.4 million gain on the divestiture of a business. The loss in 2002 includes $9.4 million of certain asset impairments (see Note 3 on page 13-20 for further discussion) offset by a $4.5 million gain on business divestitures. The gain in 2001 included a gain on the sale of real property offset by certain asset impairments (see Note 3 on page 13-20 for further discussion).

Income taxes decreased to an effective rate of 34.0 percent in 2003, compared to 40.3 percent in 2002 and 35.5 percent in 2001. The higher tax rate in 2002 was primarily due to the effect of the goodwill impairment loss, which was non deductible for tax purposes.

Net income of $196.3 million for 2003 was 50.8 percent higher than 2002. Net income of $130.2 million for 2002 was 61.8 percent lower than 2001. Net income as a percentage of sales was 3.1 percent in 2003, compared to 2.1 percent in 2002 and 5.7 percent in 2001. In addition to the individual income statement items discussed above, net income in 2003 and 2002 was adversely affected by an additional expense of approximately $16.9 million and $23.5 million, respectively, related to domestic qualified defined benefit plans. The increase in expense associated with the Company's domestic qualified defined benefit plans results from a lower market value of plan assets and changes in actuarial assumptions regarding the long-term rate of return on plan assets and the discount rate. Net income in 2004 is expected to be adversely affected by an additional $30.0 million in excess of the 2003 expense for domestic qualified defined benefit plans.

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 Company's items of comprehensive income (loss) include foreign currency translation adjustments, unrealized gains or losses on marketable equity securities and a minimum pension liability. The effect of currency rate changes resulted in an increase in shareholders' equity of $99.0 million in 2003 compared to an increase of $69.7 million in 2002 and a decrease of $89.7 million in 2001. The change in 2003 and 2002 resulted primarily from a weaker U.S. dollar against the Euro. In 2003 and 2002, a minimum pension liability of $425.0 million ($297.5 million after-tax) and $172.3 million ($107.6 million after-tax), respectively, was recorded in comprehensive income in accordance with the requirements of SFAS No. 87 (see Note 10 on page 13-25 for further discussion).

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 13-15 for a description of the Company's reportable business segments.

Industrial Segment

	2003	2002	2001
Operating income as a percent of sales	**5.7%**	5.0%	9.8%
Return on average assets	**6.4%**	5.5%	12.9%

Sales for the Industrial North American operations were $2.84 billion in 2003, a 1.7 percent increase from 2002, following a decrease in 2002 of 5.1 percent over 2001. All of the sales increase in 2003 was attributable to current-year acquisitions. Customer demand in virtually all of the North American Industrial markets continued to be weak throughout 2003 as the North American economy remained stagnant. Sales in 2002 reflect the continuation of the lower demand that began in 2001 in virtually all markets. Markets affected more than others in 2002 included semi-conductor manufacturing, telecommunications, mobile equipment and factory automation.

Industrial International sales were $1.58 billion in 2003, a 23.9 percent increase from 2002, after remaining unchanged in 2002 from 2001. Current-year acquisitions and the effect of foreign currency exchange rates accounted for about 80 percent of the sales increase. Higher volume was experienced in virtually all markets in the Latin America and Asia Pacific regions while sales in the European businesses were flat. Sales in 2002 reflect the sales contribution from acquisitions being offset by lower volume experienced across almost all of the Industrial International businesses in Europe and the semi-conductor manufacturing businesses in the Asia Pacific region and the negative impact of foreign currency rate changes.

Industrial North American operating income was $155.3 million, an increase of 9.9 percent from 2002, following a decline in 2002 of 56.2 percent from 2001. Income from operations as a percent of sales was 5.5 percent in 2003 compared to 5.1 percent in 2002 and 11.0 percent in 2001. Included in operating income in 2003, 2002 and 2001 are business realignment charges of $8.3 million, $8.9 million and $13.2 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. Operating income in 2001 included goodwill amortization of $31.1 million. The increase in margins in 2003 was primarily due to operating efficiencies and product mix. Margins in 2002 were adversely affected by the lower sales volume experienced across virtually all markets, with a significant decline in sales volume experienced by historically higher margin markets. Acquisitions, not yet fully integrated, also negatively impacted margins in both 2003 and 2002.

Industrial International operating income was $96.3 million, an increase of 58.6 percent from 2002, following a decrease of 39.8 percent in 2002 from 2001. Income from operations as a percent of sales was 6.1 percent in 2003 compared to 4.7 percent in 2002 and 7.3 percent in 2001. Operating income in 2003, 2002 and 2001 included $7.9 million, $7.4 million and $5.9 million, respectively, of business realignment charges that were taken primarily to appropriately structure the European operations. Operating income in 2001 included goodwill amortization of $12.4 million. The higher margins in 2003 were primarily due to the higher volume in the Asia Pacific region as well as operating efficiencies experienced in most of the European businesses. In 2002 lower margins were earned across most businesses in Europe and the Asia Pacific region due to the lower sales volume and the resulting underabsorption of overhead costs.

Industrial Segment order rates were lower throughout 2003 as virtually all markets continued to experience weak end-user demand. The Company expects order entry levels in most markets of the Industrial North American operations to be relatively flat throughout 2004 reflecting the continuation of the recession-like conditions experienced in 2003. Operating income in the Industrial North American operations is expected to increase as a result of the Company’s financial performance initiatives and improvements stemming from recent business realignment actions. Industrial European operations in 2004 are anticipated to track closely with the Industrial North American operations with improvements in profitability stemming from recent business realignment actions, including expanding the use of low-cost countries for production. The Asia Pacific region and Latin American operations are expected to continue to improve as the Company continues to expand its operations into these regions with demand in substantially all markets expected to grow in 2004. The extent of the expected improvement in Latin America will be affected by the economic uncertainties in Argentina and Brazil. As part of the Company’s financial performance initiatives, the recognition of additional business realignment charges may be required in 2004.

Backlog for the Industrial Segment was $638.8 million at June 30, 2003, compared to $688.8 million at the end of 2002 and $667.9 million at the end of 2001. The decrease in backlog from 2002 to 2003 results from shipments exceeding new order rates. The increase in backlog from 2001 to 2002 is attributable to acquisitions partially offset by lower order rates experienced across most Industrial markets throughout 2002.

Assets for the Industrial Segment increased 1.9 percent in 2003 after an increase of 11.5 percent in 2002. The increase in 2003 was primarily due to the effect of currency fluctuations partially offset by decreases in accounts receivable, inventory and property, plant and equipment. The increase in 2002 was primarily due to the addition of assets from acquisitions and the effect of currency fluctuations.

Aerospace Segment

	2003	2002	2001
Operating income as a percent of sales	**14.2%**	16.1%	18.2%
Return on average assets	**24.2%**	27.2%	30.8%

Sales for the Aerospace operations were $1.11 billion in 2003, a 5.4 percent decline from 2002, following a decrease in 2002 of 2.7 percent over 2001. The decrease in sales in 2003 was primarily due to a decline in both commercial original equipment manufacturers (OEM) and aftermarket volume, partially offset by an increase in military volume. The lower sales in 2002 reflected the slowdown in activity in both the commercial original equipment and aftermarket businesses as commercial carriers delayed shipments of new aircraft and required fewer replacement parts for existing aircraft. Partially offsetting the sales decline was an increase in the military original equipment and aftermarket businesses.

Aerospace operating income was $157.3 million in 2003, $189.4 million in 2002 and $218.9 million in 2001. Included in operating income in 2003 and 2002 were $2.5 million and $4.7 million, respectively, in business realignment charges primarily related to severance costs as the workforce was adjusted in response to declining commercial aircraft orders. Operating income in 2001 included goodwill amortization of $7.8 million. The lower margins in 2003 were primarily due to lower sales in the commercial OEM and aftermarket businesses partially offset by an increase in volume in military business. The lower margins in 2002 resulted from a lower mix of higher margin aftermarket business as well as the overall lower sales volume, resulting in lower capacity utilization.

Backlog at June 30, 2003 and 2002 was $1.01 billion compared to $1.21 billion in 2001. Backlog remained flat in 2003 due to higher order rates in military business being offset by lower order rates in the commercial aircraft and regional jet market. The lower backlog in 2002 reflects the slowdown in order rates in the commercial aircraft and regional jet market. The downward trend in commercial order rates experienced in 2003 is expected to continue throughout 2004 as commercial airline carriers continue to delay orders for new aircraft and existing aircraft log fewer miles due to reduced commercial airline travel. Order rates in the military market are expected to remain steady in 2004.

Assets declined 8.3 percent in 2003 after declining 4.4 percent in 2002**.** The decline in 2003 was primarily due to a decline in accounts receivable, inventory and property, plant and equipment. The decline in 2002 was primarily due to a decline in accounts receivable resulting from the lower sales volume.

Climate & Industrial Controls Segment

	2003	2002	2001
Operating income as a percent of sales	**9.5%**	7.8%	7.5%
Return on average assets	**16.6%**	14.2%	13.3%

The Climate & Industrial Controls Segment consists of several business units which produce motion-control systems and components for use in the refrigeration and air conditioning and transportation industries. These businesses were previously included in the Other Segment. All prior year amounts have been reclassified to conform to the current year presentation.

Climate & Industrial Controls Segment sales in 2003 were $665.6 million, an 8.7 percent increase from 2002, following a 13.7 percent increase from 2001. Acquisitions and the effect of foreign currency exchange rates accounted for about one-half of the sales increase in 2003. Higher demand in the mobile and refrigeration and air conditioning markets accounted for the balance of the sales increase in 2003 and the increase in sales from 2001 to 2002. Operating income increased 32.2 percent in 2003 following an increase in 2002 of 19.3 percent from 2001. Operating income in 2003 and 2002 includes $1.2 million and $2.3 million, respectively, of business realignment charges. Operating income in 2001 included goodwill amortization of $4.3 million. The higher margins were primarily the result of the higher sales volume.

Backlog was $117.3 million at June 30, 2003, compared to $122.3 million at the end of 2002 and $100.1 million at the end of 2001. The increase in the backlog in 2002 was primarily due to acquisitions.

Assets decreased 2.6 percent in 2003 after an increase of 33.3 percent in 2002. The decrease in assets in 2003 was due to the effect of currency fluctuations. The increase in assets in 2002 was due to acquisitions.

Other Segment

	2003	2002	2001
Operating income as a percent of sales	**5.5%**	2.3%	6.9%
Return on average assets	**5.8%**	4.6%	2.4%

The Other Segment consists of a business unit which designs and manufactures custom-engineered buildings (beginning in 2001) and a business unit which develops and manufactures chemical car care and industrial products (beginning in 2002). In June 2002 the Company divested businesses included in the Other Segment only in 2002 which administered vehicle service contract programs and product-related service programs. All of these businesses were classified as assets held for sale prior to the inclusion in the Other Segment.

Other Segment sales were $210.3 million in 2003, $293.0 million in 2002 and $17.7 million in 2001. The decrease in sales in 2003 was primarily due to the divestitures noted above. The inclusion of sales from businesses previously classified as assets held for sale accounted for all of the sales increase from 2001 to 2002. Operating income was $11.6 million in 2003, $6.7 million in 2002 and $1.2 million in 2001. Operating income in 2003 and 2002 included $1.3 million and $4.7 million, respectively, of business realignment charges. The increase in margins in 2003 was primarily due to operating efficiencies. The decline in margins in 2002 was attributable to businesses previously classified as assets held for sale, which were not fully integrated.

Backlog was $41.0 million at June 30, 2003, compared to $42.0 million at the end of 2002 and $9.1 million at the end of 2001. The increase in 2002 is attributable to the businesses previously classified as assets held for sale.

Assets increased 11.5 percent in 2003 after an increase of 90.0 percent in 2002. The increase in assets in 2003 was primarily due to the effect of currency fluctuations. The increase in assets in 2002 was due to the inclusion of assets from businesses previously classified as held for sale.

Corporate assets increased 33.5 percent in 2003 and declined 20.3 percent in 2002. The increase in 2003 was primarily due to an increase in cash and cash equivalents. The 2001 amount included assets from businesses previously classified as held for sale.

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.

The effect of currency rate changes during the year caused a $99.0 million increase in Shareholders' equity. These rate changes also caused significant increases in accounts receivable, inventories, goodwill, plant and equipment, accounts payable, various accrual accounts and long-term debt.

Working capital and the current ratio were as follows:

Working Capital (millions)	**2003**	2002
Current Assets	**$2,397**	$2,236
Current Liabilities	**1,424**	1,360
Working Capital	**973**	876
Current Ratio	**1.68**	1.64

Accounts receivable are primarily receivables due from customers for sales of product ($912.1 million at June 30, 2003, compared to $923.1 million at June 30, 2002). The current year decrease in accounts receivable is primarily due to a decrease in sales volume primarily in the Industrial North American and Aerospace operations, partially offset by the effect of currency rate changes. Days sales outstanding for the Company remained constant at 55 days in 2003 compared to 2002. The allowance for doubtful accounts in 2003 was unchanged from 2002.

Inventories decreased to $997.2 million at June 30, 2003, compared to $1,052.0 million a year ago. The decrease was primarily due to a concerted effort in the Industrial North American and Aerospace operations to reduce inventory levels, partially offset by the effect of currency rate changes. Days supply of inventory on hand decreased to 82 days in 2003 from 87 days in 2002.

Plant and equipment, net of accumulated depreciation, decreased $39.5 million in 2003 as a result of depreciation expense exceeding capital expenditures.

Investments and other assets increased $44.1 million in 2003 primarily as a result of a discretionary cash contribution made by the Company to its qualified defined benefit plans.

Goodwill increased $24.8 million in 2003 as a result of the effect of foreign currency changes. Effective July 1, 2001 the Company adopted SFAS No. 142 and therefore further amortization of goodwill has been discontinued.

Intangible assets, net consist primarily of patents, trademarks and engineering drawings. Intangible assets, net increased $8.2 million in 2003 primarily due to current-year acquisitions.

Notes payable and long-term debt payable within one year and Long-term debt – see Cash Flows from Financing Activities discussion on page 13-7.

Accounts payable, trade decreased $6.4 million in 2003 as a result of lower purchasing levels in the Company's Industrial North American operations, partially offset by the effect of currency rate changes.

Accrued payrolls and other compensation increased to $197.7 million in 2003 from $187.0 million in 2002 primarily as a result of the effect of currency rate changes.

Accrued domestic and foreign taxes increased to $65.1 million in 2003 from $48.3 million in 2002 primarily due to higher foreign taxable income in 2003.

Pensions and other postretirement benefits increased 81.1 percent in 2003. The change in this amount is explained further in Note 10 to the Consolidated Financial Statements.

Deferred income taxes decreased $56.2 million in 2003 primarily due to the tax effect related to the additional minimum pension liability recorded in 2003.

Common stock in treasury increased to $4.5 million in 2003 from $3.6 million in 2002 due to current year share repurchases.

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.

Cash and cash equivalents increased $199.5 million in 2003 after increasing $22.8 million in 2002.

Cash Flows From Operating Activities – The Company's largest source of cash continues to be net cash provided by operating activities. Net cash provided by operating activities in 2003 was $557.5 million compared to $631.0 million in 2002 and $528.8 million in 2001. The decrease in net cash provided by operating activities in 2003 was primarily the result of a $108.0 million discretionary cash contribution to the Company's qualified defined benefit plans.

Cash Flows Used In Investing Activities – Net cash used in investing activities was $137.2 million in 2003 compared to $608.7 million in 2002 and $819.8 million in 2001. The significant decrease in the amount of cash used in investing activities in 2003 is attributable to a reduction in acquisition activity as well as a reduction in capital expenditures. The reduction in capital expenditures in 2003 can be attributed to the consolidation of manufacturing facilities, lean manufacturing initiatives, and a decline in product demand. Refer to Note 2 on page 13-19 for a summary of net assets of acquired companies at their respective acquisition dates.

Cash Flows From Financing Activities – Net cash used in financing activities was $222.2 million in 2003 compared to using cash of $0.8 million in 2002 and providing cash of $247.5 million in 2001. In 2003 the Company decreased its outstanding borrowings by a net total of $145.8 million compared to an increase of $61.7 million in 2002. The lower borrowing level in 2003 was due to the decline in acquisition activity and capital expenditure requirements.

During 2003 the Company issued $225 million of fixed rate senior notes due 2013 utilizing its universal shelf registration statement. The proceeds from this issuance were used to reduce commercial paper note borrowings. After giving effect to this issuance, the Company now has the availability to issue securities with an aggregate initial offering price of up to $775 million. 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 a 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)	**2003**	2002
Debt	**$1,391**	$1,506
Debt & Equity	**3,911**	4,089
Ratio	**35.6%**	36.8%

Common share activity in 2003 primarily includes the exercise of stock options and the purchase of shares of the Company's common stock for treasury.

Dividends have been paid for 212 consecutive quarters, including a yearly increase in dividends for the last 47 fiscal years. The current annual dividend rate is $.76 per share.

As of June 30, 2003 the Company has committed lines of credit totaling $825 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. 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 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	$1,356,034	$390,185	$382,727	$ 80,150	$502,972
Operating leases	155,723	53,541	59,749	21,309	21,124
Capital lease obligations	7,111	6,628	477	6	
Total	$1,518,868	$450,354	$442,953	$101,465	$524,096

Quantitative and Qualitative Disclosures About Market Risk

The Company enters into forward exchange contracts, costless collar contracts and cross-currency swap agreements to reduce its exposure to fluctuations in related foreign currencies. The total carrying and fair value of open contracts and any risk to the Company as a result of these arrangements is not material to the Company's financial position, liquidity or results of operations.

The Company's debt portfolio contains variable rate debt, inherently exposing the Company to interest rate risk. The Company's objective is to maintain a 60/40 mix between fixed rate and variable rate debt thereby limiting its exposure to changes in near-term interest rates. In addition, the Company has entered into an interest rate swap agreement for a $200 million notional principal amount. The agreement is with a major financial institution and the risk of loss is considered remote. The carrying value and fair value of the swap agreement is not material to the Company's financial position, liquidity or results of operations. A 100 basis point increase in near-term interest rates would increase annual interest expense on variable rate debt by approximately $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 has 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 require 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 excess and obsolete inventories. The estimated allowance is based on management's review of inventories on hand compared to estimated future usage and sales.

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 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.

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 April 2003 the Financial Accounting Standards Board (FASB) issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and is effective for contracts entered into or modified after June 30, 2003. In May 2003 the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 establishes standards for classifying and measuring financial instruments with characteristics of both liabilities and equity. It requires classifying a financial instrument that is within its scope as a liability and is effective in the first interim period beginning after June 15, 2003. The implementation of these accounting pronouncements is not expected to have a material effect on the Company's results of operations, cash flows or financial position.

Consolidated Statement of Income

(Dollars in thousands, except per share amounts)	For the years ended June 30, 2003	2002	2001
Net sales	**$6,410,610**	$6,149,122	$5,979,604
Cost of sales	**5,309,775**	5,116,570	4,728,156
Gross profit	**1,100,835**	1,032,552	1,251,448
Selling, general and administrative expenses	**721,065**	686,485	679,963
Goodwill impairment loss (Note 7)		39,516	
Interest expense	**81,561**	82,484	95,775
Interest and other (income), net	**(3,016)**	(2,483)	(4,800)
Loss (gain) on disposal of assets	**3,843**	8,514	(47,673)
Income before income taxes	**297,382**	218,036	528,183
Income taxes (Note 4)	**101,110**	87,886	187,391
Net income	**$ 196,272**	$ 130,150	$ 340,792
Earnings per share (Note 5)			
Basic earnings per share	**$ 1.69**	$ 1.13	$ 2.98
Diluted earnings per share	**$ 1.68**	$ 1.12	$ 2.96

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, 2003	2002	2001
Net income	**$ 196,272**	$ 130,150	$ 340,792
Other comprehensive income (loss), net of taxes (Note 11):			
Foreign currency translation adjustment	**99,029**	69,673	(89,659)
Minimum pension liability	**(297,487)**	(107,563)	
Net unrealized (loss) gain on marketable equity securities	**(27)**	(5,076)	10,586
Comprehensive income (loss)	**$ (2,213)**	$ 87,184	$ 261,719

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

Business Segment Information

By Industry

(Dollars in thousands)	**2003**	2002	2001
Net sales:			
Industrial:			
North America	**$2,840,628**	$2,792,315	$2,941,697
International	**1,584,443**	1,278,694	1,275,516
Aerospace	**1,109,566**	1,172,608	1,205,624
Climate & Industrial Controls	**665,629**	612,533	539,032
Other	**210,344**	292,972	17,735
	$6,410,610	$6,149,122	$5,979,604
Segment operating income (a):			
Industrial:			
North America	**$ 155,258**	$ 141,315	$ 322,786
International	**96,301**	60,721	92,561
Aerospace	**157,295**	189,353	218,851
Climate & Industrial Controls	**63,441**	47,980	40,232
Other	**11,584**	6,663	1,219
Total segment operating income	**483,879**	446,032	675,649
Corporate administration	**80,147**	73,335	85,738
Income before interest expense and other	**403,732**	372,697	589,911
Interest expense	**81,561**	82,484	95,775
Other expense (income)	**24,789**	72,177	(34,047)
Income before income taxes	**$ 297,382**	$ 218,036	$ 528,183
Identifiable assets:			
Industrial	**$3,954,929**	$3,883,107	$3,528,652
Aerospace	**622,960**	679,371	710,555
Climate & Industrial Controls	**376,730**	386,619	290,069
Other	**211,521**	189,769	99,937
	5,166,140	5,138,866	4,629,213
Corporate (b)	**819,493**	613,717	708,448
	$5,985,633	$5,752,583	$5,337,661
Property additions (c):			
Industrial	**$ 145,357**	$ 295,139	$ 412,042
Aerospace	**12,092**	20,266	37,152
Climate & Industrial Controls	**8,811**	36,384	14,959
Other	**1,815**	10,728	—
Corporate	**1,555**	4,679	12,006
	$ 169,630	$ 367,196	$ 476,159
Depreciation:			
Industrial	**$ 200,772**	$ 183,917	$ 160,577
Aerospace	**20,115**	19,806	19,729
Climate & Industrial Controls	**20,545**	19,675	15,894
Other	**2,432**	2,251	368
Corporate	**4,617**	5,586	3,702
	$ 248,481	$ 231,235	$ 200,270

By Geographic Area (d)

(Dollars in thousands)	**2003**	2002	2001
Net sales:			
North America	**$4,501,098**	$4,567,370	$4,561,217
International	**1,909,512**	1,581,752	1,418,387
	$6,410,610	$6,149,122	$5,979,604
Long-lived assets:			
North America	**$1,168,882**	$1,249,767	$1,186,834
International	**488,543**	447,198	361,854
	$1,657,425	$1,696,965	$1,548,688

Certain prior year amounts have been reclassified to conform to the current year presentation including the presentation of Climate & Industrial Controls as a separate reporting segment as a result of the net sales of this business exceeding the 10% materiality threshold set forth in SFAS No. 131.

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

(a) Income before income taxes for 2001 includes goodwill amortization of $59,582 ($31,056 in Industrial North America; $12,369 in Industrial International; $7,800 in Aerospace; $4,347 in Climate & Industrial Controls, and $4,010 in Other expense (income)).

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

(c) Includes value of net plant and equipment at the date of acquisition of acquired companies accounted for by the purchase method and the reclassification of assets previously held for sale (2003 - $11,370; 2002 - $160,632; 2001 - $141,411).

(d) 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, 2003	2002
Assets		
Current Assets		
Cash and cash equivalents	**$ 245,850**	$ 46,384
Accounts receivable, less allowance for doubtful accounts (2003 – $15,304; 2002 – $15,396)	**1,002,060**	1,006,313
Inventories (Notes 1 and 6):		
Finished products	**475,057**	531,821
Work in process	**399,574**	353,410
Raw materials	**122,536**	166,737
	997,167	1,051,968
Prepaid expenses	**51,949**	48,532
Deferred income taxes (Notes 1 and 4)	**99,781**	82,421
Total Current Assets	**2,396,807**	2,235,618
Plant and equipment (Note 1):		
Land and land improvements	**174,682**	167,915
Buildings and building equipment	**924,065**	873,152
Machinery and equipment	**2,379,611**	2,245,295
Construction in progress	**58,425**	67,896
	3,536,783	3,354,258
Less accumulated depreciation	**1,879,358**	1,657,293
	1,657,425	1,696,965
Investments and other assets (Note 1)	**720,022**	675,877
Goodwill (Notes 1 and 7)	**1,108,610**	1,083,768
Intangible assets, net (Notes 1 and 7)	**59,444**	51,286
Deferred income taxes (Notes 1 and 4)	**43,325**	9,069
Total Assets	**$5,985,633**	$5,752,583
Liabilities and Shareholders' Equity		
Current Liabilities		
Notes payable and long-term debt payable within one year (Notes 8 and 9)	**$ 424,235**	$ 416,693
Accounts payable, trade	**437,103**	443,525
Accrued payrolls and other compensation	**197,696**	187,037
Accrued domestic and foreign taxes	**65,094**	48,309
Other accrued liabilities	**299,599**	264,273
Total Current Liabilities	**1,423,727**	1,359,837
Long-term debt (Note 9)	**966,332**	1,088,883
Pensions and other postretirement benefits (Notes 1 and 10)	**920,420**	508,313
Deferred income taxes (Notes 1 and 4)	**20,780**	76,955
Other liabilities	**133,463**	135,079
Total Liabilities	**3,464,722**	3,169,067
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 118,285,736 shares in 2003 and 118,124,294 shares in 2002 at par value	**59,143**	59,062
Additional capital	**389,021**	378,918
Retained earnings	**2,584,268**	2,473,808
Unearned compensation related to ESOP (Note 9)	**(63,418)**	(79,474)
Deferred compensation related to stock options	**2,347**	2,347
Accumulated other comprehensive (loss)	**(445,982)**	(247,497)
	2,525,379	2,587,164
Common stock in treasury at cost: 120,637 shares in 2003 and 100,130 shares in 2002	**(4,468)**	(3,648)
Total Shareholders' Equity	**2,520,911**	2,583,516
Total Liabilities and Shareholders' Equity	**$5,985,633**	$5,752,583

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, 2003	2002	2001
Cash Flows From Operating Activities			
Net income	**$ 196,272**	$ 130,150	$ 340,792
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**248,481**	231,235	200,270
Amortization	**10,697**	50,363	64,257
Deferred income taxes	**21,614**	29,095	44,902
Foreign currency transaction loss	**5,309**	5,629	4,159
Loss (gain) on sale of plant and equipment	**8,288**	12,125	(55,914)
(Gain) on divestiture of business	**(7,400)**		
Changes in assets and liabilities, net of effects from acquisitions and divestitures:			
Accounts receivable	**61,541**	70,993	(6,725)
Inventories	**106,129**	111,041	7,865
Prepaid expenses	**(993)**	(4,458)	4,799
Assets held for sale		3,242	43,069
Other assets	**(73,757)**	2,702	(66,376)
Accounts payable, trade	**(27,045)**	(10,956)	(43,697)
Accrued payrolls and other compensation	**(909)**	(15,465)	(13,586)
Accrued domestic and foreign taxes	**23,555**	(25,356)	(6,136)
Other accrued liabilities	**8,943**	13,038	(10,444)
Pensions and other postretirement benefits	**(8,020)**	(3,872)	18,501
Other liabilities	**(15,216)**	31,540	3,051
Net cash provided by operating activities	**557,489**	631,046	528,787
Cash Flows From Investing Activities			
Acquisitions (less cash acquired of $196 in 2003, $3,118 in 2002 and $10,143 in 2001)	**(16,648)**	(388,315)	(583,254)
Capital expenditures	**(158,260)**	(206,564)	(334,748)
Proceeds from sale of plant and equipment	**20,745**	19,849	90,044
Proceeds from divestitures	**14,709**	3,222	
Other	**2,269**	(36,910)	8,130
Net cash (used in) investing activities	**(137,185)**	(608,718)	(819,828)
Cash Flows From Financing Activities			
Proceeds from common share activity	**9,386**	20,250	15,971
(Payments of) proceeds from notes payable, net	**(370,540)**	(146,170)	197,324
Proceeds from long-term borrowings	**258,667**	235,794	304,172
(Payments of) long-term borrowings	**(33,891)**	(27,913)	(190,031)
Dividends paid, net of tax benefit of ESOP shares	**(85,833)**	(82,838)	(79,921)
Net cash (used in) provided by financing activities	**(222,211)**	(877)	247,515
Effect of exchange rate changes on cash	**1,373**	1,368	(1,369)
Net increase (decrease) in cash and cash equivalents	**199,466**	22,819	(44,895)
Cash and cash equivalents at beginning of year	**46,384**	23,565	68,460
Cash and cash equivalents at end of year	**$ 245,850**	$ 46,384	$ 23,565
Supplemental Data:			
Cash paid during the year for:			
Interest, net of capitalized interest	**$ 73,575**	$ 78,446	$ 84,183
Income taxes	**44,632**	76,830	183,546
Non-cash investing activities:			
Stock issued for acquisitions		13,081	

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, land-based weapons systems, satellites and space vehicles. This Segment serves original equipment and maintenance, repair and overhaul customers worldwide. Aerospace Segment products are marketed by field sales employees and are sold directly to manufacturers and end users.

The Company also reports a Climate & Industrial Controls Segment and an Other Segment. The Climate & Industrial Controls Segment consists of several business units which manufacture 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 (beginning in 2001) and a business unit which develops and manufactures chemical car care and industrial products (beginning in 2002). In June 2002 the Company divested businesses included in the Other Segment only in 2002 which administered vehicle service contract programs and product-related service programs (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 13-11 and 13-12 for further disclosure of business segment information.

There are no individual customers to whom sales are four 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 special-purpose 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 has transferred to the customer. The Company's revenue recognition policies are in compliance with the SEC's Staff Accounting Bulletin (SAB) No. 101. 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.

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. 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 2003 and 2002 the Company recorded a charge of $2,565 ($.02 per share) and $4,973 charge ($.04 per share), respectively, related to an adjustment in an equity investment in a publicly traded Japanese company. Investments and Other Assets includes a prepaid pension cost at June 30, 2003 and 2002 of $354,330 and $270,750, respectively, and an intangible asset recognized in connection with an additional minimum pension liability of $100,294 and $115,242 at June 30, 2003 and 2002, respectively.

Goodwill - On July 1, 2001 the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets" and therefore ceased amortizing goodwill as of that date. Prior to the adoption of SFAS No. 142, the Company amortized goodwill, on a straight-line basis, over periods ranging from 15 years to 40 years. 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 engineering drawings and are recorded at cost and amortized on a straight-line method over their legal or estimated useful life.

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, 2003 and 2002 is immaterial to the financial position of the Company and the change in the accrual during 2003 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 is not contemplated at this time. Exchange gains and losses from transactions in a currency other than the local currency of the entity involved, and translation adjustments in countries with highly inflationary economies, are included in Net income.

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

The Company enters into forward exchange contracts (forward contracts), costless collar contracts, and cross-currency swap agreements to reduce its exposure to fluctuations in related foreign currencies. These contracts are with major financial institutions and the risk of loss is considered remote. The Company does not hold or issue derivative financial instruments for trading purposes.

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

Cross-currency swap agreements are recorded in Long-term debt as dollar-denominated receivables with offsetting foreign-currency payables. If the receivables more than offset the payables, the net difference is reclassified to an asset. Gains or losses are accrued monthly as an adjustment to Net income, offsetting the underlying foreign currency gains or losses. The differential between interest to be received and interest to be paid is accrued monthly as an adjustment to Interest expense. At June 30, 2003 there were no outstanding cross-currency swap agreements.

The Company has entered into an interest rate swap agreement for a $200 million notional principal amount. The swap agreement converts a portion of variable rate debt to a fixed rate through 2004. The net payments or receipts under this agreement are recognized as an adjustment to Interest expense. The agreement is with a major financial institution and the risk of loss is considered remote.

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

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

Stock Options - In 2003 the Company adopted the provisions of SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure." The Company continues to apply 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:

		2003	2002	2001
Net income, as reported		**$196,272**	$130,150	$340,792
Add: Stock-based employee compensation included in reported net income, net of tax		**(327)**	575	3,976
Deduct: Total stock-based employee compensation expense determined under fair value method, net of tax		**18,498**	15,377	14,992
Pro forma net income		**$177,447**	$115,348	$329,776
Earnings per share:				
Basic:	as reported	**$ 1.69**	$ 1.13	$ 2.98
	pro forma	**$ 1.52**	$ 1.00	$ 2.89
Diluted:	as reported	**$ 1.68**	$ 1.12	$ 2.96
	pro forma	**$ 1.51**	$ 0.99	$ 2.87

Recent Accounting Pronouncements - In April 2003 the Financial Accounting Standards Board (FASB) issued SFAS No. 149, “Amendment of Statement 133 on Derivative Instruments and Hedging Activities.” SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and is effective for contracts entered into or modified after June 30, 2003. In May 2003 the FASB issued SFAS No. 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity.” SFAS No. 150 establishes standards for classifying and measuring financial instruments with characteristics of both liabilities and equity and is effective in the first interim period beginning after June 15, 2003. The implementation of these accounting pronouncements is not expected to have a material effect on the Company’s results of operations, cash flows or financial position.

Reclassifications - Certain prior period amounts have been reclassified to conform to the current year presentation. Interest expense and Income taxes in the 2001 Consolidated Statement of Income have been restated as a result of adopting SFAS No. 145, which prohibits the presentation of the early redemption of debt as an extraordinary item.

2. Acquisitions and Net Assets Held for Sale and Divestitures

Acquisitions - On July 16, 2001 the Company completed the acquisition of Dana Corporation’s Chelsea Products Division (Chelsea). Chelsea is a supplier of power take-offs and related auxiliary power devices for medium and heavy-duty mobile equipment. On August 31, 2001 the Company acquired the Aeroquip Air Conditioning and Refrigeration (AC&R) business from Eaton Corporation. AC&R produces mechanical controls and fluid systems for the residential and commercial air conditioning and refrigeration markets. On October 19, 2001 the Company acquired the assets of the global fluid management business of Dayco Industrial from MarkIV/BC Partners. The Dayco assets acquired include Imperial-Eastman products and a wide array of hydraulic and industrial hose and connectors. On February 1, 2002 the Company completed its acquisition of ITR SpA, a subsidiary of the SAIAG Group. ITR is a manufacturer of hoses, fittings and rubber compounds for hydraulic, industrial and oil and gas applications. On May 23, 2002 the Company acquired the assets of Camfil Farr’s Engine Air Filter business (Farr). Farr produces air-intake filtration products for heavy-duty off-road equipment, marine applications and power generation. Combined annual sales for these operations, for their most recent fiscal year prior to acquisition, were approximately $608 million. Total purchase price for these businesses was approximately $367 million in cash and $13 million in common stock.

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

All acquisitions were accounted for by the purchase method, and results of operations for all acquisitions except a portion of Wynn's, which was initially classified as assets held for sale, are included as of the respective dates of acquisition. The purchase price allocation for acquisitions in 2003, 2002 and 2001 are presented below. Some of the 2003 purchase price allocations are preliminary and may require subsequent adjustment.

	2003	2002	2001
Assets acquired:			
Accounts receivable	**$ 5,339**	$ 95,436	$ 87,514
Inventories	**7,227**	101,917	67,904
Prepaid expenses	**219**	1,855	11,730
Assets held for sale			84,640
Deferred income taxes		8,713	10,029
Plant & equipment	**11,370**	151,116	141,411
Other assets	**2,851**	46,876	12,072
Goodwill	**3,544**	103,916	383,878
	30,550	509,829	799,178
Liabilities and equity assumed:			
Notes payable	**242**	9,099	20,926
Accounts payable	**2,786**	57,421	36,545
Accrued payrolls	**795**	17,483	20,587
Accrued taxes	**79**	638	(5,463)
Other accrued liabilities	**1,247**	12,462	73,996
Long-term debt	**785**	1,481	53,823
Pensions and other postretirement benefits		9,849	2,483
Deferred income taxes	**3,882**		13,027
Other liabilities	**4,086**		
	13,902	108,433	215,924
Net assets acquired	**$16,648**	$401,396	$583,254

Net Assets Held for Sale and Divestitures - 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. In August 2001 the Company completed the divestiture of the metal forming business and in June 2002 completed the divestiture of the business units which administer vehicle service contract and product-related service programs. These businesses were part of the Other Segment for segment reporting purposes. The divestitures resulted in a gain of $7,400 ($4,618 after-tax or $.04 per share) and $4,464 (no gain after-tax) in 2003 and 2002, respectively, and are reflected in Loss (gain) on disposal of assets in the Consolidated Statement of Income. The results of operations of the divested businesses were immaterial to the consolidated results of operations of the Company.

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

In January 2003 the Company adopted the provisions of SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities.” SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at fair value only when the liability is incurred. The implementation of this accounting pronouncement did not have a material effect on the Company’s results of operations, financial position or cash flows.

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. The majority of severance payments have been made with the remainder to be made in 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.

In 2002 the Company recorded a $37,352 charge ($24,466 after-tax or $.21 per share) related to costs of structuring its businesses in response to current and anticipated customer demand. The business realignment charge consists of severance costs of $22,578 and $14,774 of costs relating to the consolidation of manufacturing product lines, primarily asset impairments. The severance costs are attributable to approximately 1,050 employees in the Industrial Segment, 440 employees in the Aerospace Segment, 240 employees in the Climate & Industrial Controls Segment and 80 employees in the Other segment. All severance payments have been made as of June 30, 2003. The asset impairment portion relates to assets being held for sale and was calculated as the amount by which the carrying value of the assets exceeded their estimated selling price. Of the pre-tax amount, $25,654 relates to the Industrial Segment, $4,667 relates to the Aerospace Segment, $2,348 relates to the Climate & Industrial Controls Segment and $4,683 relates to the Other Segment. The business realignment charge is presented in the Consolidated Statement of Income for 2002 in the following captions: $23,977 in Cost of sales; $3,987 in Selling, general and administrative expenses; and $9,388 in Loss (gain) on disposal of assets.

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

In 2001 the Company recorded a $28,724 charge ($18,474 after-tax or $.16 per share) related to costs of appropriately structuring its businesses in response to current and anticipated customer demand. The business realignment charge includes severance costs and employee-related benefits of $17,673 and $11,051 of other costs, primarily certain asset impairments. The severance costs and employee-related benefits are attributable to approximately 1,440 employees in the Industrial Segment and 30 employees in the Climate & Industrial Controls Segment. All severance and employee-related benefit payments were made in fiscal 2002. The asset impairment portion represents the amount by which the carrying value of the assets exceeded their estimated future undiscounted cash flows. The business realignment charge is presented in the Consolidated Statement of Income for 2001 in the following captions: $12,071 in Cost of sales; $6,691 in Selling, general and administrative expenses; $3,009 in Interest and other (income), net; and $6,953 in Loss (gain) on disposal of assets.

4. Income Taxes

Income taxes before extraordinary items include the following:

	2003	2002	2001
Federal	**$ 29,672**	$32,728	$101,321
Foreign	**48,075**	26,054	30,791
State and local	**1,749**	9	10,377
Deferred	**21,614**	29,095	44,902
	$101,110	$87,886	$187,391

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

	2003	2002	2001
Statutory Federal income tax rate	**35.0%**	35.0%	35.0%
State and local income taxes	**.6**	.9	1.9
State operating loss carryforwards	**(1.3)**		
Export tax benefit	**(1.3)**	(4.3)	(2.4)
Foreign tax rate difference	**(2.1)**	(1.8)	(1.1)
Cash surrender of life insurance	**.8**	2.2	.4
Nondeductible goodwill	**.3**	5.7	2.3
Other	**2.0**	2.6	(.6)
Effective income tax rate	**34.0%**	40.3%	35.5%

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:

	2003	2002
Postretirement benefits	**$ 182,925**	$ 60,672
Other liabilities and reserves	**76,518**	64,727
Long-term contracts	**11,045**	15,574
Operating loss carryforwards	**53,275**	71,221
Foreign tax credit carryforwards	**2,329**	5,200
Valuation allowance	**(47,669)**	(62,559)
Depreciation and amortization	**(172,056)**	(153,633)
Inventory	**13,177**	13,531
Net deferred tax asset	**$ 119,544**	$ 14,733
Change in net deferred tax asset :		
Provision for deferred tax	**$ (21,614)**	$ (29,095)
Items of other comprehensive income	**127,697**	67,589
Acquisitions	**(1,272)**	7,786
Total change in net deferred tax	**$ 104,811**	$ 46,280

At June 30, 2003, the Company recorded tax benefits of $53,275 resulting from $349,577 in operating 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 loss carryforwards can be carried forward indefinitely and others can be carried forward from one to 18 years. During 2003, operating loss carryforwards relating to the Commercial Intertech acquisition and the corresponding valuation allowance were eliminated as result of a legal entity restructuring.

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 $356,710, $267,093 and $333,796, at June 30, 2003, 2002 and 2001, respectively.

5. Earnings Per Share

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

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

	2003	2002	2001
Numerator:			
Net income applicable to common shares	**$ 196,272**	$ 130,150	$ 340,792
Denominator:			
Basic - weighted average common shares	**116,381,880**	115,408,872	114,304,977
Increase in weighted average from dilutive effect of exercise of stock options	**512,626**	651,847	759,470
Diluted - weighted average common shares, assuming exercise of stock options	**116,894,506**	116,060,719	115,064,447
Basic earnings per share	**$ 1.69**	$ 1.13	$ 2.98
Diluted earnings per share	**$ 1.68**	$ 1.12	$ 2.96

For 2003, 2002 and 2001, 3.1 million, 1.4 million, and 1.3 million common shares, respectively, subject to stock options were excluded from the computation of diluted earnings per share because the effect of their exercise would be anti-dilutive.

6. Inventories

Inventories valued on the last-in, first-out cost method were approximately 38% and 42%, respectively, of total inventories in 2003 and 2002. The current cost of these inventories exceeds their valuation determined on the LIFO basis by $151,757 in 2003 and $151,329 in 2002. Progress payments of $13,736 in 2003 and $15,720 in 2002 are netted against inventories.

7. Goodwill and Intangible Assets

On July 1, 2001 the Company adopted the provisions of SFAS No. 141, “Business Combinations,” and SFAS No. 142, “Goodwill and Other Intangible Assets.” SFAS No. 141 requires that all business combinations be accounted for by the purchase method and that certain intangible assets be recognized as assets apart from goodwill. SFAS No. 142 provides that goodwill should not be amortized but should instead be tested for impairment annually at the reporting unit level. The annual impairment test performed in 2003 resulted in no impairment loss being recognized. Goodwill impairment tests performed in 2002 resulted in an impairment charge of $39,516 ($37,137 after-tax or $.32 per share). Of the impairment charge, $28,354 was recorded in the Industrial Segment and $11,162 was recorded in the Other Segment. The Company used a discounted cash flow analysis for purposes of estimating the fair value of a reporting unit. The impairment charge primarily resulted from declining market conditions and lower future growth potential relative to expectations at the acquisition date for the reporting units involved.

The following reflects net income and earning per share adjusted as though the adoption of SFAS No. 142 occurred as of the beginning of fiscal 2001:

	2003	2002	2001
Net income			
As reported	**$ 196,272**	$ 130,150	$ 340,792
Goodwill amortization			51,206
Adjusted net income	**$ 196,272**	$ 130,150	$ 391,998
Basic earnings per share			
As reported	**$ 1.69**	$ 1.13	$ 2.98
Goodwill amortization			.44
Adjusted basic earnings per share	**$ 1.69**	$ 1.13	$ 3.42
Diluted earnings per share			
As reported	**$ 1.68**	$ 1.12	$ 2.96
Goodwill amortization			.44
Adjusted diluted earnings per share	**$ 1.68**	$ 1.12	$ 3.40

The changes in the carrying amount of goodwill for the year ended June 30, 2003 are as follows:

	Industrial Segment	Aerospace Segment	Climate & Industrial Controls Segment	Other Segment	Total
Balance June 30, 2002	$ 829,044	$ 76,216	$ 95,259	$ 83,249	$ 1,083,768
Acquisitions	3,544				3,544
Foreign currency translation	26,055	39	1,132	9,894	37,120
Goodwill adjustments	(17,347)		(809)	2,334	(15,822)
Balance June 30, 2003	**$ 841,296**	**$ 76,255**	**$ 95,582**	**$ 95,477**	**$ 1,108,610**

“Goodwill adjustments” primarily represent final adjustments to the purchase price allocation during the twelve-month period subsequent to the acquisition date.

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,	**2003**		2002	
	Gross carrying amount	**Accumulated amortization**	Gross carrying amount	Accumulated amortization
Patents	**$ 26,472**	**$ 12,264**	$ 22,356	$ 9,930
Trademarks	**21,159**	**1,702**	17,058	644
Engineering drawings and other	**32,112**	**6,333**	24,576	2,130
Total	**$ 79,743**	**$ 20,299**	$ 63,990	$ 12,704

Total intangible amortization expense in 2003 and 2002 was $5,760 and $3,308, respectively. The estimated amortization expense for the five years ending June 30, 2004 through 2008 are $6,738, $6,259, $5,770, $4,733 and $3,179, respectively.

8. Financing Arrangements

The Company has committed lines of credit totaling $825,000 through two multi-currency unsecured revolving credit agreements with a group of banks, of which $825,000 was available at June 30, 2003. One agreement, totaling $325,000, expires September 2003, and the other, totaling $500,000, expires September 2006. 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 9/100ths 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 $257,555 from various foreign banks, of which $234,967 was available at June 30, 2003. Most of these agreements are renewed annually.

During fiscal 2003 the Company issued $225,000 of fixed rate senior notes. As of June 30, 2003 the Company has $775,000 available under its universal shelf registration statement.

The Company is authorized to sell up to $825,000 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, 2003 there were no commercial paper notes outstanding.

Commercial paper notes, along with short-term borrowings from foreign banks, primarily make up the balance of Notes payable. The balance and weighted average interest rate of the Notes payable at June 30, 2003 and 2002 were $27,422 and 2.7% and $396,883 and 3.4%, respectively.

9. Debt

June 30,	**2003**	2002
Domestic:		
Debentures		
7.30%, due 2011	**$ 100,000**	$ 100,000
Fixed rate medium-term notes		
5.65% to 7.39%, due 2004-2019	**370,000**	370,000
Variable rate medium-term notes		
2.09%, due 2004	**200,000**	200,000
Fixed rate senior notes		
4.88%, due 2013	**225,000**	
ESOP loan guarantee		
6.34%, due 2009	**65,993**	77,354
Variable rate demand bonds		
1.00% to 1.11%, due 2010-2025	**20,035**	20,035
Foreign:		
Bank loans, including revolving credit		
1.0% to 15.5%, due 2004-2017	**17,626**	23,655
Euro Notes		
6.25%, due 2006	**345,450**	297,420
Other long-term debt, including capitalized leases	**19,041**	20,229
Total long-term debt	**1,363,145**	1,108,693
Less long-term debt payable within one year	**396,813**	19,810
Long-term debt, net	**$ 966,332**	$1,088,883

In 2003 the Company issued $225,000 of fixed rate senior notes due 2013. The Company used the proceeds from the issuance to repay a portion of its outstanding commercial paper note borrowings.

Principal amounts of Long-term debt payable in the five years ending June 30, 2004 through 2008 are $396,813, $16,599, $366,604, $37,420 and $42,736, respectively. The carrying value of the Company's Long-term debt (excluding leases and cross-currency swaps) was $1,356,034 and $1,101,363 at June 30, 2003 and 2002, respectively, and was estimated to have a fair value of $1,460,007 and $1,144,466, at June 30, 2003 and 2002, respectively. The estimated fair value of the Long-term debt was estimated using discounted cash flow analyses based on the Company's current incremental borrowing rate for similar types of borrowing arrangements. Some of the debt agreements include a limitation on the Company's ratio of debt to tangible net worth.

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

Lease Commitments - Future minimum rental commitments as of June 30, 2003, under noncancelable operating leases, which expire at various dates, are as follows: 2004-$53,540; 2005-$37,798; 2006-$21,951; 2007-$11,615; 2008-$9,694 and after 2008-$21,124.

Rental expense in 2003, 2002 and 2001 was $64,571, $61,528 and $55,989, 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 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 (income) for all plans was $58,623, $32,004 and $(14,503) for 2003, 2002 and 2001, respectively. Pension cost (income) for all defined benefit plans accounted for using SFAS No. 87, "Employers' Accounting for Pensions," was as follows:

	2003	2002	2001
Service cost	**$ 56,613**	$ 54,886	$ 43,382
Interest cost	**113,464**	104,152	84,526
Expected return on plan assets	**(132,152)**	(143,816)	(146,908)
Net amortization and deferral and other	**16,887**	10,107	1,837
Net periodic benefit cost (income)	**$ 54,812**	$ 25,329	$ (17,163)

Change in benefit obligation	**2003**	2002
Benefit obligation at beginning of year	**$1,663,828**	$1,476,445
Service cost	**56,613**	54,886
Interest cost	**113,464**	104,152
Actuarial loss	**210,159**	13,077
Benefits paid	**(84,686)**	(71,641)
Plan amendments	**(7,573)**	44,460
Acquisitions		11,522
Liability transferred from other postretirement benefits		3,784
Other	**43,706**	27,143
Benefit obligation at end of year	**$1,995,511**	$1,663,828

Change in plan assets

Fair value of plan assets at beginning of year	**$1,337,485**	$1,439,015
Actual (loss) on plan assets	**(103,590)**	(73,035)
Employer contributions	**125,550**	17,450
Benefits paid	**(73,502)**	(65,000)
Acquisitions		2,026
Other	**29,956**	17,029
Fair value of plan assets at end of year	**$1,315,899**	$1,337,485

Funded status

Plan assets (under) benefit obligation	**$(679,612)**	$(326,343)
Unrecognized net actuarial loss	**818,273**	368,421
Unrecognized prior service cost	**98,313**	118,753
Unrecognized initial net (asset)	**(1,068)**	(2,566)
Net amount recognized	**$ 235,906**	$ 158,265

Amounts recognized on the Consolidated Balance Sheet

Prepaid benefit cost	**$ 354,330**	$ 270,750
Accrued benefit liability	**(816,141)**	(400,104)
Intangible asset	**100,294**	115,242
Accumulated other comprehensive loss	**597,423**	172,377
Net amount recognized	**$ 235,906**	$ 158,265

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 $1,971,980, $1,759,956 and $1,293,176, respectively, at June 30, 2003, and $1,425,785, $1,262,038 and $1,107,169, respectively, at June 30, 2002.

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 $697,717 and $287,619 has been recognized at June 30, 2003 and 2002, respectively, resulting in a net of tax charge to shareholders' equity of $297,487 and $107,563 in 2003 and 2002, respectively. The minimum pension liability could be reversed should the fair value of plan assets exceed the accumulated benefit obligation at the end of 2004.

The majority of plans' assets relate to the domestic defined benefit plans and consist primarily of listed common stocks (represents approximately 65% of total plan assets) and corporate and government bonds (represents approximately 35% of total plan assets). At June 30, 2003 and 2002, the plans' assets included Company stock with market values of $50,346 and $56,345, respectively.

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

	2003	2002	2001
U.S. defined benefit plans			
Discount rate	**7.25%**	7.25%	7.5%
Average increase in compensation	**4.9%**	4.9%	4.9%
Expected return on plan assets	**8.5%**	9.5%	10%
Non-U.S. defined benefit plans			
Discount rate	**4.5 to 6.75%**	4.5 to 6.75%	4.75 to 7%
Average increase in compensation	**2.5 to 3.75%**	3 to 4%	3 to 4%
Expected return on plan assets	**5 to 7.75%**	5 to 8%	6 to 8.5%

For the U.S. defined benefit plans, the discount rate for 2004 will be lowered to 6.25% and the expected return on plan assets will be lowered to 8.25%.

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, including the participants of a Commercial Intertech plan which was merged into the ESOP on December 31, 2001. 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. Prior to May 1, 2001, the Company matched contributions made by employees to the ESOP up to a maximum of 3.5 percent of annual compensation. A breakdown of shares held by the ESOP is as follows:

	2003	2002	2001
Allocated shares	**9,440,648**	9,023,664	8,882,757
Committed-to-be-released shares			77,038
Suspense shares	**1,844,112**	2,384,301	2,936,821
Total shares held by the ESOP	**11,284,760**	11,407,965	11,896,616
Fair value of suspense shares	**$ 77,434**	$ 113,946	$ 124,639

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 are not considered outstanding for purposes of earnings per share computations. Company contributions to the ESOP, recorded as compensation and interest expense, were $37,733 in 2003, $38,449 in 2002 and $32,086 in 2001. Dividends earned by the suspense shares and interest income within the ESOP totaled $1,580 in 2003, $1,965 in 2002 and $2,264 in 2001.

In addition to shares within the ESOP, as of June 30, 2003 employees have elected to invest in 2,495,234 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. Effective May 1, 2001 the Company amended its postretirement medical plan for certain employees to make the plan fully employee paid and to provide employees instead with supplements in the funded defined benefit pension plans. The supplements were calculated to be in the aggregate at least equivalent to the value provided by the Company paid portion of the retiree medical coverage. As such, the benefit obligation as of May 1, 2001 related to the postretirement medical coverage is now reflected as a benefit obligation of the defined benefit pension plans.

Postretirement benefit cost included the following components:

	2003	**2002**	**2001**
Service cost	**$1,289**	$1,286	$ 4,690
Interest cost	**5,957**	5,494	12,283
Net amortization and deferral	**2,323**	(849)	(3,047)
Net periodic benefit cost	**$9,569**	$5,931	$13,926

Change in benefit obligation	2003	2002
Benefit obligation at beginning of year	**$ 76,222**	$82,945
Service cost	**1,289**	1,286
Interest cost	**5,957**	5,494
Actuarial loss (gain)	**20,571**	(582)
Benefits paid	**(6,340)**	(7,373)
Acquisitions and other	**3,789**	(1,844)
Liability transferred to defined benefit pension plans		(3,704)
Benefit obligation at end of year	**$101,488**	$76,222

Funded status		
Benefit obligation in excess of plan assets	**$(101,488)**	$(76,222)
Unrecognized net actuarial loss (gain)	**17,806**	(2,765)
Unrecognized prior service cost	**(3,657)**	(5,123)
Net amount recognized	**$ (87,339)**	$(84,110)

Amounts recognized on the Consolidated Balance Sheet:		
Accrued benefit liability	**$(87,339)**	$(84,110)

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

	2003	2002	2001
Discount rate	**7.25%**	7.25%	7.5%
Current medical cost trend rate	**9.9%**	8%	8.5%
Ultimate medical cost trend rate	**5%**	5.5%	5.5%
Medical cost trend rate decreases to ultimate in year	**2010**	2007	2007

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	**$ 811**	**$ (666)**
Effect on postretirement benefit obligation	**$ 10,641**	**$ (8,769)**

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 $7,127, $1,585 and $3,217 in 2003, 2002 and 2001, respectively.

The Company has invested in corporate-owned life insurance policies to assist in meeting the obligation under these programs. The policies are held in a rabbi trust and are recorded as assets of the Company.

11. Shareholders' Equity

Common Shares	**2003**	2002	2001
Balance July 1	**$ 59,062**	$ 58,705	$ 58,301
Shares issued under stock incentive plans (2003 – 175,964; 2002 – 450,314; 2001 – 807,293)	**81**	225	404
Shares issued for purchase acquisition		132	
Balance June 30	**$ 59,143**	$ 59,062	$ 58,705
Additional Capital			
Balance July 1	**$ 378,918**	$ 346,228	$ 328,938
Shares issued under stock option plans	**1,393**	9,200	9,197
Tax benefit of stock option plans	**1,675**	(81)	8,621
Shares issued for purchase acquisition		12,949	
Restricted stock issued (surrendered)	**852**	761	(104)
Shares related to ESOP	**6,183**	9,861	(424)
Balance June 30	**$ 389,021**	$ 378,918	$ 346,228
Retained Earnings			
Balance July 1	**$2,473,808**	$2,426,496	$2,165,625
Net income	**196,272**	130,150	340,792
Cash dividends paid on common shares, net of tax benefit of ESOP shares	**(85,812)**	(82,838)	(79,921)
Balance June 30	**$2,584,268**	$2,473,808	$2,426,496
Unearned Compensation Related to ESOP			
Balance July 1	**$ (79,474)**	$ (96,398)	$ (110,818)
Unearned compensation related to ESOP debt guarantee	**16,056**	16,924	14,420
Balance June 30	**$ (63,418)**	$ (79,474)	$ (96,398)
Deferred Compensation Related to Stock Options			
Balance July 1	**$ 2,347**	$ 2,347	$ 1,304
Deferred compensation related to stock options			1,043
Balance June 30	**$ 2,347**	$ 2,347	$ 2,347
Accumulated Other Comprehensive (Loss)			
Balance July 1	**$ (247,497)**	$ (204,531)	$ (125,458)
Foreign currency translation	**99,029**	69,673	(89,659)
Unrealized (loss) gain on marketable securities (net of tax of: 2003—$16; 2002 – $3,059; 2001 – $7,768)	**(27)**	(5,076)	12,919
Realized (gain) on marketable securities (net of tax of: 2001 – $1,406)			(2,333)
Minimum pension liability (net of tax of: 2003—$127,558; 2002—$64,814)	**(297,487)**	(107,563)	
Balance June 30	**$ (445,982)**	$ (247,497)	$ (204,531)

	2003	2002	2001
Common Stock in Treasury			
Balance July 1	**$ (3,648)**	$ (3,932)	$ (8,434)
Shares purchased at cost (2003 – 45,000; 2002 – 230,000)	**(1,696)**	(8,054)	
Shares issued under stock option plans (2003 –157,011; 2002 – 233,244; 2001 – 82,047)	**538**	8,498	3,226
Restricted stock issued (surrendered)	**338**	(160)	1,276
Balance June 30	**$ (4,468)**	$ (3,648)	$ (3,932)

Shares surrendered upon exercise of stock options: 2003 –111,538; 2002 – 381,779; 2001 – 269,771.

Share Repurchases - The Board of Directors has authorized the repurchase of a total of 5.05 million of the Company's common shares. At June 30, 2003, the remaining authorization to repurchase was 3.00 million shares. Repurchases are made on the open market, at prevailing prices, and are funded from operating cash flows. The shares are initially held as treasury stock.

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 dates options are granted. Outstanding options generally are exercisable either one or two years after the date of grant and expire no more than ten years after grant.

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

As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation," the Company continues to account for its stock option and stock incentive plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and makes no charges against capital with respect to options granted. See Note 1 on page 13-17 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 value for the significant options granted in 2003, 2002 and 2001 were estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	Aug/02	Aug/01	Aug/00
Risk-free interest rate	**3.3%**	4.6%	6.1%
Expected life of option	**4.6 yrs**	4.8 yrs	4.6 yrs
Expected dividend yield of stock	**1.6%**	1.6%	1.6%
Expected volatility of stock	**38%**	36.6%	36.2%

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

	2003	2002	2001
Options exercisable	**4,898,070**	3,440,843	3,256,705
Weighted-average option price per share of options exercisable	**$ 37.57**	$ 34.75	$ 30.40
Weighted-average fair value of options granted during the year	**$ 12.68**	$ 14.94	$ 12.44
Shares available for grant	**525,951**	785,797	1,436,436

On July 1, 2003, 2,954,127 shares are available for grant pursuant to the Company's stock incentive plan.

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, 2001	5,193,216	$ 33.33
Granted	2,148,477	44.73
Exercised	(1,041,931)	26.86
Canceled	(77,852)	
Outstanding June 30, 2002	6,221,910	$ 38.29
Granted	**2,433,950**	**39.90**
Exercised	**(283,071)**	**27.44**
Canceled	**(55,532)**	
Outstanding June 30, 2003	**8,317,257**	**$ 39.08**

The range of exercise prices and the remaining contractual life of options as of June 30, 2003 were:

Range of exercise prices	$ 17-$28	$ 29-$41	$ 42-$55
Options outstanding:			
Outstanding as of June 30, 2003	757,412	4,376,392	3,183,453
Weighted-average remaining contractual life	2.7 yrs	7.9 yrs	7.2 yrs
Weighted-average exercise price	$ 25.41	$ 37.34	$ 44.72
Options exercisable:			
Outstanding as of June 30, 2003	757,412	1,991,217	2,149,441
Weighted-average remaining contractual life	2.7 yrs	6.4 yrs	6.9 yrs
Weighted-average exercise price	$ 25.41	$ 34.35	$ 44.84

Restricted Stock - Restricted stock was issued, under the Company's 1993 Stock Incentive Program, to certain key employees under the Company's 2000-01-02, 1999-00-01 and 1998-99-00 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	2003	2002	2001
Number of shares issued	**18,953**	17,206	26,976
Per share value on date of issuance	**$ 41.20**	$ 44.55	$ 39.32
Total value	**$ 781**	$ 767	$ 1,061

Under the Company's 2001-02-03 LTIP, a payout of 19,566 shares of restricted stock, from the Company's 1993 Stock Incentive Program, will be issued to certain key employees in 2004. The balance of the 2001-02-03 LTIP payout will be made as deferred cash compensation (if elected by the participant) or in cash. The total payout, valued at $2,903, 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 2003, 2002 and 2001, 12,679, 3,167 and 5,464 shares, respectively, were issued in lieu of directors' fees.

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

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

	Shares Subject To Options	Average Option Price Per Share
Outstanding June 30, 2001	38,050	$ 36.23
Granted	11,163	46.63
Exercised	(6,200)	33.83
Outstanding June 30, 2002	43,013	$ 39.28
Granted	**12,000**	**39.84**
Outstanding June 30, 2003	**55,013**	**$ 39.45**

As of June 30, 2003, 39,513 options were exercisable and 303,787 shares were available for grant.

At June 30, 2003, the Company had 9,259,109 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, 2003, 118,165,099 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 $122,710 in 2003, $109,090 in 2002 and $115,004 in 2001. Customer reimbursements included in the total cost for each of the respective years were $29,561, $13,517 and $17,143. Costs include those costs related to independent research and development as well as customer reimbursed and unreimbursed development programs.

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. The Company purchases third party product liability insurance for products manufactured by its international operations and for products that are used in aerospace applications. Management regularly reviews the probable outcome of these proceedings, the expenses expected to be incurred, the availability and limits of the insurance coverage, and the established accruals for 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 24 manufacturing facilities presently or formerly operated by the Company and has been named as a "potentially responsible party," along with other companies, at three off-site waste disposal facilities and two regional Superfund sites.

As of June 30, 2003, the Company has a reserve of $15,282 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 $9,064 for discounting, primarily at a 4.5 percent discount rate, a portion of the costs at 12 locations to operate and maintain remediation treatment systems as well as gauge treatment system effectiveness through monitoring and sampling over periods ranging from five to 30 years.

The Company's estimated total liability for the above mentioned sites ranges from a minimum of $15,282 to a maximum of $44,177. 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)

2003 (a)	1st	2nd	3rd	4th	Total
Net sales	**$1,585,904**	**$1,517,201**	**$1,646,844**	**$1,660,661**	**$6,410,610**
Gross profit	**286,014**	**258,374**	**278,414**	**278,033**	**1,100,835**
Net income	**60,975**	**37,552**	**48,663**	**49,082**	**196,272**
Diluted earnings per share	**.52**	**.32**	**.42**	**.42**	**1.68**

2002 (b)	1st	2nd	3rd	4th	Total
Net sales	$1,475,867	$1,437,330	$1,578,332	$1,657,593	$6,149,122
Gross profit	278,242	233,437	269,087	251,786	1,032,552
Net income (loss)	60,581	29,062	52,357	(11,850)	130,150
Diluted earnings (loss) per share	.52	.25	.45	(.10)	1.12

(a) Results for the first quarter include a $2,075 charge ($1,380 after-tax or $.01 per share) related to business realignment costs. Results for the second quarter include a $5,057 charge ($3,363 after-tax or $.03 per share) related to business realignment costs and a $2,246 charge ($2,246 after-tax or $.02 per share) related to an equity investment adjustment. Results for the third quarter include a $7,453 charge ($4,956 after-tax or $.04 per share) related to business realignment costs. Results for the fourth quarter include a $10,039 charge ($6,576 after-tax or $.06 per share) related to business realignment costs and a gain of $7,400 ($4,618 after-tax or $.04 per share) related to the divestiture of a business.

(b) Results for the first quarter include a $5,041 charge ($3,302 after-tax or $.03 per share) related to business realignment costs. Results for the second quarter include a $7,335 charge ($4,804 after-tax or $.04 per share) related to business realignment costs and a $4,973 charge ($4,973 after-tax or $.04 per share) related to an equity investment adjustment. Results for the third quarter include a $3,878 charge ($2,540 after-tax or $.02 per share) related to business realignment costs. Results for the fourth quarter include a $21,098 charge ($13,819 after-tax or $.12 per share) related to business realignment costs and a $39,516 goodwill impairment charge ($37,137 after-tax or $.32 per share).

17. **Stock Prices and Dividends** (Unaudited)

.(In dollars)		1st	2nd	3rd	4th	Full Year
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**
2002	High	$ 46.35	$ 47.31	$ 54.88	$ 51.89	$ 54.88
	Low	30.40	33.60	43.65	44.27	30.40
	Dividends	.180	.180	.180	.180	.720
2001	High	$ 39.69	$ 47.44	$ 46.75	$ 50.10	$ 50.10
	Low	31.00	31.25	37.66	38.50	31.00
	Dividends	.170	.170	.180	.180	.700

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

Report of Independent Auditors

To the Shareholders and Board of Directors
Parker Hannifin Corporation

In our opinion, the consolidated financial statements listed in the index appearing under Item 16(a)(1) on Page 20 present fairly, in all material respects, the financial position of Parker Hannifin Corporation and its subsidiaries at June 30, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2003, 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 under Item 16(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 auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, effective July 1, 2001, the Company changed its method of accounting for goodwill and other intangible assets to comply with the provisions of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets."

As discussed in Note 3 to the consolidated financial statements, the Company changed its method of accounting for costs associated with exit or disposal activities to comply with the provisions of Financial Accounting Standard No. 146, "Accounting for Costs Associated with Exit or Disposal Activities."

/s/ PRICEWATERHOUSECOOPERS LLP

Cleveland, Ohio
July 28, 2003

Report of Management

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

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

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

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

/s/ DONALD E. WASHKEWICZ	/s/ TIMOTHY K. PISTELL
Donald E. Washkewicz President and Chief Executive Officer	Timothy K. Pistell Vice President – Finance and Administration and Chief Financial Officer

Five-Year Financial Summary

(Amounts in thousands, except per share information)	**2003**	2002	2001	2000	1999
Net sales	**$6,410,610**	$6,149,122	$5,979,604	$5,385,618	$4,986,696
Cost of sales	**5,309,775**	5,116,570	4,728,156	4,186,850	3,897,266
Selling, general and administrative expenses	**721,065**	686,485	679,963	575,906	550,681
Goodwill impairment loss		39,516			
Interest expense	**81,561**	82,484	95,775	59,183	63,697
Income taxes	**101,110**	87,886	187,391	193,955	167,193
Net income	**196,272**	130,150	340,792	368,232	310,501
Basic earnings per share	**1.69**	1.13	2.98	3.34	2.85
Diluted earnings per share	**$ 1.68**	$ 1.12	$ 2.96	$ 3.31	$ 2.83
Average number of shares outstanding - Basic	**116,382**	115,409	114,305	110,331	108,800
Average number of shares outstanding - Diluted	**116,895**	116,061	115,064	111,245	109,679
Cash dividends per share	**$ .740**	$ .720	$ .700	$ .680	$ .640
Net income as a percent of net sales	**3.1%**	2.1%	5.7%	6.8%	6.2%
Return on average assets	**3.3%**	2.3%	6.8%	8.8%	8.6%
Return on average equity	**7.7%**	5.1%	14.1%	17.7%	17.6%
Book value per share	**$ 21.63**	$ 22.26	$ 21.99	$ 20.31	$ 17.03
Working capital	**$ 973,080**	$ 875,781	$ 783,233	$ 966,810	$1,020,171
Ratio of current assets to current liabilities	**1.7**	1.6	1.6	1.8	2.4
Plant and equipment, net	**$1,657,425**	$1,696,965	$1,548,688	$1,340,915	$1,200,869
Total assets	**5,985,633**	5,752,583	5,337,661	4,646,299	3,705,888
Long-term debt	**966,332**	1,088,883	857,078	701,762	724,757
Shareholders’ equity	**$2,520,911**	$2,583,516	$2,528,915	$2,309,458	$1,853,862
Debt to debt-equity percent	**35.6%**	36.8%	35.7%	31.0%	29.8%
Depreciation	**$ 248,481**	$ 231,235	$ 200,270	$ 167,356	$ 164,577
Capital expenditures	**$ 158,260**	$ 206,564	$ 334,748	$ 230,482	$ 230,122
Number of employees	**46,787**	48,176	46,302	43,895	38,928
Number of shareholders	**51,154**	53,001	50,731	47,671	39,380
Number of shares outstanding at year-end	**116,526**	116,051	114,989	113,707	108,846

Exhibit (21)* to Report
on Form 10-K for Fiscal
Year Ended June 30, 2003
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
Alkid Corporation	California	100
Dynamic Seals, Inc.	Delaware	100
ITR Hydraulics Corporation	Texas	100
Parker de Puerto Rico, Inc.	Delaware	100
Parker Finance Corp.	Delaware	100
Parker-Hannifin (Africa) Proprietary Limited	South Africa	100
Parker Hannifin Argentina SAIC	Argentina	100
Parker Hannifin Climate & Industrial Controls, Ltd.	Korea	100
Parker Hannifin Connectors Ltd.	Korea	100
Parker Hannifin Corp. Chile Limitada	Chile	100
Parker Hannifin Customer Support Inc.	Delaware	100
Parker Hannifin Denmark A/S	Denmark	100
Parker Hannifin Fluid Power Systems & Components (Shanghai) Co., Ltd.	China	100
Parker Hannifin Hong Kong Limited	Hong Kong	100
Parker-Hannifin India Private Ltd.	India	100
Parker-Hannifin International Corp.	Delaware	100
Parker Hannifin (N.Z.) Limited	New Zealand	100
Parker Hannifin A/S	Norway	100
Parker Hannifin (Australia) Pty. Ltd.	Australia	100
Parker Hannifin B.V.	Netherlands	100
Parker Filtration B.V.	Netherlands	100
Parker Gas 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 Holding GmbH	Germany	100
CSM Automation Holding GmbH	Germany	100
CSM Automation GmbH & Co. KG	Germany	100
CSM Automation Verwaltung GmbH	Germany	100

Name	Incorporated	Percentage Owned(1)
Parker-Hannifin International Corp.		
Parker Hannifin Holding GmbH (Continued)		
Parker Hannifin GesmbH	Austria	100
Parker Hannifin GmbH	Germany	100
Parker Hannifin Industrial s.r.o.	Czech Republic	100
Parker Hannifin Sp. z.o.o.	Poland	100
Parker-Hannifin s.r.o.	Czech Republic	100
Parker Hannifin (Holdings) Ltd.	United Kingdom	100
Alenco (Holdings) Ltd.	United Kingdom	100
Parker Hannifin GB Ltd.	United Kingdom	100
Parker Hannifin plc	United Kingdom	100
Commercial Intertech Holdings Limited	United Kingdom	100
Commercial Hydraulics Pensions Limited	United Kingdom	100
Parker Hannifin (UK) Ltd.	United Kingdom	100
PH Trading Ltd.	United Kingdom	100
Parker Hannifin de Venezuela, S.A.	Venezuela	100
Parker Hannifin Indústria e Comércio Ltda.	Brazil	100
Parker Atenas Indústria e Exportação Ltda.	Brazil	100
Parker Italy Holding Co.	Delaware	100
Parker Hannifin Italy Holdings S.r.l.	Italy	100
Astron Buildings S.A.	Luxembourg	100
Astron Buildings GmbH	Germany	100
Astron Buildings Sp. zoo	Poland	100
Astron Buildings S.r.o.	Czech Republic	100
Astron S.A.S.	France	100
Parker Hannifin S.p.A.	Italy	100
Parker Seals S.p.A.	Italy	100
Parker ITR Srl	Italy	100
PH España Holding Co.	Delaware	100
Parker Hannifin (Espana) SA	Spain	100
Parker Hannifin Portugal, Lda.	Portugal	100
Wynn’s Italia SpA	Italy	100
Parker International Capital Management Hungary Ltd.	Hungary	100
Parker Korea Ltd.	Korea	100
Parker Sales (Ireland) Limited	Ireland	100
PH Canada Holding Co.	Delaware	100
Parker Canada (Limited Partner) Co.	Canada	100
Parker Canada Management Inc.	Canada	100
Parker Ontario Limited Partnership	Canada	100(2)
Parker Canada Holding Co.	Canada	100
Parker Canada Investment Co.	Canada	100
Parker Hannifin Canada	Canada	100(3)
IPS Industrial Profile Systems Inc.	Canada	100
Parker Hannifin AB	Sweden	100

Name	Incorporated	Percentage Owned(1)
Parker Hannifin Japan Ltd.	Japan	100
Parker Hannifin (Malaysia) Sdn Bhd	Malaysia	100
Parker Hannifin Motion & Control (Shanghai) Co. Ltd.	China	100
Parker Hannifin Oy	Finland	100
Parker Hannifin SA	France	100
Parker Hannifin Montblanc	France	100
Socado SA	France	100
Wynn’s France, S.A.	France	100
Wynn’s Automotive France S.A.	France	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 Keeper, Inc.	Delaware	100
Parker Lucifer S.A.	Switzerland	100
Parker Royalty Partnership	Ohio	100(4)
Parker Shenyang Rubber Products Co. Ltd.	China	51
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
Travel 17325 Inc.	Delaware	100
WEC 99J-9 LLC	Delaware	100
WEC 99J-12 LLC	Delaware	100
WEC 99J-59 LLC	Delaware	100
Wynn Oil Company	California	100
Wynn Oil Holdings B.V.	Netherlands	100
Wynn Oil (South Africa) (Pty.) Limited	South Africa	100
Wynn’s Australia Pty. Limited	Australia	100
Wynn’s Belgium N.V.	Belgium	100
Wynn’s Mekuba India Private Limited	India	51
Wynn’s Nederland B.V.	Netherlands	100
Wynn Oil (N.Z.) Limited	New Zealand	100
Wynn Oil (UK) Limited	United Kingdom	100
Wynn Oil Venezuela, S.A.	Venezuela	51
Wynn’s Canada, Ltd.	Canada	100
Wynn’s Deutschland GmbH	Germany	100
Wynn’s Friction Proofing Mexico, S. A. de C.V.	Mexico	100

(1) Excludes directors’ qualifying shares
(2) Ontario limited partnership
(3) Ontario general partnership
(4) Ohio general partnership

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

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

Exhibit (23) * to Report
On Form 10-K for Fiscal
Year Ended June 30, 2003
By Parker-Hannifin Corporation

Consent of Independent Accountants

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

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement 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 and 333-103633) of Parker-Hannifin Corporation of our report dated July 28, 2003 relating to the financial statements and financial statement schedule, respectively, which appears in this Form 10-K.

/s/ PRICEWATERHOUSECOOPERS LLP

Cleveland, Ohio
August 29, 2003

Exhibit (24)* to Report
on Form 10-K for Fiscal
Year Ended June 30, 2003
by Parker-Hannifin Corporation

Power of Attorney

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

Securities and Exchange Commission
Washington, D.C. 20549

Re: Parker-Hannifin Corporation

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

Gentlemen:

Parker-Hannifin Corporation (the "Company") is the issuer of Securities registered under Section 12(b) of the Securities Exchange Act of 1934 (the "Act"). Each of the persons signing his 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
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		Date
/s/ D. E. WASHKEWICZ D. E. Washkewicz, Principal Executive Officer and Director	8/14/03	/s/ GIULIO MAZZALUPI Giulio Mazzalupi, Director	8/14/03
/s/ T. K. PISTELL Timothy K. Pistell, Principal Financial Officer	8/14/03	/S/ K. P. MÜLLER Klaus-Peter Müller, Director	8/25/03
/s/ DANA A. DENNIS Dana A. Dennis Principal Accounting Officer	8/14/03	/s/ CANDY M. OBOURN Candy M. Obourn, Director	8/14/03
/s/ DUANE E. COLLINS Duane E. Collins, Chairman of the Board of Directors	8/14/03	/s/ Hector R. Ortino Hector R. Ortino, Director	8/14/03
/s/ JOHN G. BREEN John G. Breen, Director	8/14/03	/s/ ALLAN L. RAYFIELD Allan L. Rayfield, Director	8/14/03
/s/ W. E. KASSLING William E. Kassling, Director	8/14/03	/s/ WOLFGANG R. SCHMITT Wolfgang R. Schmitt, Director	8/14/03
/s/ R. J. KOHLHEPP Robert J. Kohlhepp, Director	8/14/03	/s/ DEBRA L. STARNES Debra L. Starnes, Director	8/14/03
/s/ PETER LIKINS Peter W. Likins, Director	8/22/03	/s/ D. W. SULLIVAN D. W. Sullivan, Director	8/14/03

Exhibit 31(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)) 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) 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

c) 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: August 29, 2003

/s/ DONALD E. WASHKEWICZ

Donald E. Washkewicz
President and Chief Executive Officer

Exhibit 31(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)) 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) 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

c) 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: August 29, 2003

/s/ TIMOTHY K. PISTELL

Timothy K. Pistell
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. § 1350, as adopted pursuant to § 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, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, that, to such officer's knowledge:

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

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

Dated: August 29, 2003

/s/ DONALD E. WASHKEWICZ

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

/s/ TIMOTHY K. PISTELL

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