

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, 1995

OR

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

For the transition period from _____ to _____

Commission File No. 1-4982

PARKER-HANNIFIN CORPORATION

(Exact name of registrant as specified in its charter)

Ohio
(State of Incorporation)

34-0451060
(I.R.S. Employer
Identification No.)

17325 Euclid Avenue, Cleveland, Ohio
(Address of Principal Executive Offices)

44112
(Zip Code)

Registrant's telephone number, including area code (216) 531-3000

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

| Title of Each Class | Name of Each Exchange on which Registered |
|--------------------------------|---|
| Common Shares, \$.50 par value | New York Stock Exchange |

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes X . No .

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of August 17, 1995, excluding, for purposes of this computation, only stock holdings of the Registrant's Directors and Officers. \$2,866,988,304.

The number of Common Shares outstanding on August 17, 1995 was 74,004,315.

Portions of the following documents are incorporated by reference:

- (1) Annual Report to Shareholders of the Company for the fiscal year ended June 30, 1995. Incorporated by reference into Parts I, II and IV hereof.
- (2) Definitive Proxy Statement for the Company's 1995 Annual Meeting of Shareholders. Incorporated by reference into Part III hereof.

PARKER-HANNIFIN CORPORATION

FORM 10-K

Fiscal Year Ended June 30, 1995

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 both hydraulic and pneumatic applications. Fluid power systems move and position materials, control machines, vehicles and equipment and improve industrial efficiency and productivity. Components of a simple fluid power system include a pump which generates pressure, valves which control the fluid's flow, an actuator which translates the pressure in the fluid into mechanical energy, a filter to remove contaminants and numerous hoses, couplings, fittings and seals. Electromechanical control involves the use of electronic components and systems to control motion and precisely locate or vary speed in automation applications.

The Company was incorporated in Ohio in 1938. Its principal executive offices are located at 17325 Euclid Avenue, Cleveland, Ohio 44112, telephone (216) 531-3000. As used in this Report, unless the context otherwise requires, the term "Company" or "Parker" refers to Parker-Hannifin Corporation and its subsidiaries.

The Company's manufacturing, service, distribution and administrative facilities are located in 33 states, Puerto Rico and worldwide in 30 foreign countries. Its motion control technology is used in the products of its two business Segments: Industrial and Aerospace. The products are sold as original and replacement equipment through product and distribution centers worldwide. The Company markets its products through its direct-sales employees and more than 6,000 independent distributors. Parker products are supplied to over a quarter million customer outlets in virtually every major manufacturing, transportation and processing industry. For the fiscal year ended June 30, 1995, net sales were \$3,214,370,000; Industrial Segment products accounted for 83% of net sales and Aerospace Segment products for 17%.

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 more than a quarter million customer outlets which carry the Company's parts are found throughout virtually every significant manufacturing, transportation and processing industry. No customer accounted for more than 3% of the Company's total net sales for the fiscal year.

The major markets for products of the Fluid Connector, Motion & Control, Filtration and Seal Groups of the Industrial Segment are agricultural machinery,

construction equipment, fabricated metals, food production, industrial machinery, instrumentation, lumber and paper, machine tools, marine, mining, mobile equipment, chemicals, petrochemicals, robotics, textiles, transportation and every other major production and processing industry. Products manufactured by the Industrial Segment's Automotive and Refrigeration Group are utilized principally in automotive and mobile air conditioning systems, industrial refrigeration systems and home and commercial air conditioning equipment. Sales of Industrial Segment products are made to original equipment manufacturers and their replacement markets.

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

Principal Products, Methods of Distribution and Competitive Conditions

Industrial Segment. The product lines of the Company's Industrial Segment cover most of the components of motion control systems. The Fluid Connectors Group manufactures connectors, including tube fittings and hose fittings, check valves, hoses and couplers which transmit and contain fluid. The Motion & Control Group manufactures components and systems used to provide motion, control and conditioning through the medium of pressurized fluids and electricity. Products include hydraulic and precision metering pumps, power units, control valves, accumulators, cylinders, servo actuators, rotary actuators and motors, pneumatic control valves, pressure regulators, lubricators, hydrostatic steering components, electronic controls and systems and automation devices. The Automotive and Refrigeration Group manufactures components for use in industrial, residential and automotive air conditioning and refrigeration systems and other automotive applications, including pressure regulators, solenoid valves, expansion valves, filter-dryers, gerotors and hose assemblies. The Seal Group manufactures sealing devices, including o-rings and o-seals, gaskets and packings which insure leak proof connections and electromagnetic interference shielding and thermal management products. The Filtration Group manufactures filters to remove contaminants from fuel, air, oil, water and other fluids in industrial, process, mobile, marine and environmental applications.

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 6,000 independent distributors.

Aerospace Segment. The principal products of the Company's Aerospace Segment are hydraulic, pneumatic, and fuel systems and components which are utilized on virtually every domestic commercial, military and general aviation aircraft.

Hydraulic systems and components include precision hydraulic and electro-hydraulic systems used for precise control of rudders, elevators, ailerons, and other

aerodynamic control surfaces of aircraft, utility hydraulic components such as reservoirs, accumulators, selector valves, nose wheel steering systems, engine controls, electromechanical actuators, and electronic controllers.

Pneumatic systems and 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.

Fuel systems and components include fuel transfer and pressurization control, in-flight refueling systems, fuel pumps, quantity gaging systems and center of gravity control, fuel injection nozzles and augmentor controls, fuel tank inerting systems, fuel tank ducting and hose assemblies, and electronic monitoring computers.

The Aerospace Segment also designs and manufactures lightweight aircraft wheels and brakes for the general aviation market and supplies to the space market propellant control systems, tankage, and environmental control components used extensively on the Space Shuttle and on satellites and launch vehicles.

The Aerospace Segment products are marketed by Parker's field sales force and are sold directly to the manufacturer and to the end user.

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 price. The Company believes that, in most of its major product markets, it is one of the principal suppliers of motion control systems and components. In the Aerospace Segment, the Company utilizes its advanced technological capability and its partnership status with key customers to obtain original equipment business on new aircraft programs for its fluid control systems and components and, thereby, to obtain the follow-on repair and replacement business for these programs. The Company believes that it is one of the primary suppliers in this area.

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 \$74,129,000 in fiscal 1995, \$64,518,000 in fiscal 1994 and \$60,054,000 in 1993. Customer reimbursements included in the total cost for each of the respective years were \$21,202,000, \$22,640,000, and \$16,648,000.

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, 1995 was approximately \$1,025,669,000 and at June 30, 1994 was approximately \$852,482,000. Approximately 79% of the Company's backlog at June 30, 1995 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 clean up costs associated with various waste sites, some of which are on the U.S. Environmental Protection Agency Superfund priority list. The Company believes that its policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and the consequent financial liability to the Company. Compliance with environmental laws and regulations requires continuing management effort and expenditures by the Company. Compliance with environmental laws and regulations has not had in the past, and, the Company believes, will not have in the future, material effects on the capital expenditures, earnings, or competitive position of the Company. The information set forth in Footnote 13 to the Financial Statements contained on page 37 of the Company's Annual Report to Shareholders for the fiscal year ended June 30, 1995 ("Annual Report") as specifically excerpted on pages 13-31 and 13-32 of Exhibit 13 hereto is incorporated herein by reference.

Energy Matters and Sources and Availability of Raw Materials

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

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

Employees

The Company employed approximately 30,590 persons as of June 30, 1995, of whom approximately 9,550 were employed by foreign subsidiaries.

Business Segment Information

The net sales, income from operations before corporate general and administrative expenses and identifiable assets by business segment and by geographic area for the past three fiscal years, as set forth on page 31 of the Annual Report and specifically excerpted on pages 13-16 through 13-18 of Exhibit 13 hereto is incorporated herein by reference.

Item 1A. Executive Officers of the Company

The Company's Executive Officers are as follows:

| Name | Position | Officer Since(1) | Age |
|-------------------------|---|------------------|-----|
| Duane E. Collins | President, Chief Executive Officer and Director | 1983 | 59 |
| Dennis W. Sullivan | Executive Vice President - Industrial and Automotive and Director | 1978 | 56 |
| Paul L. Carson | Vice President - Information Services | 1993 | 59 |
| Richard F. Ferrel | Vice President and President, Applied Technologies Operations of Motion and Control | 1993 | 61 |
| Daniel T. Garey | Vice President - Human Resources | 1995 | 52 |
| Stephen L. Hayes | Vice President and President, Aerospace | 1993 | 54 |
| Michael J. Hiemstra | Vice President - Finance and Administration and Chief Financial Officer | 1987 | 48 |
| Lawrence J. Hopcraft | Vice President and President, Automotive and Refrigeration | 1990 | 52 |
| Nickolas W. Vande Steeg | Vice President and President, Seal | 1995 | 52 |
| Joseph D. Whiteman | Vice President, General Counsel and Secretary | 1977 | 62 |

| | | | |
|-------------------------|---|------|----|
| William D. Wilkerson | Vice President - Technical Director | 1987 | 59 |
| Lawrence M. Zeno | Vice President and President, Motion and Control | 1993 | 53 |
| Donald A. Zito | Vice President and President, Fluid Connectors | 1988 | 55 |
| Harold C. Gueritey, Jr. | Controller | 1980 | 56 |
| Timothy K. Pistell | Treasurer | 1993 | 48 |

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

Mr. Collins was elected as President and Chief Executive Officer of the Company effective July, 1993. He was elected as Vice Chairman of the Board in July, 1992 and Executive Vice President in July, 1988. He was President of the International Sector from January, 1987 until June, 1992.

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

Mr. Ferrel was elected a Vice President in October, 1993. He has been President of Applied Technologies Operations since July, 1993 and was President of the Applied Technology Group from July, 1990 to June, 1993.

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

Mr. Hayes was elected as Vice President and named President of the Aerospace Group in April, 1993. He was a Group Vice President of the Aerospace Group from February, 1985 to April, 1993.

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

Mr. Zeno was elected a Vice President in October, 1993. He has been President of the Motion and Control Group since January, 1994 and was Vice President-Operations of the Motion and Control Group (formerly the Fluidpower Group) from July, 1988 to December, 1993.

Mr. Pistell was elected as Treasurer of the Company in July, 1993. He was Director of Business Planning from January, 1993 to July, 1993; and Vice President-Finance\Controllor of the International Sector from October, 1988 to December, 1992.

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

UNITED STATES

| State | City |
|-------------|--|
| Alabama | Boaz(1) Decatur(1) Huntsville(1) Jacksonville(1) |
| Arizona | Glendale(2) Tolleson(2) Tucson*(1) |
| Arkansas | Siloam Springs(1) Trumann(1) |
| California | Culver City*(1) Irvine(1)(2) Modesto(1) Newbury Park*(1) Rohnert Park(1) Sheridan*(1) |
| Colorado | Enfield(1) |
| Connecticut | Longwood(1) |
| Florida | Miami*(1) Fulton*(1) |
| Georgia | Broadview(1) |
| Illinois | Des Plaines(1) Elgin(1) Niles*(1) Rockford(1) |
| Indiana | Albion(1) Ashley(1) Ft. Wayne(1) Lebanon(1) Tell City(1) |
| Iowa | Red Oak(1) |
| Kansas | Manhattan(1) |
| Kentucky | Berea(1) Lexington(1) |
| Louisiana | Harvey*(1) |
| Maine | Portland(1) |

| State | City |
|----------------|---|
| Massachusetts | Waltham(2) Woburn(1) |
| Michigan | Lakeview(1) Otsego(1) Oxford(1) Richland(1) Troy*(1) |
| Minnesota | Golden Valley(1) |
| Mississippi | Batesville(1) Booneville(1) Madison(1) |
| Missouri | Kennett(1) |
| Nebraska | Lincoln(1) |
| New Hampshire | Portsmouth*(1) Hollis*(1) Hudson(1) |
| New Jersey | Fairfield*(1) |
| New York | Clyde(2) Lyons(1) Smithtown(2) |
| North Carolina | Forest City(1) Hillsborough(1) Mooresville(1) Sanford(1) Wake Forest*(1) |
| Ohio | Akron(1) Andover(2) Avon(2) Brookville(1) Cleveland(1)(2) Columbus(1) Cuyahoga Falls*(1) Eastlake(1) Eaton(1) Elyria(1)(2) Forest(2) Green Camp(1) Kent(1) Lewisburg(1) Metamora(1) Ravenna(1) St. Marys(1) Wadsworth(1) Wickliffe(1) |
| Oregon | Eugene(1) |
| Pennsylvania | Canton(1) Harrison City(1) Reading(1) |

| State | City |
|----------------|-------------------|
| South Carolina | Inman(1) |
| | Spartanburg(1) |
| Tennessee | Greenfield(1) |
| | Greenville(1) |
| | Memphis*(1) |
| Texas | Cleburne(1) |
| | Ft. Worth(1)(2) |
| | Mansfield(2) |
| Utah | Ogden(2) |
| | Salt Lake City(1) |
| Wisconsin | Grantsburg(1) |
| | Mauston(1) |
| Territory | City |
| Puerto Rico | Ponce*(2) |

| Country | FOREIGN COUNTRIES | City |
|----------------|-------------------|--------------------|
| Argentina | | Buenos Aires(1) |
| Australia | | Castle Hill(1) |
| | | Wodonga(1) |
| Austria | | Wiener Neustadt(1) |
| Belgium | | Brussels*(1) |
| Brazil | | Jacarei(1) |
| | | Sao Paulo(1) |
| Canada | | Grimsby(1) |
| | | Owen Sound(1) |
| Czech Republic | | Prague*(1) |
| Denmark | | Copenhagen*(1) |
| | | Helsingor(1) |
| England | | Barnstaple(1) |
| | | Cannock(1) |
| | | Derby(1) |
| | | Hemel Hempstead(1) |
| | | Littlehampton(1) |
| | | Marlow*(1) |
| | | Morley(1) |
| | | Poole*(1) |
| | | Rotherham(1) |
| | | Watford(1) |
| Finland | | Helsinki*(1) |
| | | Hyrnsalmi(1) |
| | | Urjala(1) |

FOREIGN COUNTRIES

| Country | City |
|---------------------------|---|
| France | Annemasse(1) Contamine(1) Evreux(1) Pontarlier(1) |
| Germany | Wissembourg(1) Berlin*(1) Bielefeld(1) Bietigheim-Bissingen(1) Cologne(1) Erfurt(1) Hamburg*(2) Hochmossingen(1) Huttenfeld(1) Kaarst(1) Mucke(1) Offenburg*(1) Pleidelsheim(1) Queckborn(1) Velbert(1) Viernheim(1) |
| Hong Kong | Hong Kong(1) |
| Hungary | Budapest*(1) |
| India | Bombay*(1) |
| Italy | Adro(1) Arsago Seprio(1) Gessate(1) Milan(1) |
| Japan | Yokohama(1) |
| Mexico | Matamoros(1) Monterrey(1) Tijuana(1) Toluca(1) |
| Netherlands | Hoogezand(1) Oldenzaal(1) |
| New Zealand | Mt. Wellington(1) |
| Norway | Langhus(1) |
| Peoples Republic of China | Shanghai*(1) |
| Poland | Warsaw*(1) Wroclaw*(1) |
| Singapore | Singapore*(1)(2) |
| South Africa | Johannesburg*(1) |
| South Korea | Seoul*(1) |
| Spain | Madrid*(1) |
| Sweden | Falkoping(1) Stockholm(1) Ulricehamn(1) |
| Taiwan | Taipei*(1) |

FOREIGN COUNTRIES

| Country | City |
|-----------|---------------------------------|
| Venezuela | Caracas*(1) Puerto Ordaz*(1) |

The Company believes that its properties have been adequately maintained, are in good condition generally and are suitable and adequate for its business as presently conducted. The extent of utilization of the Company's properties varies among its plants and from time to time. The Company's restructuring efforts in prior years brought capacity levels closer to present and anticipated needs. Although production volume has materially increased 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. Not applicable.

PART II

ITEM 5. Market for the Registrant's Common Equity and Related Stockholder Matters. As of August 30, 1995, the approximate number of shareholders of record of the Company was 3,706. The Company's common shares are traded on the New York Stock Exchange ("NYSE"). Set forth below is a quarterly summary of the high and low sales prices on the NYSE for the Company's common shares and dividends declared for the two most recent fiscal years (adjusted to reflect the 3-shares-for-2 stock split paid on June 2, 1995):

| Fiscal Year | | 1st | 2nd | 3rd | 4th | Full Year |
|-------------|-----------|-----------|-----------|-----------|-----------|-----------|
| 1995 | High | \$ 30-1/8 | \$ 31-3/8 | \$ 32-7/8 | \$ 38-1/2 | \$ 38-1/2 |
| | Low | 25 | 25-1/2 | 27-5/8 | 29-1/8 | 25 |
| | Dividends | .167 | .167 | .16 | .180 | .667 |
| 1994 | High | \$ 23-3/8 | \$ 25-3/8 | \$ 26-3/8 | \$ 29-7/8 | \$ 29-7/8 |
| | Low | 20 | 22-5/8 | 23-1/8 | 22-5/8 | 20 |
| | Dividends | .160 | .160 | .167 | .167 | .653 |

ITEM 6. Selected Financial Data. The information set forth on pages 38 and 39 of the Annual Report as specifically excerpted on page 13-35 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 23, 24, 26, 28 and 30 of the Annual Report as specifically excerpted on pages 13-1 through 13-9 of Exhibit 13 hereto is incorporated herein by reference.

ITEM 8. Financial Statements and Supplementary Data. The information set forth on pages 22, 25, 27, 29 and 31 through 37 of the Annual Report as specifically excerpted on pages 13-10 to 13-34 of Exhibit 13 hereto is incorporated herein by reference.

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

PART III

ITEM 10. Directors and Executive Officers of the Registrant. Information required as to the Directors of the Company is contained on pages 1 to 3 of the Company's definitive Proxy Statement dated September 25, 1995 (the "Proxy Statement") under the caption "Election of Directors." Information required with respect to compliance with Section 16(a) of the Securities Exchange Act of 1934 is contained in the first paragraph on page 16 of the Proxy Statement. The foregoing information is incorporated herein by reference. Information as to the executive officers of the Company is included in Part I hereof.

ITEM 11. Executive Compensation. The information set forth under the caption "Compensation of Directors" on page 4 of the Proxy Statement, under the caption "Executive Compensation" on pages 8 to 12 of the Proxy Statement and under the caption "Common Share Price Performance Graph" on page 12 of the Proxy Statement is incorporated herein by reference.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management. The information set forth under the caption "Officer Agreements Effective Upon 'Change in Control'" on pages 11 and 12 of the Proxy Statement and under the caption "Principal Shareholders of the Corporation" on page 15 of the Proxy Statement is incorporated herein by reference.

ITEM 13. Certain Relationships and Related Transactions. The information set forth under the caption "Transactions With Management" on page 12 of the Proxy Statement is incorporated herein by reference.

PART IV

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

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

1. Financial Statements and Schedules

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

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

b. No reports on Form 8-K have been filed by the Company during the last quarter of the fiscal year ended June 30, 1995.

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: Michael J. Hiemstra
Michael J. Hiemstra
Vice President - Finance and
Administration

September 28, 1995

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

Signature and Title

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

Date: September 28, 1995

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

PARKER-HANNIFIN CORPORATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

| | Reference | |
|---|--------------------------------------|---|
| | Form 10-K Annual Report (Page) | Excerpt from Annual Report as set forth in Exhibit 13 (Page) |
| Data incorporated by reference from the Annual Report as specifically excerpted in Exhibit 13 hereto: | | |
| Report of Independent Accountants | --- | 13-34 |
| Consolidated Statement of Income for the years ended June 30, 1995, 1994 and 1993 | --- | 13-10 |
| Consolidated Balance Sheet at June 30, 1995 and 1994 | --- | 13-12 and 13-13 |

| | Reference | |
|---|--------------------------------------|---|
| | Form 10-K Annual Report (Page) | Excerpt from Annual Report as set forth in Exhibit 13 (Page) |
| Consolidated Statement of Cash Flows for the years ended June 30, 1995, 1994 and 1993 | --- | 13-14 and 13-15 |
| Notes to Consolidated Financial Statements | --- | 13-18 to 13-32 |
| Consent and Report of Independent Accountants | F-2 | --- |
| Schedule: | | |
| II - Valuation and Qualifying Accounts | F-3 | --- |

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

Schedules other than those listed above have been omitted from this Annual Report because they are not required, are not applicable, or the required information is included in the consolidated financial statements or the notes thereto.

CONSENT AND REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors
Parker Hannifin Corporation

Our report on the consolidated financial statements of Parker Hannifin Corporation has been incorporated by reference from page 22 of the 1995 Annual Report to Shareholders of Parker Hannifin Corporation, as specifically excerpted on page 13-34 of Exhibit 13 to this Form 10-K. In connection with our audit of such financial statements, we have also audited the related financial statement schedule listed in the index on page F-1 of this Form 10-K.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

We consent to the incorporation by reference in the registration statement of Parker Hannifin Corporation on Forms S-8 (File Nos. 33-53193, 33-43938 and 2-66732) of our report dated August 3, 1995 on our audit of the consolidated financial statements and financial statement schedule of Parker Hannifin Corporation as of June 30, 1995 and 1994, and for the years ended June 30, 1995, 1994, and 1993, which report is included in Exhibit 13 of this Form 10-K.

Coopers & Lybrand L.L.P.

Cleveland, Ohio
September 28, 1995

PARKER HANNIFIN CORPORATION
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED JUNE 30, 1993, 1994 and 1995
(Dollars in Thousands)

| Column A | Column B | Column C | Column D | Column E |
|----------------------------------|--------------------------------------|--|---|--------------------------------|
| Description | Balance at Beginning Of Period | Additions Charged to Costs and Expenses | Other (Deductions)/ Additions (A) | Balance At End Of Period |
| Allowance for doubtful accounts: | | | | |
| Year ended June 30,1993 | \$ 3,863 | \$ 1,940 | \$ (1,657) | \$ 4,146 |
| Year ended June 30,1994 | 4,146 | 2,597 | (2,012) | 4,731 |
| Year ended June 30,1995 | 4,731 | 2,411 | (529) | 6,613 |

(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 (A). |
| (4) | Instruments Defining Rights of Security Holders: |
| (4)(a) | Rights Agreement, dated February 10, 1987, between the Registrant and Society National Bank (as successor to Ameritrust Company National Association) (A). The Registrant is a party to other instruments, copies of which will be furnished to the Commission upon request, defining the rights of holders of its long-term debt identified in Note 7 of the Notes to Consolidated Financial Statements appearing on page 34 in the Annual Report as specifically excerpted on pages 13-23 and 13-24 of Exhibit 13 hereto, which Note is incorporated herein by reference. |
| (10) | Material Contracts: |
| (10)(a) | Form of Change in Control Agreement entered into by the Registrant and certain executive officers, as amended and restated as of August 17, 1995.* |
| (10)(b) | Form of Indemnification Agreement entered into by the Registrant and its directors and certain executive officers (B). |
| (10)(c) | Executive Liability and Indemnification Insurance Policy (C). |
| (10)(d) | Parker-Hannifin Corporation Supplemental Executive Retirement Benefits Program (July 16, 1992 Restatement), as amended as of August 17, 1995.* |
| (10)(e) | Parker-Hannifin Corporation 1982 Employees Stock Option Plan, as amended October 25, 1984 and January 29, 1987 (D).* |
| (10)(f) | Parker-Hannifin Corporation 1987 Employees Stock Option Plan, as amended as of August 17, 1995 (E).* |
| (10)(g) | Parker-Hannifin Corporation 1990 Employees Stock Option Plan, as amended as of August 17, 1995 (F).* |
| (10)(h) | Amendment to Parker-Hannifin Corporation 1990 Employees Stock Option Plan (G).* |

| Exhibit No. | Description of Exhibit |
|-------------|---|
| (10)(i) | Parker-Hannifin Corporation 1993 Stock Incentive Program, as amended as of August 17, 1995 (H).* |
| (10)(j) | Retirement Plan for Outside Directors of Parker-Hannifin Corporation (I).* |
| (10)(k) | Parker-Hannifin Corporation 1995 Target Incentive Bonus Plan Description (J).* |
| (10)(l) | Parker-Hannifin Corporation 1996 Target Incentive Bonus Plan Description.* |
| (10)(m) | Parker-Hannifin Corporation 1993-94-95 Long Term Incentive Plan Description (K).* |
| (10)(n) | Parker-Hannifin Corporation 1994-95-96 Long Term Incentive Plan Description, as amended as of August 17, 1995.* |
| (10)(o) | Parker-Hannifin Corporation 1995-96-97 Long Term Incentive Plan Description, as amended as of August 17, 1995.* |
| (10)(p) | Parker-Hannifin Corporation 1996-97-98 Long Term Incentive Plan Description.* |
| (10)(q) | Parker-Hannifin Corporation Savings Restoration Plan, as amended as of August 17, 1995.* |
| (10)(r) | Parker-Hannifin Corporation Pension Restoration Plan, as amended as of August 17, 1995.* |
| (10)(s) | Parker-Hannifin Corporation Executive Deferral Plan, as amended as of August 17, 1995.* |
| (10)(t) | Parker-Hannifin Corporation 1995 Volume Incentive Plan (L).* |
| (10)(u) | Parker-Hannifin Corporation 1996 Volume Incentive Plan.* |
| (10)(v) | Parker-Hannifin Corporation Non-Employee Directors' Stock Plan, as amended as of August 17, 1995.* |
| (10)(w) | Parker-Hannifin Corporation Deferred Compensation Plan for Directors (M).* |
| (11) | Computation of Common Shares Outstanding and Earnings Per Share. |
| (13) | Excerpts from Annual Report to Shareholders for the fiscal year ended June 30, 1995 which are incorporated herein by reference thereto. |
| (21) | List of subsidiaries of the Registrant. |

| Exhibit No. | Description of Exhibit |
|-------------|---|
| (24) | Consents of Experts (contained in Consent and Report of Independent Accountants appearing on Page F-2 of this Form 10-K). |
| (25) | Power of Attorney |
| (27) | Financial Data Schedules |

*Management contracts or compensatory plans or arrangements.

- (A) Incorporated by reference to Exhibits to the Registrant's Registration Statement on Form S-8 (No. 333193) filed with the Commission on April 20, 1994.
- (B) Incorporated by reference to Exhibit 10(f) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1994.
- (C) Incorporated by reference to Exhibit 10(g) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1994.
- (D) Incorporated by reference to Exhibit 10(i) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1994.
- (E) Incorporated by reference to Exhibit 10(j) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1994.
- (F) Incorporated by reference to Exhibit 10(k) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1994.
- (G) Incorporated by reference to Exhibit 10(i) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1993.
- (H) Incorporated by reference to Exhibit 10(j) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1993.
- (I) Incorporated by reference to Exhibit 10(n) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1994.
- (J) Incorporated by reference to Exhibit 10(p) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 1993.
- (K) Incorporated by reference to the table captioned "Long Term Incentive Plan-Awards in Fiscal 1993" contained on page 7 of the Company's Proxy Statement for the 1993 Annual Meeting of Shareholders.
- (L) Incorporated by reference to Exhibit 10 to the Registrant's Report on Form 10-Q for the calendar quarter ended September 30, 1994.

(M)

Incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-Q for the calendar quarter ended December 31, 1994.

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, 17325 Euclid Avenue, Cleveland, Ohio 44112.

Exhibit (10)(a)* to Report
on Form 10-K for Fiscal
Year Ended June 30, 1995
by Parker-Hannifin Corporation

Form of Change in Control Agreement
entered into by the Registrant and
certain executive officers, as amended and
restated as of August 17, 1995

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

A M E N D E D and R E S T A T E D
A G R E E M E N T

between
PARKER-HANNIFIN CORPORATION
and

effective August 17, 1995

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This AMENDED and RESTATED AGREEMENT between PARKER-HANNIFIN CORPORATION, an Ohio Corporation (the Company), and _____ (the Executive), effective the _____ day of _____.

W I T N E S S E T H :

WHEREAS:

- A. The Executive is a principal officer of the Company and an integral part of its management.
- B. The Company wishes to assure both itself and the Executive of continuity of management in the event of any actual or threatened change in control of the Company.
- C. This agreement is not intended to alter materially the compensation and benefits that the Executive could reasonably expect in the absence of a change in control of the Company and, accordingly, this Agreement, though taking effect upon execution thereof, will be operative only upon a Change in Control of the Company, as that term is hereafter defined.

NOW, THEREFORE, it is hereby agreed by and between the parties as follows:

1. OPERATION OF AGREEMENT

This Agreement shall be effective immediately upon its execution by the parties hereto, but, anything in this Agreement to the contrary notwithstanding, neither this Agreement nor any provision thereof, except for this Section 1, Sections 14 through 18 inclusive, paragraph 13.01, paragraphs 13.07 through 13.10 inclusive, and provisions of subparagraphs 3.01 (a)(ii), 3.04(b) and 4.01(b) and of Section 12 providing for automatic updating of Exhibits B, D, E and F from time to time prior to the date this Agreement becomes operative, shall be operative

unless and until there has been a Change in Control of the Company as defined in Section 17 below while the Executive is in the employ of the Company. Upon such a Change in Control of the Company, this Agreement and all provisions thereof shall become operative immediately (the Operative Date). This Agreement supersedes the prior Agreement between the Company and the Executive dated _____.

2. EMPLOYMENT, PERIOD OF EMPLOYMENT

2.01 The Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company, for the period set forth in paragraph 2.02 below (the Period of Employment), in the position and with the duties and responsibilities set forth in Section 3 below, and upon the other terms and conditions hereinafter stated.

2.02 The Period of Employment shall commence on the Operative Date and, subject only to the provisions of Section 6 below relating to death or Disability, shall continue until the close of business on the date stated in Exhibit A attached to and made part of this Agreement. In the event that the Executive shall continue in the full-time employment of the Company after the latter date, such continued employment shall be subject to the terms and conditions of this Agreement and the Period of Employment shall include the period during which the Executive in fact so continues in such employment.

3. POSITION, DUTIES, RESPONSIBILITIES

3.01 (a) (i) It is contemplated that during the Period of Employment the Executive shall continue to serve as a principal officer of the Company and as a member of its Board of Directors if serving as a member of its Board of Directors immediately prior to the Operative Date, with the office(s) and title(s), reporting responsibility, and duties and responsibilities of the Executive immediately prior to the Operative Date.

(ii) The office(s), title(s), reporting responsibility, duties and responsibilities of the Executive on the date of this Agreement, as the same may be changed from time to time prior to the Operative Date, shall be summarized in Exhibit B to this Agreement to the end that, if this Agreement becomes operative pursuant to the provisions of Section 1 above, Exhibit B will reflect accurately the office(s), title(s), reporting responsibility, duties and responsibilities of the Executive immediately prior to the Operative Date, it being understood and agreed that if, as and when the office(s), title(s), reporting responsibility, duties and responsibilities of the Executive shall be changed prior to the Operative Date, Exhibit B shall be deemed to be and shall be updated by the parties to reflect such change; provided, however, that Exhibit B is intended only as a memorandum for the convenience of the parties and shall be disregarded if and to the extent that, on the Operative Date, Exhibit B shall fail to reflect accurately the office(s), title(s), reporting responsibility, duties or responsibilities of the Executive immediately prior to the Operative Date because the parties shall have failed to update Exhibit B as contemplated hereby.

(b) At all times during the Period of Employment, the Executive shall hold a position of responsibility and importance and a position of scope, with the functions, duties and responsibilities attached thereto, at least equal in responsibility and importance and in scope to and commensurate with his position described in general terms in subparagraph 3.01(a) above and intended to be summarized in Exhibit B to this Agreement.

3.02 During the Period of Employment the Executive shall also serve and continue to serve, if and when elected and reelected, as an officer or director, or both, of any subsidiary, division or affiliate of the Company.

3.03 Throughout the Period of Employment the Executive shall devote his full time and undivided attention during normal business hours to the business and affairs of the Company, except for reasonable vacations and except for illness or incapacity, but nothing in this Agreement shall preclude the Executive from devoting reasonable periods required for serving as a director or member of a committee of any organization involving no conflict of interest with the interests of the Company, from engaging in charitable and community activities, and from managing his personal investments, provided that such activities do not materially interfere with the regular performance of his duties and responsibilities under this Agreement.

3.04 (a) The office of the Executive shall be located at the offices of the Company within the area within which the office of the Executive is located immediately prior to the Operative Date, and the Executive shall not be required to locate his office elsewhere without his prior written consent, nor shall he be required to be absent therefrom on travel status or otherwise

more than the total number of working days in any calendar year stated in Exhibit C attached to and made part of this Agreement nor more than the number of consecutive days at any one time stated in such Exhibit C.

(b) The area within which the office of the Executive is located on the date of this Agreement, as the same may be changed from time to time prior to the Operative Date, shall be described in Exhibit D to this Agreement to the end that, if this Agreement becomes operative pursuant to the provisions of Section 1 above, Exhibit D will reflect accurately the area within which the office of the Executive was located immediately prior to the Operative Date, it being understood and agreed that if, as and when the area within which the office of the Executive is located shall be changed prior to the Operative Date, Exhibit D shall be deemed to be and shall be updated by the parties to reflect such change; provided, however, that Exhibit D is intended only as a memorandum for the convenience of the parties and shall be disregarded if and to the extent that, on the Operative Date, Exhibit D shall fail to reflect accurately the area within which the office of the Executive was located immediately prior to the Operative Date because the parties shall have failed to update Exhibit D as contemplated hereby.

4. COMPENSATION, COMPENSATION PLANS, PERQUISITES

4.01 (a) For all services rendered by the Executive in any capacity during the Period of Employment, including, without limitation, services as an executive, officer, director or member of any committee of the Company or of any subsidiary, division or affiliate thereof, the Executive shall be paid as compensation:

(i) A base salary, payable not less often than monthly, at a monthly rate (before reduction for any deduction including, without limitation, any deduction for

withholding of income taxes or F.I.C.A. taxes and any deduction pursuant to Section 401(k) of the Internal Revenue Code of 1986, as amended (the "Code")) at least equal to the monthly rate (before reduction for any such deduction) of salary which was payable to the Executive immediately prior to the Operative Date, with increases in such rate after the Operative Date in accordance with the Company's regular administrative practices relating to salary increases applicable to executives of the Company, in effect immediately prior to the Operative Date (the Minimum Base Salary), and

(ii) An executive performance award or bonus under the Company's recurring annual incentive compensation plans (which currently include the Return on Net Assets Bonus Plan and the Target Incentive Compensation Program), or such equivalent successor plans as may be adopted by the Company (the Annual Bonus Plans), upon a basis that will render an executive performance award or bonus for each calendar month which is within the calendar year to which such executive performance award or bonus relates, and within the Period of Employment or within the calendar year in which the Period of Employment commences, equal to no less than the highest executive performance award or bonus awarded by the Company to the Executive (whether on a current or deferred payment basis) prior to the Operative Date, divided by twelve (the Minimum Monthly Bonus), so that total compensation paid in any such calendar month (the Minimum Total Monthly Compensation) shall consist of the Minimum Base Salary for such month provided for in clause (i) if this subparagraph 4.01(a), plus the Minimum Monthly Bonus for such month provided for in clause (ii) of this subparagraph 4.01(a).

(b) The Minimum Total Monthly Compensation that is applicable from time to time after the date of this Agreement pursuant to the provisions of subparagraph 4.01(a) above, or

that would be applicable if this Agreement were operative at such time, shall be set forth in Exhibit E to this Agreement, the intent of this subparagraph 4.01(b) being that such Exhibit E shall be deemed to be and shall be updated from time to time after the date of this Agreement, whether or not this Agreement shall then be operative, to reflect the Minimum Total Monthly Compensation that applies at the time, or that would apply at the time if this Agreement were then operative, provided, however, that such Exhibit E is intended only as a memorandum for the convenience of the parties hereto and, in the event that there is at any time any conflict, disparity or discrepancy between the Minimum Total Monthly Compensation provided by subparagraph 4.01(a) above and the amount then set forth in Exhibit E hereto, the provisions of subparagraph 4.01(a) shall in all events control.

(c) Subject to the provisions of subparagraph 4.01(a) above relating to the Minimum Total Monthly Compensation, nothing in this Agreement shall preclude a change in the mix between the Minimum Base Salary and Minimum Monthly Bonus of the Executive by increasing the Minimum Base Salary of the Executive.

(d) Any increase in salary pursuant to clause (i) of subparagraph 4.01(a) or in bonus or other compensation shall in no way diminish any other obligation of the Company under this Agreement.

4.02 (a) During the Period of Employment the Executive shall be and continue to be eligible to participate in future award opportunities in the Company's stock option plans, long-term incentive plans and other long-term executive compensation plans with at least the same award opportunities as shall have been provided immediately prior to the Operative Date. Nothing in this Agreement shall preclude improvement of award opportunities in such plans

or other plans in accordance with the practice of the Company immediately prior to the Operative Date.

(b) The Company agrees to honor the terms of any existing stock option plans and awards thereunder and long-term incentive plans and awards thereunder in the event of a Change in Control.

4.03 During the Period of Employment, the Executive shall be entitled to perquisites, including, without limitation, an office, secretarial and clerical staff, and to fringe benefits, including, without limitation, the business and personal use of an automobile and payment or reimbursement of club dues, in each case at least equal to those attached to his office immediately prior to the Operative Date, as well as to reimbursement, upon proper accounting, of reasonable expenses and disbursements incurred by him in the course of his duties.

5. EMPLOYEE BENEFIT PLANS

5.01 The compensation provided for in Section 4 above, together with other matters therein set forth, is in addition to the benefits provided for in this Section 5.

5.02 In the event that the Executive shall not have been designated a Participant in the Supplemental Executive Retirement Benefits Program of the Company prior to the Operative Date, the Executive shall be and hereby is designated, on and as of the Operative Date, a Participant in that Program as in effect immediately prior to the Operative Date.

5.03 The Executive, his dependents and beneficiaries shall be entitled to all payments and benefits and service credit for benefits during the Period of Employment to which officers of the Company, their dependents and beneficiaries are entitled as the result of the employment of such officers during the Period of Employment under the terms of employee plans and practices of the Company, including, without limitation, the Company's retirement program (consisting of the Parker-Hannifin Corporation Retirement Plan, the Parker-Hannifin Employees' Savings Plus Stock Ownership Plan, the Parker-Hannifin Corporation Pension Restoration Plan, the Parker-Hannifin Corporation Savings Restoration Plan, any excess benefits plan or any other program designed to restore benefits unavailable under tax-qualified plans of the Company solely by application of the requirements of the Code, the Supplemental Executive Retirement Benefits Program, the Executive Deferral Plan and any other applicable plan of deferred compensation), other Company stock purchase and savings, thrift and investment plans or programs, if any, the Benefits Plus Plan (including the group life insurance, accidental death and dismemberment insurance, disability, medical, dental and health and welfare plans) and other present or equivalent successor plans and practices of the Company, its subsidiaries and divisions, for which officers, their dependents and beneficiaries are eligible, and to all payments or other benefits under any such plan or practice after the Period of Employment as a result of participation in such plan or practice during the Period of Employment.

5.04 Nothing in this Agreement shall preclude the Company from amending or terminating any employee benefit plan or practice, but, it being the intent of the parties that the Executive shall continue to be entitled during the Period of Employment to perquisites as set forth in paragraph 4.03 above and to benefits and service credit for benefits under paragraph

5.03 above at least equal to those attached to his position immediately prior to the Operative Date, nothing in this Agreement shall operate as, or be construed to reduce or authorize, a reduction without the Executive's written consent in the level of such perquisites, benefits or service credit for benefits; in the event of any such reduction, by amendment or termination of any plan or practice or otherwise, the Executive, his dependents and beneficiaries shall continue to be entitled to perquisites, benefits and service credit for benefits at least equal to the perquisites and to benefits and service credit for benefits under such plans or practices that he or his dependents and beneficiaries would have received if such reduction had not taken place.

6. EFFECT OF DEATH OR DISABILITY

6.01 In the event of the death of the Executive during the Period of Employment, the legal representative of the Executive shall be entitled to the Minimum Total Monthly Compensation for the month in which death shall have occurred, and the Period of Employment shall be deemed to have ended as of the close of business on the last day of such month but without prejudice to any payments due in respect of the Executive's death.

6.02 (a) The term "Disability", as used in this Agreement, shall mean an illness or accident which prevents the Executive from performing his duties under this Agreement for a period of six (6) consecutive months. The Period of Employment shall be deemed to have ended as of the close of business on the last day of such six (6) month period but without prejudice to any payments due the Executive in respect of disability.

(b) In the event of the Disability of the Executive during the Period of Employment, the Executive shall be paid an amount equal to the Minimum Total Monthly Compensation for

the month in which such Disability commenced. Such amount shall be paid at the end of each month during the period of such Disability but not in excess of six (6) months.

(c) The amount of any payments due under this paragraph 6.02 shall be reduced by any payments to which the Executive may be entitled for the same period because of disability under any disability or pension plan of the Company or of any subsidiary or affiliate thereof.

7. TERMINATION

7.01 In the event of a Termination, as defined in paragraph 7.03 below, during the Period of Employment, the provisions of this Section 7 shall apply.

7.02 In the event of a Termination and subject to the provisions of Section 8 of this Agreement relating to mitigation of damages and to compliance by the Executive with the provisions of paragraph 7.04 below relating to Competition and of Section 9 below relating to confidential information, the Company shall, as liquidated damages or severance pay or both, pay to the Executive and provide him, his dependents, beneficiaries and estate with the following:

(a) The Company shall pay the Executive an amount equal to the Minimum Total Monthly Compensation that would have been paid to the Executive for the month in which Termination occurred had such Termination not occurred,

(i) at the end of the month in which Termination occurred, and

(ii) at the end of each month thereafter during the remainder of the Period of Employment,

provided, however, that in no event shall the Company be required to pay such an amount after

the month in which the death of the Executive shall have occurred or after the sixth month following the occurrence of an illness or accident which would constitute a "Disability" under subparagraph 6.02(a) above in the absence of such Termination.

(b) During the period that the payments provided for in subparagraph (a) of this paragraph 7.02 are required to be made, the Executive, his dependents, beneficiaries and estate, shall continue to be entitled to all benefits and service credit for benefits under employee benefit plans of the Company as if still employed during such period under this Agreement and, if and to the extent that such benefits or service credit for benefits shall not be payable or provided under any such plans to the Executive, his dependents, beneficiaries and estate by reason of his no longer being an employee of the Company as the result of Termination, the Company shall itself pay or provide for payment of such benefits and service credit for benefits to the Executive, his dependents, beneficiaries and estate.

(c) The period in which the payments provided for in subparagraph (a) of this paragraph 7.02 are required to be made shall be considered service with the Company for the purpose (i) of continued credits under the Company's pension program (consisting of the Parker-Hannifin Corporation Retirement Plan, the Parker-Hannifin Corporation Pension Restoration Plan, any excess benefits plan or other program designed to restore benefits unavailable under any tax-qualified defined benefit plans of the Company solely by application of the requirements of the Code, if any, and the Supplemental Executive Retirement Benefits Program) as each such plan or program was in effect immediately prior to Termination (but without giving effect to any reduction of benefits thereunder as the result of amendment or termination of any such Plan or Program during the Period of Employment) and (ii) of all other benefit plans of the Company as in effect immediately prior to Termination.

(d) In the event that the Executive shall at the time of Termination hold an outstanding and unexercised (whether or not exercisable at the time) non-statutory stock option or options theretofore granted by the Company, the Company shall, in addition to the amounts provided for in subparagraphs 7.02(a) and 7.02(b), pay to the Executive in a lump sum an amount equal to the excess above the option price under each such non-statutory stock option of the Fair Market Value at the time of Termination of the shares subject to each such non-statutory stock option. Solely for the purpose of this subparagraph (d), Fair Market Value at the time of Termination shall be deemed to mean the higher of (i) the average of the reported closing prices of the Common Shares of the Company, as reported on the New York Stock Exchange-Composite Transactions, on the last trading day prior to the Termination and on the last trading day of each of the two preceding thirty (30) day periods, and (ii) in the event that a Change in Control, as defined in Section 17 below, prior to Termination shall have taken place as the result of a tender or exchange offer and such Change in Control was consummated within twelve (12) months of Termination, the highest consideration paid for Common Shares of the Company in the course of such tender or exchange offer. Upon receiving the payment from the Company called for by clause (i) of subparagraph (a) of this paragraph 7.02, the Executive shall execute and deliver to the Company a general release in favor of the Company, its successors and assigns, in respect of any and all matters, including, without limitation, any and all rights under any outstanding and unexercisable non-statutory stock options at the time of Termination, except for the payments and obligations required to be made or assumed by the Company under this Agreement which at the time had not yet been made or assumed by the Company and except for such other valid obligations of the Company as shall be set forth in such release.

(e) If as a result of a termination of employment pursuant to the provisions of paragraph 7.03(b), the Executive (or anyone claiming under or through him) loses any part or all of the benefits he would have received as a Participant in the Supplemental Executive Retirement Benefits Program of the Company as in effect immediately prior to the Operative Date, the Company will provide him with a substantially equivalent benefit.

7.03 The word "Termination", for the purpose of this Section 7 and any other provision of this Agreement, shall mean:

(a) Termination by the Company of the employment of the Executive by the Company and its subsidiaries for any reason other than for Cause as defined in paragraph 7.05 below or for Disability as defined in subparagraph 6.02(a) above; or

(b) Termination by the Executive of his employment by the Company and its subsidiaries upon the occurrence of any of the following events:

(i) Failure to elect or reelect the Executive to the Board of Directors of the Company, if the Executive shall have been a member of the Board of Directors immediately prior to the Operative Date, or failure to elect or reelect the Executive to, or removal of the Executive from, any of the office(s) described in paragraph 3.01(a)(i) above and intended to be summarized in Exhibit B to this Agreement.

(ii) A significant change in the nature or scope of the authorities, powers, functions or duties attached to the position described in paragraph 3.01(a)(i) above and intended to be summarized in Exhibit B to this Agreement, or a reduction in compensation, which is not remedied within 30 days after receipt by the Company of written notice from the Executive.

(iii) A determination by the Executive made in good faith that as a result of a Change in Control of the Company, as defined in Section 17 below, and a change in circumstances on or after the Operative Date significantly affecting his position, he is unable to carry out the authorities, powers, functions or duties attached to his position and contemplated by Section 3 of this Agreement and the situation is not remedied within 30 days after receipt by the Company of written notice from the Executive of such determination.

(iv) A breach by the Company of any provision of this Agreement not embraced within the foregoing clauses (i), (ii) and (iii) of this subparagraph 7.03(b) which is not remedied within 30 days after receipt by the Company of written notice from the Executive.

(v) The liquidation, dissolution, consolidation or merger of the Company or transfer of all or a significant portion of its assets unless a successor or successors (by merger, consolidation or otherwise) to which all or a significant portion of its assets have been transferred shall have assumed all duties and obligations of the Company under this Agreement; provided that in any event set forth in this subparagraph 7.03(b), the Executive shall have elected to terminate his employment under this Agreement upon not less than forty and not more than ninety days' advance written notice to the Board of Directors of the Company, Attention of the Secretary, given, except in the case of a continuing breach, within three calendar months after (A) failure to be so elected or reelected, or removal, (B) expiration of the thirty (30) day cure period with respect to such event, or (C) the closing date of such liquidation, dissolution, consolidation, merger or transfer of assets, as the case may be.

An election by the Executive to terminate his employment given under the provisions of this paragraph 7.03 shall not be deemed a voluntary termination of employment by the Executive for the purpose of this Agreement or any plan or practice of the Company.

7.04 (a) There shall be no obligation on the part of the Company to make any further payments provided for in paragraph 7.02 above or to provide any further benefits specified in such paragraph 7.02 if the Executive shall, during the period that such payments are being made or benefits provided, engage in Competition with the Company as hereinafter defined, provided all of the following shall have taken place:

(i) the Secretary of the Company, pursuant to resolution of the Board of Directors of the Company, shall have given written notice to the Executive that, in the opinion of the Board of Directors, the Executive is engaged in such Competition, specifying the details;

(ii) the Executive shall have been given a reasonable opportunity to appear before the Board of Directors prior to the determination of the Board evidenced by such resolution; and

(iii) the Executive shall neither have ceased to engage in such Competition within thirty (30) days from his receipt of such notice nor diligently taken all reasonable steps to that end during such thirty (30) day period and thereafter.

(b) The word "Competition" for purposes of this paragraph 7.04 and any other provision of this Agreement shall mean taking a management position with, or control of, a business engaged in the manufacture, processing, purchase or distribution of products which constituted 15% or more of the sales of the Company and its subsidiaries and divisions during

the last fiscal year of the Company preceding the termination of the Executive's employment (or during any fiscal year of the Company during the Period of Employment); provided, however, that in no event shall ownership of less than 5% of the outstanding capital stock entitled to vote for the election of directors of a corporation with a class of equity securities held of record by more than 500 persons, standing alone, be deemed Competition with the Company within the meaning of this paragraph 7.04.

7.05 For the purpose of any provision of this Agreement, the termination of the Executive's employment shall be deemed to have been for Cause only:

(a) if termination of his employment shall have been the result of an act or acts of dishonesty on the part of the Executive constituting a felony and resulting or intended to result directly or indirectly in gain or personal enrichment at the expense of the Company, or

(b) if there has been a breach by the Executive during the Period of Employment of the provisions of paragraph 3.03 above, relating to the time to be devoted to the affairs of the Company, or of Section 9, relating to confidential information, and such breach results in demonstrably material injury to the Company, and with respect to any alleged breach of paragraph 3.03 hereof, the Executive shall have both failed to remedy such alleged breach within thirty (30) days from his receipt of written notice by the Secretary of the Company pursuant to a resolution duly adopted by the Board of Directors of the Company after notice to the Executive and an opportunity to be heard demanding that he remedy such alleged breach, and failed to take all reasonable steps to that end during such thirty (30) day period and thereafter; provided that there shall have been delivered to the Executive a certified copy of a resolution of the Board of Directors of the Company adopted by the affirmative vote of not less than three-fourths (3/4)

of the entire membership of the Board of Directors called and held for that purpose and at which the Executive was given an opportunity to be heard, finding that the Executive was guilty of conduct set forth in subparagraphs (a) or (b) above, specifying the particulars thereof in detail.

Anything in this paragraph 7.05 or elsewhere in this Agreement to the contrary notwithstanding, the employment of the Executive shall in no event be considered to have been terminated by the Company for Cause if termination of his employment took place (i) as the result of bad judgment or negligence on the part of the Executive, or (ii) as the result of an act or omission without intent of gaining therefrom directly or indirectly a profit to which the Executive was not legally entitled, or (iii) because of an act or omission believed by the Executive in good faith to have been in or not opposed to the interests of the Company, or (iv) for any act or omission in respect of which a determination could properly be made that the Executive met the applicable standard of conduct prescribed for indemnification or reimbursement or payment of expenses under the Code of Regulations of the Company or the laws of the State of Ohio or the directors' and officers' liability insurance of the Company, in each case as in effect at the time of such act or omission, or (v) as the result of an act or omission which occurred more than twelve (12) calendar months prior to the Executive's having been given notice of the termination of his employment for such act or omission unless the commission of such act or such omission could not at the time of such commission or omission have been known to a member of the Board of Directors of the Company (other than the Executive, if he is then a member of the Board of Directors), in which case more than twelve (12) calendar months from the date that the commission of such act or such omission was or could reasonably have been so known, or (vi) as the result of a continuing course of action which commenced and was or could reasonably have been known to a member of the Board of

Directors of the Company (other than the Executive) more than twelve (12) calendar months prior to notice having been given to the Executive of the termination of his employment.

7.06 In the event that the Executive's employment shall be terminated by the Company during the Period of Employment and such termination is alleged to be for Cause, or the Executive's right to terminate his employment under paragraph 7.03(b) above shall be questioned by the Company, or the Company shall withhold payments or provision of benefits because the Executive is alleged to be engaged in Competition in breach of the provisions of paragraph 7.04 above or for any other reason, the Executive shall have the right, in addition to all other rights and remedies provided by law, at his election either to seek arbitration within the area within which the office of the Executive was located immediately prior to the Operative Date and intended to be described in Exhibit D to this Agreement, under the rules of the American Arbitration Association, by serving a notice to arbitrate upon the Company or to institute a judicial proceeding, in either case within ninety (90) days after having received notice of termination of his employment or notice in any form that the termination of his employment under paragraph 7.03(b) is subject to question or that the Company is withholding or proposed to withhold payments or provision of benefits or within such longer period as may reasonably be necessary for the Executive to take action in the event that his illness or incapacity should preclude his taking such action within such ninety (90) day period.

7.07 Any provision above in this Section 7 to the contrary notwithstanding, if the Company should default on any obligation set forth in this Section 7 and shall have failed to remedy such default within thirty (30) days after having received written notice of such default

from the Executive or his beneficiaries, then, in that event:

(a) any and all undischarged, future obligations of the Company under this Section 7 shall, at the sole option of the Executive or his beneficiaries, exercised in writing signed by the Executive or his beneficiaries, as the case may be, and delivered to the Company within ninety (90) days after the expiration of such thirty (30) day period, become immediately due and payable in a lump sum discounted to present value using the "Federal short-term rate," "Federal mid-term rate" or "Federal long-term rate" that would apply at the time under section 1274(d) of the Code to a debt instrument having a term equal to the period extending from the date such option is exercised in writing to the date or dates such future obligations of the Company would otherwise have become due and payable; and

(b) in addition to, and not in substitution for, interest for any other period properly payable to the Executive as a result of such default, the Company agrees to pay pre-judgment interest on any such obligation in default, calculated at the "Federal short-term rate," "Federal mid-term rate" or "Federal long-term rate" that would apply at the time under section 1274(d) of the Code to a debt instrument having a term equal to the period extending from the date that the Company's obligation became due and payable hereunder to the date the Executive or his beneficiaries obtain a money judgment therefor (whether in litigation or arbitration).

8. OBLIGATION TO MITIGATE DAMAGES

8.01 In the event of a Termination, as defined in paragraph 7.03 above, the Executive shall make reasonable efforts to mitigate damages by seeking other employment; provided, however, that he shall not be required to accept a position of less dignity and importance or of substantially different character than the highest position theretofore held by him with the

Company or a position that would call upon him to engage in Competition within the meaning of paragraph 7.04(b) above, nor shall he be required to accept a position other than in a location reasonably convenient to his principal residence immediately prior to such Termination.

8.02 To the extent that the Executive shall receive compensation, benefits and service credit for benefits from other employment secured pursuant to the provisions of paragraph 8.01 above, the payments to be made and the benefits and service credit for benefits to be provided by the Company under the provisions of paragraph 7.02 above shall be correspondingly reduced. Such reduction shall, in the event of any question, be determined jointly by the firm of certified public accountants of the Company and the firm of certified public accountants selected by the Executive, in each case upon the advice of actuaries to the extent the certified public accountants consider necessary, and, in the event such accountants are unable to agree on a resolution of the question, such reduction shall be determined by an independent firm of certified public accountants selected jointly by both firms of accountants.

9. CONFIDENTIAL INFORMATION

9.01 The Executive agrees not to disclose, either while in the Company's employ or at any time thereafter, to any person not employed by the Company, or not engaged to render services to the Company, any confidential information obtained by him while in the employ of the Company, including, without limitation, any of the Company's inventions, processes, methods of distribution, customers or trade secrets; provided, however, that this provision shall not preclude the Executive from use or disclosure of information known generally to the public or of information not considered confidential by persons engaged in the business conducted by the Company or from disclosure required by law or Court order.

9.02 The Executive also agrees that upon leaving the Company's employ, he will not take with him, without the prior written consent of an officer authorized to act in the matter by the Board of Directors of the Company, any drawing, blueprint, specification or other document of the Company, its subsidiaries, affiliates and divisions, which is of a confidential nature relating to the Company, its subsidiaries, affiliates and divisions, including, without limitation, any information relating to its or their methods of distribution, or any description of any formulae or secret processes.

9.03 The Executive further agrees that upon leaving the Company's employ (or prior to leaving, if in connection with an intention of the Executive to leave), he will not solicit any other employee of the Company or otherwise cause any other employee to consider terminating employment with the Company without the prior written consent of an officer authorized to act in the matter by the Board of Directors of the Company.

10. SEVERANCE ALLOWANCE

In the event that, following the date stated in Exhibit A attached to and made part of this Agreement, the employment of the Executive shall be terminated by the Company prior to his normal retirement date and such termination shall be for any reason other than for Cause, as defined in paragraph 7.05 above, the Company shall pay the Executive as a severance allowance a lump sum equal to the Minimum Total Monthly Compensation for the month prior to such termination of employment, multiplied by six.

11. WITHHOLDING

Anything to the contrary notwithstanding, all payments required to be made by the Company hereunder to the Executive or his estate or beneficiaries shall be subject to the withholding of such amounts, if any, relating to tax and other payroll deductions as the Company may reasonably determine it should withhold pursuant to any applicable law or regulation. In lieu of withholding such amounts, the Company may accept other provisions to the end that it has sufficient funds to pay all taxes required by law to be withheld in respect of any or all of such payments.

12. NOTICES

(a) All notices, requests, demands and other communications provided for by this Agreement shall be in writing and shall be sufficiently given if and when mailed in the continental United States by registered or certified mail to, or personally delivered to the party entitled thereto at, (i) the address set forth below, unless the addressee shall have given notice of a different address by a similar notice, in which case (ii) the latest address given by the addressee by a similar notice (the Official Address):

To the Company: Attention: Secretary
 Parker-Hannifin Corporation
 17325 Euclid Avenue
 Cleveland, Ohio 44112

To the Executive: _____
 Parker-Hannifin Corporation

With additional copy to: _____

Any such notice, request, demand or other communication delivered in person shall be deemed to have been received on the date of delivery.

(b) The Official Address of each party to this Agreement, as the same may be changed from time to time after the date of this Agreement pursuant to the provisions of subparagraph 12(a) above, shall be set forth in Exhibit F to this Agreement to the end that Exhibit F will reflect accurately the Official Address of each party hereto from time to time after the date of this Agreement, it being understood and agreed that if, as and when any party hereto shall change his Official Address after the date of this Agreement by giving the notice required by subparagraph 12(a) above, Exhibit F shall be deemed to be and shall be updated by the parties to reflect such change; provided, however, that Exhibit F is intended only as a memorandum for the convenience of the parties and shall be disregarded if and to the extent that, subsequent to the date of this Agreement, Exhibit F shall fail to reflect accurately the Official Address in accordance with the provisions of subparagraph 12(a) above because the parties shall have failed to update Exhibit F as contemplated hereby.

13. GENERAL PROVISIONS

13.01 This Agreement is not intended to and shall not infer or imply any right on the part of the Executive to continue in the employ of the Company, or any subsidiary or affiliate of the Company, prior to a Change in Control of the Company, and is not intended in any way to limit the right of the Company to terminate the employment of the Executive, with or without assigning a reason therefor, at any time prior to a Change in Control of the Company. Nor is This Agreement is not intended to nor shall it infer or imply any obligation on the part of the Executive to continue in the employment of the Company, nor any subsidiary or affiliate of the Company, prior to a Change in Control of the Company. Neither the Company nor the Executive shall incur any liability under this Agreement if the employment of the Executive shall be terminated by the Company or by the Executive prior to a Change in Control of the Company.

13.02 There shall be no right of set-off or counter-claim, in respect of any claim, debt or obligation, against any payments to the Executive, his dependents, beneficiaries or estate provided for in this Agreement.

13.03 The Company and the Executive recognize that each party will have no adequate remedy at law for breach by the other of any of the agreements contained herein and, in the event of any such breach, the Company and the Executive hereby agree and consent that the other shall be entitled to a decree of specific performance, mandamus or other appropriate remedy to enforce performance of such agreements.

13.04 No right or interest to or in any payments shall be assignable by the Executive; provided, however, that this provision shall not preclude him from designating one or more beneficiaries to receive any amount that may be payable after his death and shall not preclude the legal representative of his estate from assigning any right hereunder to the person or persons entitled thereto under his will or, in the case of intestacy, to the person or persons entitled thereto under the laws of intestacy applicable to his estate. The term "beneficiaries" as used in this Agreement shall mean a beneficiary or beneficiaries so designated to receive any such amount or, if no beneficiary has been so designated, the legal representative of the Executive's estate.

13.05 No right, benefit or interest hereunder, shall be subject to anticipation, alienation, sale, assignment, encumbrance, charge, pledge, hypothecation, or set-off in respect of any claim, debt or obligation, or to execution, attachment, levy or similar process, or assignment by operation of law. Any attempt, voluntary or involuntary, to effect any action specified in the immediately preceding sentence shall, to the full extent permitted by law, be null, void and of no effect.

13.06 In the event of the Executive's death or a judicial determination of his incompetence, reference in this Agreement to the Executive shall be deemed, where appropriate, to refer to his legal representative, or, where appropriate, to his beneficiary or beneficiaries.

13.07 If any event provided for in this Agreement is scheduled to take place on a legal holiday, such event shall take place on the next succeeding day that is not a legal holiday.

13.08 The titles to sections in this Agreement are intended solely for convenience and no provision of this Agreement is to be construed by reference to the title of any section.

13.09 This Agreement shall be binding upon and shall inure to the benefit of the Executive, his heirs and legal representatives, and the Company and its successors as provided in Section 16 hereof.

13.10 This instrument contains the entire agreement of the parties relating to the subject matter of this Agreement and supersedes and replaces all prior agreements and understandings with respect to such subject matter, and the parties hereto have made no agreements, representations or warranties relating to the subject matter of this Agreement which are not set forth herein.

14. AMENDMENT OR MODIFICATION, WAIVER

No provision of this Agreement may be amended, modified or waived unless such amendment, modification or waiver shall be authorized by the Board of Directors of the Company or any authorized committee of the Board of Directors and shall be agreed to in writing, signed by the Executive and by an officer of the Company thereunto duly authorized. Except as otherwise specifically provided in this Agreement, no waiver by either party hereto of any breach by the other party hereto of any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of a subsequent breach of such condition or provision or a waiver of a similar or dissimilar provision or condition at the same or at any prior or subsequent time.

15. SEVERABILITY

Anything in this Agreement to the contrary notwithstanding:

(a) In the event that any provision of this Agreement, or portion thereof, shall be determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement and parts of such provision not so invalid or unenforceable shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.

(b) Any provision of this Agreement, or portion thereof, which may be invalid or unenforceable in any jurisdiction shall be limited by construction thereof, to the end that such provision, or portion thereof, shall be valid and enforceable in such jurisdiction; and

(c) Any provision of this Agreement, or portion thereof, which may for any reason be invalid or unenforceable in any jurisdiction shall remain in effect and be enforceable in any jurisdiction in which such provision, or portion thereof, shall be valid and enforceable.

16. SUCCESSORS TO THE COMPANY

Except as otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the Company and any successor of the Company, including, without limitation, any corporation or corporations acquiring directly or indirectly all or substantially all of the assets of the Company whether by merger, consolidation, sale or otherwise (and such successor shall thereafter be deemed "the Company" for the purposes of this Agreement), but shall not otherwise be assignable by the Company.

17. CHANGE IN CONTROL

For the purpose of this Agreement, a "Change in Control of the Company" shall be deemed to have occurred if:

(a) 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 of Directors of the Company (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: (i) an acquisition by the Company or, direct or indirect majority-owned subsidiaries of the Company; (ii) an acquisition by any employee benefit plan sponsored or maintained by the Company or any corporation controlled by the Company; (iii) an acquisition by any underwriter temporarily holding securities pursuant to an offering of such securities; (iv) a Non-Control Transaction (as defined in paragraph (c)); (v) any acquisition by one or more of the officers who have "change in control" contracts with the Company; or (vi) the acquisition of Company Voting Securities from the Company, if a majority of the Board of Directors of the Company approves a resolution providing expressly that the acquisition pursuant to this clause (vi) does not constitute a Change in Control under this paragraph (a);

(b) individuals who, at the beginning of any period of twenty-four (24) consecutive months, constitute the Board of Directors of the Company (the "Incumbent Board") cease for any reason to constitute at least a majority thereof, provided that (i) 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 (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 (b), 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 of Directors shall be deemed to be a member of the Incumbent Board;

(c) a merger or consolidation or similar form of corporate reorganization, or sale or other disposition of all or substantially all of the assets, of the Company (a "Business Combination") is consummated, unless immediately following such Business Combination: (i) more than 55% of the total voting power of the corporation resulting from such Business Combination (including, without limitation, for purposes of making such 55% determination, any

shares owned through any entity which directly or indirectly has beneficial ownership of the Company Voting Securities or all or substantially all of the Company's assets) eligible to elect directors of such corporation is represented by shares held by shareholders of the Company immediately prior to such Business Combination (either by remaining outstanding or being converted), (ii) no person (other than any holding company resulting from such Business Combination, any employee benefit plan sponsored or maintained by the Company (or the corporation resulting from such Business Combination), or any person which beneficially owned, immediately prior to such Business Combination, directly or indirectly, 20% or more of the Company Voting Securities) 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 corporation resulting from such Business Combination, and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or action of the Board of Directors, providing for such Business Combination (a "Non-Control Transaction"); or

(d) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company.

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, then a Change in Control shall occur.

18. INTENTION RELATING TO RECENT LEGISLATION,
POSSIBLE FUTURE AMENDMENTS

18.01 The Company and the Executive intend that this Agreement shall be performed according to its terms hereinbefore set forth, and that such performance shall not give rise to or result in any payment or benefit being subject to the excise tax imposed by Section 4999 of the Code or the related loss of deduction mandated by Section 280G(a) of the Code. Each and every provision of this Agreement shall be administered, interpreted and construed to carry out such intention.

18.02 As a result of the issuance of proposed Department of Treasury regulations on May 5, 1989, and with respect to paragraph 18.01 of this Agreement, the amount to be paid to the Executive under this Agreement upon a Change in Control of the Company shall be limited to an amount not to exceed two hundred ninety-nine percent (299%) of the "disqualified individual's base amount" as those terms are defined in Regulation 1.280G-1. The Company and the Executive recognize that there are as yet no final regulations or rulings under, or official interpretations of Sections 280G(a) and 4999. Accordingly, the Company and the Executive agree that, when Treasury Regulations are issued in proposed or final form under Section 280G or 4999 of the Code or relevant rulings or official interpretations are promulgated, they will at that time, or from time to time, review this Agreement and take such action, including executing amendments hereto, as the Company and the Executive may agree to be necessary or appropriate to carry out the aforesaid intention.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

ATTEST: PARKER-HANNIFIN CORPORATION,
an Ohio corporation

Secretary By: _____
President & Chief
Executive Officer

THE EXECUTIVE

Exhibit (10)(d)* to Report
on Form 10-K for Fiscal
Year Ended June 30, 1995
by Parker-Hannifin Corporation

Parker-Hannifin Corporation Supplemental Executive
Retirement Benefits Program (July 16, 1992 Restatement),
as amended as of August 17, 1995

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

Parker-Hannifin Corporation

Supplemental Executive
Retirement Benefits Program

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Parker-Hannifin Corporation

Supplemental Executive
Retirement Benefits Program

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

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

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

NOW, THEREFORE, effective as of August 17, 1995, said Program is hereby amended and restated in its entirety to provide as hereinafter set forth.

1. Definitions

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

(a) Benefit Payment Period. The one of the following which applies to the particular Participant or Recipient:

(i) For a Recipient who is receiving payments for the remainder of a term certain period, Benefit Payment Period means the remainder of such term certain period.

(ii) For a Participant who is to receive a Lump Sum Payment pursuant to subparagraph (b) of Paragraph 4.02, or a Recipient who is receiving payments for his or her remaining lifetime, the Benefit Payment Period is the Life Expectancy of the Participant or Recipient.

(iii) For a Recipient who is receiving payments for his or her remaining lifetime plus payments for the lifetime of a Contingent Annuitant, the Benefit Payment Period is the Life Expectancy of the Recipient plus an additional period to reflect the Life Expectancy of the Contingent Annuitant after the death of the Recipient.

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

(i) any "person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the "Exchange Act") and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20%

or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board of Directors of the Company (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, direct or indirect, majority-owned subsidiaries of the Company; (B) an acquisition by any employee benefit plan sponsored or maintained by the Company or any corporation controlled by the Company; (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 one or more of the officers who have "change in control" contracts with the Company; or (F) the acquisition of Company Voting Securities from the Company, if a majority of the Board of Directors of the Company 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 of Directors of the Company (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 (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 of Directors shall be deemed to be a member of the Incumbent Board;

(iii) a merger or consolidation or similar form of corporate reorganization, or sale or other disposition of all or substantially all of the assets, of the Company (a "Business Combination") is consummated, unless immediately following such Business Combination: (A) more than 55% of the total voting power of the corporation resulting from such Business Combination (including, without limitation, for purposes of making such 55% determination, any shares owned through any entity which directly or indirectly has beneficial ownership of the Company Voting Securities or all or substantially all of the Company's assets) eligible to elect directors of such corporation is represented by shares held by shareholders of the Company immediately prior to such Business Combination (either by remaining outstanding or being converted); (B) no person (other than any holding company resulting from such Business Combination, any employee benefit plan sponsored or maintained by the Company (or the corporation resulting from such Business Combination), or any person which beneficially owned, immediately prior to such Business Combination, directly or indirectly, 20% or more of the Company Voting Securities)

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 corporation resulting from such Business Combination; and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or action of the Board of Directors, providing for such Business Combination (a "Non-Control Transaction"); or

(iv) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company.

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, then a Change in Control shall occur.

(c) Committee: The Compensation and Management Development Committee of the Board of Directors of the Company.

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

(e) Competition: Conduct defined in Paragraph 6.02 of the Program.

(f) Contingent Annuitant: The person designated by a Participant as provided in Section 9.1 of the Retirement Plan.

(g) Controlled Group: The group of related corporations of which the Company is a member as determined under Section 1563(a) of the Internal Revenue Code of 1986, as amended.

(h) Highest Average Three-Year Compensation: One-third of the aggregate amount of the highest of compensation of a Participant from the Controlled Group with respect to any three calendar years of the Participant's employment which produces a higher average than any other three calendar years including base salary, executive or incentive compensation or bonus, Return on Net Assets (RONA)/Profit Sharing payments, and any amounts which would otherwise be paid as compensation but which are deferred by a Participant pursuant to any qualified or unqualified deferred compensation program sponsored by the Controlled Group, but excluding (i) any deferred

compensation received during any such year but credited under the Program to the Participant for a prior year, (ii) any income realized due to the exercise of stock options or stock appreciation rights; (iii) any payments, in cash or otherwise, paid to the Participant under the Company's Long-Term Incentive Plan, any extraordinary one-time bonus arrangements, or as an executive prerequisite; and (iv) such items as fringe benefits includible in income as compensation for federal tax purposes, moving and educational reimbursement expenses, overseas allowances received by the Participant from the Controlled Group, and any other irregular payments.

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

(j) Lump Sum Payment: The Lump Sum Payment provided in Paragraph 4.02 of Section 4 of the Program with the amount determined as set forth in Paragraph 4.03 thereof.

(k) Mortality Table: The UP-1984 Table (or such other pensioner annuity mortality table as the Company with the written consent of the Participant or Recipient shall determine) and the associated Uniform Seniority Table for the determination of joint life expectancies.

(l) Net Specified Rate: The interest rate which will produce income on a tax free basis, that equals the income produced by the Specified Rate net of the combined highest rates of Federal, state and local income taxes that are in effect in the jurisdiction of the Participant or Recipient on the date of payment of the Lump Sum Payment.

(m) Normal Retirement Date: The date on which a Participant attains 65 years of age unless and until another date is prescribed in the Retirement Plan as the normal retirement date of participants in the Retirement Plan in which event such other date shall become the Normal Retirement Date hereunder.

(n) Participant: An employee of the Company designated to participate in the Program pursuant to Section 2 of the Program, while so employed.

(o) Profit Sharing Account Balance: The definition set forth in Section 1.1(y) of the Parker-Hannifin Corporation Retirement Plan.

(p) Program: The Supplemental Executive Retirement Benefits Program set forth in these pages.

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

(r) Retirement Plan: The Parker-Hannifin Corporation Retirement Plan and any excess benefit plan, including any amendments thereto that may be adopted after the Effective Date of the Program.

(s) Service: Employment as an employee by any member of the Controlled Group, as well as employment by a corporation, trade or business, that is now part of the Controlled Group at a time prior to its becoming part of the Controlled Group, but in each such case only if and to the extent that the Committee shall so direct at any time prior to retirement.

(t) Specified Rate: The interest rate for immediate annuities of the Pension Benefit Guarantee Corporation (PBGC) in effect on the date of payment of the Lump Sum Payment as set forth in Appendix B to Part 2619 of 29 Code of Federal Regulations or such successor to such Appendix B as may be in effect on such date.

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

(v) Unreduced Benefit: An amount equal to 1/12th of 55 percent (i.e., 4.5833%) of Highest Average Three-Year Compensation.

2. Participation

2.01 Participants. The Participants in the Program shall be such officers and other key executives of the Company as shall be designated as Participants from time to time by the Committee.

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

2.03 Continuation of Participation. Subject only to the provisions of Paragraph 2.04 and Section 6 of the Program, an individual designated as a Participant shall continue to be a

Participant for the purpose of the supplemental retirement benefits provided by the Program and his participation in the Program shall not be terminated.

2.04 Effect of Termination of Employment. To be eligible for supplemental retirement benefits under the Program a Participant shall not voluntarily terminate employment with the Company without the consent of the Committee for a period, not exceeding 60 calendar months, set by the Committee at the time he is designated a Participant. If he shall so voluntarily terminate his employment within such period, his participation in the Program shall terminate and he shall cease to be a Participant. For purposes of this Paragraph 2.04, in no event shall the termination by a Participant of his employment with the Company pursuant to his right to do so under an agreement with the Company be deemed to be a voluntary termination of employment with the Company without the consent of the Committee.

3. Supplemental Retirement Benefits

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

(a) If such Participant has at least 180 calendar months of Service, such benefit shall be an amount determined in accordance with the provisions of subparagraph (a) of Paragraph 3.03; or

(b) If such Participant has less than 180 calendar months of Service, such benefit shall be an amount determined in accordance with the provisions of subparagraph (b) of Paragraph 3.03.

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

(a) If such Participant has at least 180 calendar months of Service, such benefit shall be an amount determined in accordance with the provisions of subparagraph (c) of Paragraph 3.03; or

(b) If such Participant has less than 180 calendar months of Service, such benefit shall be an amount determined in accordance with the provisions of subparagraph (d) of Paragraph 3.03.

3.03 Amount of Supplemental Retirement Benefits. The amount of a monthly supplemental retirement benefit payable to an eligible Participant shall be computed in the following manner:

(a) If a Participant is eligible for a supplemental retirement benefit pursuant to the provisions of subparagraph (a) of Paragraph 3.01, such benefit shall equal his Unreduced Benefit reduced by the sum of:

(i) the monthly straight-life normal retirement benefit to which the Participant is eligible under the Retirement Plan, including any amount attributable to such Participant's Profit-Sharing Account Balance;

(ii) the monthly straight-life benefit to which the Participant is eligible pursuant to any unfunded program of the Company that is not attributable to compensation deferred by the Participant under any deferred compensation program;

(iii) the monthly straight-life actuarial equivalent of any benefit to which the Participant is eligible from any qualified pension plan of the Company and which is attributable to contributions of the Company unless benefit service for employment on which such benefit is based is credited to the Participant under the Retirement Plan;

(iv) commencing at the earliest date payable on or after termination of employment, 50 percent of the monthly primary social security benefit to which the Participant is entitled, or would be entitled, at the time in the absence of any compensation that may at the time be or have been earned by him after such date; and

(v) the monthly straight-life actuarial equivalent of any benefit which the Participant is eligible to receive from any previous employer, provided that a contract between the Participant and the Company grants the Participant service credit for service with the previous employer and the contract states the benefit to be offset.

(b) If a Participant is eligible for a supplemental retirement benefit pursuant to the provisions of subparagraph (b) of Paragraph 3.01, such benefit shall equal his Unreduced Benefit reduced by the sum of:

(i) .3055 percent of the Unreduced Benefit for each calendar month his Service is less than 180 calendar months;

(ii) the monthly straight-life normal retirement benefit to which the Participant is eligible under the Retirement Plan, including any amount attributable to such Participant's Profit-Sharing Account Balance;

(iii) the monthly straight-life benefit to which the Participant is eligible pursuant to any unfunded program of the Company that is not attributable to compensation deferred by the Participant under any deferred compensation program;

(iv) the monthly straight-life actuarial equivalent of any benefit to which the Participant is eligible from any qualified pension plan of the Company and which is attributable to contributions of the Company unless benefit service for employment on which such benefit is based is credited to the Participant under the Retirement Plan;

(v) commencing at the earliest date payable on or after termination of employment, 50 percent of the monthly primary social security benefit to which the Participant is entitled, or would be entitled, at the time in the absence of any compensation that may at the time be or have been earned by him after such date; and

(vi) the monthly straight-life actuarial equivalent of any benefit which the Participant is eligible to receive from any previous employer, provided that a contract between the Participant and the Company grants the Participant service credit for service with the previous employer and the contract states the benefit to be offset.

(c) If a Participant is eligible for a supplemental retirement benefit pursuant to the provisions of subparagraph (a) of Paragraph 3.02, such benefit shall equal his Unreduced Benefit reduced by the sum of:

(i) .1515 percent of the Unreduced Benefit multiplied by the number of calendar months during which such benefit is to be paid after attainment of age 60 but prior to his Normal Retirement Date;

(ii) .3030 percent of the Unreduced Benefit multiplied by the number of calendar months during which such benefit is to be paid after attainment of age 55 but prior to attainment of age 60;

(iii) the monthly straight-life early retirement benefit to which the Participant is eligible under the Retirement Plan, including any amount attributable to such Participant's Profit-Sharing Account Balance;

(iv) the monthly straight-life benefit to which the Participant is eligible pursuant to any unfunded program of the Company that is not attributable to compensation deferred by the Participant under any deferred compensation program;

(v) the monthly straight-life actuarial equivalent of any benefit to which the Participant is eligible from any qualified pension plan of the Company and which is attributable to contributions of the Company unless benefit service for employment on which such benefit is based is credited to the Participant under the Retirement Plan;

(vi) commencing at the earliest date payable on or after termination of employment, 50 percent of the monthly primary social security benefit to which the Participant is entitled, or would be entitled, at the time in the absence of any compensation that may at the time be or have been earned by him after such date; and

(vii) the monthly straight-life actuarial equivalent of any benefit which the Participant is eligible to receive from any previous employer, provided that a contract between the Participant and the Company grants the Participant service credit for service with the previous employer and the contract states the benefit to be offset.

(d) If a Participant is eligible for a supplemental retirement benefit pursuant to the provisions of subparagraph (b) of Paragraph 3.02, such benefit shall equal his Unreduced Benefit reduced by the sum of:

(i) .3055 percent of the Unreduced Benefit for each calendar month his service is less than 180 calendar months;

(ii) .1515 percent of the Unreduced Benefit multiplied by the number of calendar months during which such benefit is to be paid after attainment of age 60 but prior to his Normal Retirement Date;

(iii) .3030 percent of the Unreduced Benefit multiplied by the number of calendar months during which such benefit is to be paid after attainment of age 55 but prior to attainment of age 60;

(iv) the monthly straight-life early retirement benefit to which the Participant is eligible under the Retirement Plan, including any amount attributable to such Participant's Profit-Sharing Account Balance;

(v) the monthly straight-life benefit to which the Participant is eligible pursuant to any unfunded program of the Company that is not attributable to compensation deferred by the Participant under any deferred compensation program;

(vi) the monthly straight-life actuarial equivalent of any benefit to which the Participant is eligible from any qualified pension plan of the Company and which is

attributable to contributions of the Company unless benefit service for employment on which such benefit is based is credited to the Participant under the Retirement Plan;

(vii) commencing at the earliest date payable on or after termination of employment, 50 percent of the monthly primary social security benefit to which the Participant is entitled, or would be entitled, at the time in the absence of any compensation that may at the time be or have been earned by him after such date; and

(viii) the monthly straight-life actuarial equivalent of any benefit which the Participant is eligible to receive from any previous employer, provided that a contract between the Participant and the Company grants the Participant service credit for service with the previous employer and the contract states the benefit to be offset.

(e) Attachment A to the Program sets forth illustrative examples of certain retirement situations under this Paragraph 3.03.

4. Payment of Benefits

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

4.02 Payments Under Certain Situations.

(a) Optional Methods of Payment. Subject to Paragraphs 4.02 (b) and 4.02 (c) below, an optional method of payment selected by the Participant for payment of his retirement benefit under the Retirement Plan, including without limitation any deferment in the time of payment thereof, shall automatically be applicable to the payment of the supplemental retirement benefits provided by the Program, upon the same terms and conditions, including factors (other than those specified in Section 3 for early commencement of benefits) applicable under the Retirement Plan.

(b) Payment Upon a Change in Control. Upon the occurrence of a Change in Control, each Participant and each Recipient shall receive on account of future payments of any and all benefits (taking into account any service period under any contract with the Participant) due under the Program, a Lump Sum Payment so each such Participant and Recipient will receive substantially the same amount of after tax income as before the Change in Control. The Lump Sum Payment referred to herein shall be determined as set forth in subparagraph (a) of Paragraph 4.03. Attachment B to the Program sets forth illustrative examples.

(c) Election to Receive a Lump Sum Payment. A Participant, who is anticipating retirement and is eligible to receive benefits under the Program pursuant to Paragraph 3.01 or pursuant to clause (i), (iii), (iv) or (v) of Paragraph 3.02, or a Recipient, may elect, subject to the terms and conditions hereinafter set forth, to receive, in lieu of future payments of any and all then unpaid accrued and vested benefits under the Program, a Lump Sum Payment determined in accordance with subparagraph (b) of Paragraph 4.03. The election of such Lump Sum Payment shall be made under either of the following two clauses:

(i) Such Participant or a non-retiree Recipient may file a request for a Lump Sum Payment with the Committee prior to the date on which the first monthly benefit payment under the Program would otherwise be made to such Participant or non-retiree Recipient. In the case of the Participant, such election shall be made at least 180 days prior to his retirement date, unless such period shall be reduced or waived by the Committee on a case by case basis or by rule of general application. If the Committee in its sole discretion consents to such request, which consent may be made subject to such terms and conditions, if any, as the Committee may impose, and which consent may be given on a case by case basis or by rule of general application, 100% of such Lump Sum Payment shall be paid by the Company on the date on which the first monthly benefit payment under the Program would otherwise be made, or the Committee may direct that the Trustee make such payment on such date from the Grantor Trust to the extent funded, with the Company paying the balance, if any; or

(ii) Such Participant or a Recipient, who has not filed a request pursuant to clause (i) above, may file an election at any time with either the Company or the Trustee of the Grantor Trust under this clause (ii), in which case he shall receive 90% of the Lump Sum Payment, and the remaining 10% shall be forfeited. If such election is filed with the Trustee, the Trustee, as promptly as administratively feasible after the filing of such election, shall make such payment to the Participant or Recipient. In the event the election is filed with the Company, the Company may make the payment or direct the Trustee to make the payment. To the extent that the entire amount of Participant's or Recipient's 90% Lump Sum Payment is not made from the Trust, the Trustee shall notify the Company of the portion of such Lump Sum Payment not so made and such portion shall be paid by the Company.

(d) Certain Matters Following a Lump Sum Payment. A Participant who has received a Lump Sum Payment pursuant to subparagraph (b) of Paragraph 4.02 shall, thereafter (i) while in the employ of the Company, continue to accrue benefits under the Program, and (ii) be eligible for further benefits under Paragraph 4.01 or subparagraphs (a), (b) or (c) of Paragraph 4.02, after appropriate reduction in respect of the Lump Sum Payment previously received. The previous Lump Sum Payment shall be accumulated with interest at the Specified Rate as in effect from time to time for the period of time from initial payment date to the next computation date. It shall then be converted to a straight-life annuity using the current annuity certain factor. The current annuity certain factor will be determined on the Net Specified Rate basis if this benefit payment is being made due to a later Change in Control; otherwise, the Specified Rate shall be used.

Attachment C

to the Program sets forth illustrative examples. Provided, however, that in the case of any Participant or Recipient for whom the benefits provided by this subparagraph (d) have been funded by contributions to the Trust established under the Grantor Trust Agreement referred to in Paragraph 7.03 hereof, his right to receive any portion of such benefits that is payable from the Trust shall be governed by Section 7(b)(i) of the Grantor Trust Agreement.

4.03 Determination of the Lump Sum Payment.

(a) The Lump Sum Payment referred to in subparagraph (b) of Paragraph 4.02 shall be determined by multiplying the annuity certain factor (for monthly payments at the beginning of each month) based on the Benefit Payment Period and the Net Specified Rate by the monthly benefit (adjusted for assumed future benefit adjustments due to Social Security and Internal Revenue Code Section 415 changes in the Retirement Plan) to be paid to the Participant or Recipient under the Program.

(b) The Lump Sum Payment referred to in subparagraph (c) of Paragraph 4.02 shall be determined by multiplying the annuity certain factor (for monthly payments at the beginning of each month) based on the Benefit Payment Period and the Specified Rate by the monthly benefit (adjusted for assumed future benefit adjustments due to Social Security and Internal Revenue Code Section 415 changes in the Retirement Plan) to be paid to the Participant or Recipient under the Program.

5. Death Benefits

5.01 Eligibility. If a Participant dies after completing 120 calendar months of Service but prior to the earlier of his retirement or his Normal Retirement Date, his Surviving Spouse (or, in the event there is no surviving spouse, or there is a common death, his estate) shall be eligible for a benefit under this Section 5.

5.02 Benefit Amount.

(a) The monthly amount of a benefit payable under this Section 5 to a deceased Participant's Surviving Spouse or estate, as the case may be, who has applied therefor, shall be equal to the monthly payment the spouse or estate would have received had the Participant retired on the day before his death and after having effectively elected an optional benefit under Option F (50% joint and contingent survivor annuity with a 10-year minimum payment provision) defined in Section 9.1 of the Retirement Plan and designated said spouse as his Contingent Annuitant under such option or, in the case of his estate, said estate as his Term - Certain Beneficiary under such option.

(b) The monthly benefit that would have been payable as an early retirement benefit to the Participant on a life annuity basis will be reduced by the factor for Option F as specified in the Retirement Plan, and that reduced benefit amount is paid for 120 months. After the 120 month

period has expired, the benefit amount will cease if paid to the deceased Participant's estate, and will be 50% of that reduced monthly benefit if it is paid to the Surviving Spouse.

(c) If the Participant dies before reaching age 55, then the monthly benefit shall be determined under subparagraphs (c) or (d) of Paragraph 3.03 (depending on the Participant's length of service) and the applicable percent shall be adjusted by the .3030 percent (specified in those subparagraphs for Participants between age 55 and age 60) multiplied by the number of months that the participant was under age 60 at the time of his death.

(d) Attachment D to this Restatement sets forth illustrative example of certain death benefit situations under this Paragraph 5.02.

5.03 Benefit Payments. Subject to subparagraphs (b) and (c) of Paragraph 4.02 above, the benefit under this Section 5 shall be paid to the deceased Participant's Surviving Spouse commencing with the first day of the month following the month in which the Participant's death occurs, and shall be payable monthly thereafter during the life of the Surviving Spouse, the last payment being for the month in which the death of the Surviving Spouse shall occur. If the Surviving Spouse should commence to receive benefit payments under this Section 5 but should die before 120 monthly payments have been made, the monthly benefit payments required to be paid under this Section 5, which have not been paid, will be paid to the deceased Surviving Spouse's estate. In the event there is no Surviving Spouse or there is a common death, the monthly payments required to be paid under this Section 5, which have not been paid, will be paid to the deceased Participant's estate. Anything in this Section 5 to the contrary notwithstanding, all monthly payments required to be made to the deceased Participant's estate or the deceased Surviving Spouse's estate shall be paid, in lieu thereof, in a discounted lump sum payment within 30 days of the original commencement date of such payments.

6. Non-Competition

6.01 Condition of Payment. Each monthly payment of supplemental retirement benefits under the Program shall be subject to the condition that the Participant and retiree-Recipient shall not have engaged in Competition with the Company, as defined in Paragraph 6.02 below, at any time prior to the date of such payment.

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

(i) the Secretary of the Company shall have given written notice to the Participant or retiree-Recipient that, in the opinion of the Committee, the Participant or retiree-Recipient is engaged in Competition within the meaning of the foregoing provisions of this Paragraph 6.02, specifying the details;

(ii) the Participant or retiree-Recipient shall have been given a reasonable opportunity, upon receipt of such notice, to appear before and to be heard by the Committee with respect to his views regarding the Committee's opinion that the Participant or retiree-Recipient engaged in Competition;

(iii) the Secretary of the Company shall have given written notice to the Participant or retiree-Recipient that the Committee determined that the Participant or retiree-Recipient is engaged in Competition; and

(iv) the Participant or retiree-Recipient shall neither have ceased to engage in such Competition within thirty days from his receipt of notice of such determination nor diligently taken all reasonable steps to that end during such thirty-day period and thereafter.

6.03 Cessation of Payments. If the Participant or retiree-Recipient shall have engaged in Competition with the Company contrary to the provisions of Paragraph 6.01 above, the Company may cease making any future payments of the supplemental retirement benefits otherwise payable to the Participant or retiree-Recipient under the Program but shall not be entitled to repayment of any amounts theretofore paid to the Participant or retiree-Recipient under the Program.

7. General Provisions

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

7.02 Claims Review Procedure. Within 60 days of the date on which the notice of denial of claim is received by the Claimant, the Claimant, or his authorized representative, may request that the claim denial be reviewed by filing with the Company a written request therefor, which request shall contain the following information:

(i) The date on which the notice of denial of claim was received by the Claimant;

(ii) The date on which the Claimant's request was filed with the Company; provided, however, that the date on which the Claimant's request for review was in fact filed with the Company shall control in the event that the date of the actual filing is later than the date stated by the Claimant pursuant to this clause (ii);

(iii) The specific portions of the denial of his claim which the Claimant requests the Company to review;

(iv) A statement by the Claimant setting forth the basis upon which he believes the Company should reverse its previous denial of his claim for benefits and accept his claim as made; and

(v) Any written material (included as exhibits) which the Claimant desires the Company to examine in its consideration of his position as stated pursuant to clause (iv).

Within 60 days of the date determined pursuant to clause (ii) of this Paragraph 7.02, the Company shall conduct a full and fair review of the decision denying the Claimant's claim for benefits. Within ten days following the date of such review, the Company will send to the Claimant its written decision setting forth, in a manner calculated to be understood by the Claimant, a statement of the specific reasons for its decision, including references to the specific Program provision relied upon.

7.03 Rights of Participants. The Company has entered into a Grantor Trust Agreement dated July 16, 1992, with Society National Bank as Trustee (the "Grantor Trust Agreement"), pursuant to which it has established a trust (the "Trust") for the purpose of holding assets as a reserve for the discharge of the Company's obligations under the Program. Except as expressly provided in the Grantor Trust Agreement, and except to such extent as the Company may have made contributions to the Trust and the earnings thereon:

(i) no Participant or Recipient shall have any right, title, or interest whatsoever in or to any investments which the Company may make to aid it in meeting its obligations under the Program;

(ii) nothing contained in the Program shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Participant, Recipient or any other person;

(iii) to the extent that any person acquires a right to receive payments from the Company under the Program, such right shall be no greater than the right of an unsecured general creditor of the Company; and

(iv) all payments to be made under the Program shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of amounts payable under the Program.

Anything in the Program to the contrary notwithstanding, nothing in the Program shall require any Participant or Recipient, or imply a requirement, to refund the Company all or any part of any payment made to a Participant or Recipient under the Program.

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

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

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

7.07 Payment of Benefits to Others. If any person to whom a retirement benefit is payable is unable to care for his affairs because of illness or accident, any payment due (unless prior claim therefor shall have been made by a duly qualified guardian or legal representative) may be paid to the spouse, parent, brother, or sister, or any other individual deemed by the Company to be maintaining or responsible for the maintenance of such person. The monthly payment of a retirement benefit to a person for the month in which he dies, if not paid to such person prior to his death, shall be paid to his spouse, parent, brother, or sister, as the Company shall determine. Any payment made in accordance with the provisions of this Paragraph 7.07 shall be a complete discharge of any liability of the Program with respect to the retirement benefit so paid.

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

To the Company: Attention:
 Secretary
 17325 Euclid Avenue
 Cleveland, Ohio 44112

To the Participant: address of residence

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

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

(a) reduce or terminate the benefit of a Participant participating in the Program at the time of any such termination, amendment, or modification;

(b) terminate the participation or the rights or benefits, of a Participant participating in the Program at the time of any such termination, amendment, or modification;

(c) increase the eligibility requirements applicable to a Participant participating in the Program at the time of any such termination, amendment or modification; or

(d) terminate the Program, or reduce or terminate any benefit, or terminate the participation or any rights or benefits, after the occurrence of a Change in Control, with respect to a Participant or Recipient who was a Participant or Recipient, or became a Participant or Recipient, at the time of the occurrence of the Change in Control.

EXECUTED in Cleveland, Ohio as of the 27th day of September, 1995.

PARKER-HANNIFIN CORPORATION

By: Daniel T. Garey
 Daniel T. Garey
 Corporate Vice President-Human Resources

Example A

PARKER SUPPLEMENTAL PLAN

Benefit for Retiring Employee

| | |
|------------------------------------|-----------|
| Age | 60 |
| Salary | \$200,000 |
| Service at Retirement | 30 years |
| Social Security Base | \$21,192 |
| Expected Social Security at Age 62 | \$10,860 |

Parker Pension:

| | |
|----------------------------------|----------|
| (.0075 x \$200,000) | \$ 1,500 |
| (.0065 x (\$200,000 - \$21,192)) | 1,091 |
| | <hr/> |
| | \$ 2,591 |

| | | |
|---------------------------|-----------|-----------|
| Pension: 30 x \$2,591 = | \$ 77,730 | at age 65 |
| Reduces: 70% x \$77,730 = | \$ 54,411 | at age 60 |

Supplemental Pension:

| | | |
|-----------------------|------------|-----------|
| 50% x \$200,000 | \$ 100,000 | |
| less: | | |
| Parker Pension | 54,411 | |
| | <hr/> | |
| | 45,589 | at age 60 |
| less: | | |
| Social Security (50%) | 5,430 | |
| | <hr/> | |
| | \$ 40,159 | at age 62 |

Example B

PARKER SUPPLEMENTAL PLAN

Benefit for Retiring Employees

Employee with employment agreement granting 18 years of service from prior employer but offsetting \$33,500 pension at 60 from that employer.

| | | | |
|---------------------------------------|------------------|-----------|--|
| Age | 60 | | |
| Salary | \$ 200,000 | | |
| Service at Retirement | 12 years | | |
| Service with prior employer | 18 years | | |
| Benefit at age 60 from prior employer | \$ 33,500 | | |
| Social Security Base | \$ 21,192 | | |
| Expected Social Security at Age 62 | \$ 10,860 | | |
| Parker Pension: | | | |
| (.0075 x \$200,000) | \$ 1,500 | | |
| (.0061 x (\$200,000 - \$21,192)) | 1,091 | | |
| | <u>\$ 2,591</u> | | |
| Pension: 12 x \$2,591 = | \$ 31,092 | at age 65 | |
| Reduces: 70% x \$31,092 = | \$ 21,764 | at age 60 | |
| Supplemental Pension: | | | |
| 50% x \$200,00 | \$ 100,000 | | |
| less: | | | |
| Parker Pension | 21,764 | | |
| less: | | | |
| Pension from prior employer | 33,500 | | |
| | <u>\$ 44,736</u> | at age 60 | |
| less: | | | |
| Social Security (50%) | 5,430 | | |
| | <u>\$ 39,306</u> | at age 62 | |

Example C

PARKER SUPPLEMENTAL PLAN

Benefit for Retiring Employee

Employee covered under Supplemental Plan at change in control. Benefit is determined based on continued service for 10 years assuming that Parker Salaried Plan and employees' pay remain unchanged to the expiration (in 10 years) of the change in control officer agreement with the company.

| | |
|---|------------|
| Age | 48 |
| Salary | \$ 200,000 |
| Change in control officer contract expires at age 58. | |
| Change in control effective January 1, 1987. | |
| Service to December 31, 1986: | 20 years |
| Maximum aggregate tax rate: | 35% |
| PBGC immediate interest rate: | 6.5% |
| Final 5-year average salary: | \$ 200,000 |
| Final 3-year average salary: | 200,000 |
| Pension - Parker Salaried: | 52,000 |
| Base Supplemental Pension | 92,000 |
| Supplement to age 62: | 40,000 |
| Estimated Social Security: | 10,860 |
| Supplement after age 62: | 34,570 |
| Life Expectancy at age 58: | 20 years |
| Value of Pension at Specified Rate | |
| Net of Taxes | \$ 678,038 |
| Taxes due on lump sum (35%) | 237,313 |
| Lump Sum Amount after taxes | 440,725 |

Example D

PARKER SUPPLEMENTAL PLAN

Benefit for Retiring Employee

Employee covered under Supplemental Plan at change in control. Benefit is determined based on continued service for 2 years assuming that Parker Salaried Plan and employees' plan remain unchanged to the expiration (at age 60) of the change in control officer agreement with the company.

| | |
|---|------------|
| Age | 58 |
| Salary | \$ 200,000 |
| Change in control officer contract expires at age 60. | |
| Change in control effective January 1, 1987. | |
| Service to December 31, 1986: | 28 years |
| Maximum aggregate tax rate: | 35% |
| PBGC immediate interest rate: | 6.5% |
| Final 5-year average salary: | \$ 200,000 |
| Final 3-year average salary: | 200,000 |
| Pension - Parker Salaried: | 52,000 |
| Base Supplemental Pension | 100,000 |
| Supplement to age 62: | 48,000 |
| Estimated Social Security: | 10,068 |
| Supplement after age 62: | 42,966 |
| Life Expectancy at age 60: | 19 years |
| Value of Pension at Specified Rate Net of Taxes | \$ 673,200 |
| Taxes due on lump sum (35%) | 235,620 |
| Lump Sum Amount after taxes | 437,580 |

Example E

PARKER SUPPLEMENTAL PLAN

Benefit for Retiring Employee

Employee covered under Supplemental Plan at change in control. Benefit is determined based on continued service for 2 years assuming that Parker Salaried Plan and employees' pay remain unchanged to the expiration (at age 60) of the change in control officer agreement with the company.

Employee also has employment agreement granting 16 years of service from prior employer but offsetting \$34,000 pension at age 60 from that employer.

| | |
|--|------------|
| Age | 58 |
| Salary | \$ 200,000 |
| Change in control officer contract expires at age 60. | |
| Change in control effective January 1, 1987. | |
| Service to December 31, 1986: | 14 years |
| Maximum aggregate tax rate: | 35% |
| PBGC immediate interest rate: | 6.5% |
| Service with prior employer: | 16 years |
| Benefit from prior employer to be paid if payments begin at age 60 | \$ 34,000 |
| Final 5-year average salary: | \$ 200,000 |
| Final 3-year average salary: | 200,000 |
| Pension - Parker Salaried: | 27,500 |
| Base Supplemental Pension | 100,000 |
| Supplement to age 62: | 38,500 |
| Estimated Social Security: | 10,068 |
| Supplement after age 62: | 33,466 |
| Life Expectancy at age 60: | 19 years |
| Value of Pension at Specified Rate Net of Taxes | \$ 527,530 |
| Taxes due on lump sum (35%) | 184,630 |
| Lump Sum Amount after taxes | 342,900 |

Example F

PARKER SUPPLEMENTAL PLAN

Example of Benefit Determination for Participation who has received a prior Lump Sum Payment

Change in control lump sum paid in 1987 to employee aged 48. Supplemental benefit determined to begin at age 58 was \$35,000.

| | |
|--|------------|
| Lump sum based on Specified rate (8%) | \$ 166,000 |
| Actual lump sum (net specified rate (4%)) | 328,200 |
| Lump sum rolled up at the specified rate to age 65 | \$ 614,200 |
| Supplemental benefit at age 65 | \$ 85,000 |
| Lump sum value (at specified rate) | 827,100 |
| Excess of current lump sum over accumulated lump sum | \$ 212,900 |
| Additional annual pension available at 65 | 21,880 |

Factor:

Original lump sum at specified rate (based on 8% interest, assumed payments beginning in 10 years, no taxes to be paid, and life expectancy of 20 years).

$$\begin{aligned} & \$35,000 \times (20\text{-year annuity}) \times \text{discount from 58} \\ & = \$35,000 \times 10.2386 \times .4631935 = \$166,000 \end{aligned}$$

Actual lump sum:

$$\$35,000 \times 13,8830 \times .675564 = \$328,260$$

Accumulated initial lump sum (Note: The lump sum originally paid was \$166,000 so that is the base for additional calculation. The difference between \$328,200 and \$166,000 is the 50% tax rate.)

$$\begin{aligned} & \$166,000 \times \text{interest for 17 years} \\ & = \$166,000 \times 3.700018 = \$614,200 \end{aligned}$$

Final benefit calculation (based on 6.5% interest and 15-year life expectancy at age 65.)

$$\begin{aligned} & \$85,000 \times (15\text{-year annuity}) \\ & = \$85,000 \times 9.7305 = \$827,100 \end{aligned}$$

$$(\$827,100 - \$614,200) / 9.7305 = \$21,880$$

Example G

PARKER HANNIFIN CORPORATION

Supplemental Executive Retirement Plan

Example of Death Benefit for Participants

A participant dies at age 58 after working for 20 years. The Supplemental benefit to his spouse (age 55) is based on the following information:

| | |
|--|------------|
| Salaried Plan benefit at 65 | \$ 100,000 |
| Profit Sharing balance at 58 | 120,000 |
| Immediate benefit from Profit Sharing ($\$120,000 / 11.0694$) | 10,840 |
| Benefit from prior employer | |
| at 65 (life only) | 20,000 |
| at 58 (50% J&S) | 5,300 |
| Salaried Plan benefit at 58 (life only) ($.58 \times \$100,000$) | \$ 58,000 |
| Benefit on 50% J&S basis ($.8897 \times \$58,000$) | 51,600 |
| Benefit to spouse ($.50 \times \$51,600$) | 25,800 |
| Assumed Social Security benefit at 62 | 6,360 |

The Supplemental benefits are determined as follows:

| | |
|--|------------|
| Final three-year average salary | \$ 240,000 |
| Base Supplemental benefit ($.46 \times \$240,000$) | 110,400 |
| Supplemental after J&S adjustment ($.86 \times \$110,400$) | 94,940 |
| Less: | |
| Salaried plan benefit | 25,800 |
| Profit Sharing benefit | 10,840 |
| Prior employer benefit | 5,300 |
| Annual benefit to spouse under 62 | \$ 53,000 |
| Less: 50% of Social Security | 4,680 |
| Annual benefit to spouse 62 and over | \$ 48,320 |

Total retirement income to the spouse will be as follows:

| Plan | For 10 years | | After 10 years | |
|------------------------|-----------------------|----------------------|-----------------------|----------------------|
| | While under Age 62 | While 62 and over | While under Age 62 | While 62 and over |
| Salaried Plan | \$ 25,800 | \$ 25,800 | \$ 25,800 | \$ 25,800 |
| Supplemental Plan | 53,000 | 48,320 | 5,530 | 3,190 |
| Profit Sharing | 10,840 | 10,840 | 10,840 | 10,840 |
| 50% of Social Security | - | 4,680 | - | 4,680 |
| Previous employer | 5,300 | 5,300 | 5,300 | 5,300 |
| Total | 94,940 | 94,940 | 47,470 | 49,810 |

The following factors were used in determining the above results:

| | |
|--------------------------------------|---------|
| Joint and Survivor factors: | |
| 50% J&S (Salaried benefit) | 88.97% |
| 50% with 10 years (SERP) | 86.00 |
| Salaried early retirement factor | 58.00 |
| Immediate annuity for profit sharing | 11.0694 |
| Supplemental plan factors: | |
| at 65 | 55% |
| at 60 | 50 |
| at 58 | 46 |

Example H

PARKER HANNIFIN CORPORATION

Supplemental Executive Retirement Plan

Example of Death Benefits for Participants

A participant dies at age 53 after working for 20 years. The Supplemental benefit to his spouse (age 50) is based on the following information:

| | |
|--|------------|
| Salaried Plan benefit at 65 | \$ 100,000 |
| Profit Sharing balance at 58 | 90,000 |
| Immediate benefit from Profit Sharing (\$90,000 / 12.1667) | 7,400 |
| Salaried Plan benefit at 53 (life only) (.32 x \$100,000) | \$ 32,000 |
| Benefit on 50% J&S basis (.9085 x \$32,000) | 29,080 |
| Benefit to spouse (.50 x \$29,080) | 14,450 |
| Assumed Social Security benefit at 62 | 9,360 |

The Supplemental benefits are determined as follows:

| | |
|--|------------|
| Final three-year average salary | \$ 240,000 |
| Base Supplemental benefit (.36 x \$240,000) | 86,400 |
| Supplemental after J&S adjustment (.8882 x \$86,400) | 76,740 |
| Less: | |
| Salaried plan benefit | 14,540 |
| Profit Sharing benefit | 7,400 |
| Annual benefit to spouse under 62 | \$ 54,800 |
| Less: 50% of Social Security | 4,680 |
| Annual benefit to spouse 62 and over | \$ 50,120 |

Total retirement income to the spouse will be as follows:

| Plan | For 10 years | | After 10 years | |
|------------------------|-----------------------|----------------------|-----------------------|----------------------|
| | While under Age 62 | While 62 and over | While under Age 62 | While 62 and over |
| Salaried Plan | \$ 14,540 | \$ 14,540 | \$ 14,540 | \$ 14,450 |
| Supplemental Plan | 54,800 | 50,120 | 16,430 | 14,090 |
| Profit Sharing | 7,400 | 7,400 | 7,400 | 7,400 |
| 50% of Social Security | - | 4,680 | - | 4,680 |
| Total | 76,740 | 76,740 | 38,370 | 40,710 |

The following factors were used in determining the above results:

| | |
|--------------------------------------|---------|
| Joint and Survivor factors: | |
| 50% J&S (Salaried benefit) | 90.85% |
| 50% with 10 years (SERP) | 88.82 |
| Salaried early retirement factor | 32.00 |
| Immediate annuity for profit sharing | 12.1667 |
| Supplemental plan factors: | |
| at 65 | 55% |
| at 60 | 50 |
| at 55 | 40 |
| at 53 | 36 |

Exhibit (10)(1)* to Report
on Form 10-K for Fiscal
Year Ended June 30, 1995
by Parker-Hannifin Corporation

Parker-Hannifin Corporation 1996 Target Incentive
Bonus Plan Description

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

PARKER-HANNIFIN CORPORATION 1996 TARGET INCENTIVE BONUS PLAN

- A. Payments earned under the Bonus Plan depend upon the Company's performance against a pre-tax return on average assets (ROAA) schedule which is based upon the Fiscal Year 1996 operating plan.
- B. The payout under the Plan ranges from 15% to 150% of each participant's target award, with 100% payout set at achievement of fiscal year 1996 planned ROAA.
- C. Any payout pursuant to the Plan that will result in the exceedance of the \$1 million cap on the tax deductibility of executive compensation will be deferred until such time in the earliest subsequent fiscal year that such cap will not be exceeded.
- D. Participants: All of the executive officers of the Company, plus Group Presidents who are not executive officers.
- E. Fiscal year 1996 Planned ROAA: 17.1%

ROAA Payout Schedule

| FY96 ROAA | Percentage of Target Award Paid* |
|--------------|-------------------------------------|
| < 4.4% | 0 |
| 4.4% | 30% |
| 6.4% | 40% |
| 8.3% | 50% |
| 10.2% | 60% |
| 12.0% | 70% |
| 12.4% | 72% |
| 13.7% | 80% |
| 15.4% | 90% |
| 17.1% | 100% |
| 17.9% | 113% |
| 18.9% | 125% |
| 19.7% | 138% |
| 20.6% | 150% |

* Fiscal year 1996 ROAA less than 12.4% will reduce the amount paid by 50%.

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

Exhibit (10)(n)* to Report
on Form 10-K for Fiscal
Year Ended June 30, 1995
by Parker-Hannifin Corporation

Parker-Hannifin Corporation 1994-95-96 Long Term
Incentive Plan Description, as amended as of August 17, 1995

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

PARKER-HANNIFIN CORPORATION
1994-95-96
LONG TERM INCENTIVE PLAN

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

The participants in this plan in the near term will be limited to Corporate Officers and Group Presidents. They clearly can affect broadly the overall financial performance of the company. At a later date, it could be expanded to include Operating Vice Presidents and equivalent Corporate Staff positions.

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

Participation

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

Performance Period

Three-year average Return on Equity with the grant to cover FY 94, 95 and 96.

Size of Awards

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

Performance Objective

The Return on Equity objective is 16%.

Value Range

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

Performance Range

For performance below a threshold of 8% ROE objective, no payment will be made. For performance between 8% and 20% ROE, payments will be earned between 25% and 200% of the target value on a proportional basis above and below the target value. The plan is capped at 200%.

Payment

Payments earned under the plan will be paid at the end of the three-year performance period. Payment will be made in restricted stock of the Corporation. The restricted shares would be subject to a vesting schedule and such other terms and conditions determined by the Compensation Committee at the time of issuance. Any payout pursuant to this plan that will result in the exceedance of the \$1 million cap on the tax deductibility of executive compensation will be deferred until such time in the earliest subsequent fiscal year that such cap will not be exceeded.

Termination of Employment

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

Performance Schedule

The Plan performance schedule, based on the three year simple average of annual report Return on Equity, is as follows:

| | Return on Equity | | | | | | | |
|----------|------------------|------|-------|-------|-------|-------|-------|-------|
| | <8.0% | 8.0% | 10.0% | 12.0% | 14.0% | 16.0% | 18.0% | 20.0% |
| Payout % | 0 | 25 | 35 | 50 | 70 | 100 | 150 | 200 |

Change in Control

In the event of a "Change in Control" of the Corporation (as defined in the Change in Control Agreements between the Corporation and its executive officers), the payout under the Plan will be accelerated to fifteen (15) days after the Change in Control. The amount of the payout will be in cash and will be the greater of the target award or the amount the payout would have been had ROE during the Performance Period to the date of the Change in Control continued throughout the Performance Period.

Exhibit (10)(o)* to Report
on Form 10-K for Fiscal
Year Ended June 30, 1995
by Parker-Hannifin Corporation

Parker-Hannifin Corporation 1995-96-97 Long Term
Incentive Plan Description, as amended as of August 17, 1995

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

PARKER-HANNIFIN CORPORATION
1995-96-97
LONG TERM INCENTIVE PLAN

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

The participants in this plan in the near term will be limited to Corporate Officers and Group Presidents. They clearly can affect broadly the overall financial performance of the company. At a later date, it could be expanded to include Operating Vice Presidents and equivalent Corporate Staff positions.

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

Participation

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

Performance Period

Three-year average Return on Equity with the grant to cover FY 95, 96 and 97.

Size of Awards

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

Performance Objective

The Return on Equity objective is 14%.

Value Range

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

Performance Range

For performance below a threshold of 8% ROE objective, no payment will be made. For performance between 8% and 20% ROE, payments will be earned between 25% and 200% of the target value on a proportional basis above and below the target value. The plan is capped at 200%.

Payment

Payments earned under the plan will be paid at the end of the three-year performance period. Payment will be made in restricted stock of the Corporation unless the participant elects a cash payment to be deferred under the Corporation's voluntary income deferral plan. The restricted shares would be subject to a vesting schedule and such other terms and conditions determined by the Compensation Committee at the time of issuance. Any payout pursuant to this plan that will result in the exceedance of the \$1 million cap on the tax deductibility of executive compensation will be deferred until such time in the earliest subsequent fiscal year that such cap will not be exceeded.

Termination of Employment

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

Performance Schedule

The Plan performance schedule, based on the three year simple average of annual report Return on Equity, is as follows:

| | Return on Equity | | | | | | | |
|----------|------------------|------|-------|-------|-------|-------|-------|-------|
| | <8.0% | 8.0% | 10.0% | 12.0% | 14.0% | 16.0% | 18.0% | 20.0% |
| Payout % | 0 | 25 | 50 | 75 | 100 | 133 | 167 | 200 |

Change in Control

In the event of a "Change in Control" of the Corporation (as defined in the Change in Control Agreements between the Corporation and its executive officers), the payout under the Plan will be accelerated to fifteen (15) days after the Change in Control. The amount of the payout will be in cash and will be the greater of the target award or the amount the payout would have been had ROE during the Performance Period to the date of the Change in Control continued throughout the Performance Period.

Exhibit (10)(p)* to Report
on Form 10-K for Fiscal
Year Ended June 30, 1995
by Parker-Hannifin Corporation

Parker-Hannifin Corporation 1996-97-98 Long Term
Incentive Plan Description

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

PARKER-HANNIFIN CORPORATION
1996-97-98
LONG TERM INCENTIVE PLAN

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

The participants in this plan in the near term will be limited to Corporate Officers and Group Presidents. They clearly can affect broadly the overall financial performance of the company. At a later date, it could be expanded to include Operating Vice Presidents and equivalent Corporate Staff positions.

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

Participation

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

Performance Period

Three-year average Return on Equity with the grant to cover FY 96, 97 and 98.

Size of Awards

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

Performance Objective

The Return on Equity objective is 14%.

Value Range

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

Performance Range

For performance below a threshold of 8% ROE objective, no payment will be made. For performance between 8% and 20% ROE, payments will be earned between 25% and 200% of the target value on a proportional basis above and below the target value. The plan is capped at 200%.

Payment

Payments earned under the plan will be paid at the end of the three-year performance period. Payment will be made in restricted stock of the Corporation unless the participant is retired at the time of payment or has previously elected a cash payment to be deferred under the Corporation's Executive Deferral Plan. The value of the cash payment in lieu of restricted shares is determined based upon the share price of Parker-Hannifin's Common Shares on June 30, 1998. The restricted shares would be subject to a vesting schedule and such other terms and conditions determined by the Compensation Committee at the time of issuance. Any payout pursuant to this plan that will result in the exceedance of the \$1 million cap on the tax deductibility of executive compensation will be deferred until such time in the earliest subsequent fiscal year that such cap will not be exceeded.

Termination of Employment

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

Performance Schedule

The Plan performance schedule, based on the three year simple average of annual report Return on Equity, is as follows:

| | Return on Equity | | | | | | | |
|----------|------------------|------|-------|-------|-------|-------|-------|-------|
| | <8.0% | 8.0% | 10.0% | 12.0% | 14.0% | 16.0% | 18.0% | 20.0% |
| Payout % | 0 | 25 | 50 | 75 | 100 | 133 | 167 | 200 |

Change in Control

In the event of a "Change in Control" of the Corporation (as defined in the Change in Control Agreements between the Corporation and its executive officers), the payout under the Plan will be accelerated to fifteen (15) days after the Change in Control. The amount of the payout will be in cash and will be the greater of the target award or the amount the payout would have been had ROE during the Performance Period to the date of the Change in Control continued throughout the Performance Period.

Exhibit (10)(q)* to Report
on Form 10-K for Fiscal
Year Ended June 30, 1995
by Parker-Hannifin Corporation

Parker-Hannifin Corporation Savings Restoration Plan,
as amended as of August 17, 1995

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

PARKER-HANNIFIN CORPORATION

SAVINGS RESTORATION PLAN

Parker-Hannifin Corporation, an Ohio corporation, (the "Company"), hereby establishes this Savings Restoration Plan (the "Plan"), effective October 1, 1994, for the purpose of attracting high quality executives and promoting in its executives increased efficiency and an interest in the successful operation of the Company by restoring some of the deferral opportunities and employer-provided benefits that are lost under The Parker-Hannifin Employees' Savings Plus Stock Ownership Plan due to legislative limits. The benefits provided under the Plan shall be provided in consideration for services to be performed after the effective date of the Plan, but prior to the executive's retirement.

ARTICLE 1

Definitions

1.1 Administrator shall mean the Company or, if applicable, the committee appointed by the Board of Directors of the Company to administer the Plan pursuant to Article 13 of the Plan.

1.2 Annual Deferral shall mean the amount of Compensation which the Participant elects to defer for a Plan Year pursuant to Articles 2 and 3 of the Plan.

1.3 Beneficiary shall mean the person or persons or entity designated as such in accordance with Article 14 of the Plan.

1.4 Change in Control shall mean any of the following events have occurred:

(i) any "person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the "Exchange Act") and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board of Directors of the Company (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, direct or indirect, majority-owned subsidiaries of the Company; (B) an acquisition by any employee benefit plan sponsored or maintained by the Company or any corporation controlled by the Company; (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 one or more of the officers who have "change in control"

contracts with the Company; or (F) the acquisition of Company Voting Securities from the Company, if a majority of the Board of Directors of the Company 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 of Directors of the Company (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 (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 of Directors shall be deemed to be a member of the Incumbent Board;

(iii) a merger or consolidation or similar form of corporate reorganization, or sale or other disposition of all or substantially all of the assets, of the Company (a "Business Combination") is consummated, unless immediately following such Business Combination: (A) more than 55% of the total voting power of the corporation resulting from such Business Combination (including, without limitation, for purposes of making such 55% determination, any shares owned through any entity which directly or indirectly has beneficial ownership of the Company Voting Securities or all or substantially all of the Company's assets) eligible to elect directors of such corporation is represented by shares held by shareholders of the Company immediately prior to such Business Combination (either by remaining outstanding or being converted); (B) no person (other than any holding company resulting from such Business Combination, any employee benefit plan sponsored or maintained by the Company (or the corporation resulting from such Business Combination), or any person which beneficially owned, immediately prior to such Business Combination, directly or indirectly, 20% or more of the Company Voting Securities) 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 corporation resulting from such Business Combination; and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or action of the Board of Directors, providing for such Business Combination (a "Non-Control Transaction"); or

(iv) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company.

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, then a Change in Control shall occur.

1.5 Compensation shall mean the sum of the Participant's base salary and anticipated regular bonuses (including profit-sharing, RONA, and executive compensation, but excluding payments under any long term incentive plan, volume incentive plan, or other extraordinary bonus or incentive plan) for a Plan Year before reductions for deferrals under the Plan, or the Executive Deferral Plan, or the Savings Plan, or the Benefits Plus Program.

1.6 Crediting Rate shall mean (i) the amount described in Section 1.6.1 to the extent the Restoration Account Balance represents either Annual Deferrals under Article 3 or earnings previously credited on such deferrals under Section 5.2 or (ii) the amount described in Section 1.6.2 to the extent the Restoration Account balance represents either Matching Credits under Article 4 or interest previously credited on such Matching Credits under Section 5.2:

1.6.1 Crediting Rate for Annual Deferrals shall mean any notional gains or losses equal to those generated as if the Restoration Account balance attributable to Annual Deferrals under Article 3 had been invested in one or more of the investment portfolios sponsored by The Prudential Series Fund, Inc. and designated as available by the Administrator, less separate account fees and less applicable administrative charges determined annually by the Administrator.

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

1.6.2 Crediting Rate for Matching Credits shall mean any notional gains or losses equal to those generated as if the Restoration Account balance attributable to Matching Credits under Article 4 had been invested in the Common Stock of the Company, including reinvestment of dividends. The rules and procedures for determining the value of the Common Stock of the Company shall be determined by the Administrator. The rules and procedures for re-allocating the Restoration Account balance attributable to the

Matching Credits among the other portfolios offered under the Plan shall be determined by the Administrator.

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

1.8 Early Retirement Date shall mean age 55 with ten or more years of employment with Company.

1.9 Eligible Executive shall mean a key employee of the Company or any of its subsidiaries who (i) participates in the Savings Plan and makes the maximum permissible pre-tax contributions of compensation, (ii) is designated by the Administrator as eligible to participate in the Plan (subject to the restriction in Sections 10.2 and 12.2 of the Plan), and (iii) qualifies as a member of the "select group of management or highly compensated employees" under ERISA.

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

1.11 Executive Deferral Plan shall mean the Parker-Hannifin Corporation Executive Deferral Plan as it currently exists and as it may subsequently be amended.

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

1.13 Fixed Crediting Rate shall mean an effective annual yield equal to ninety percent (90%) of the sixty (60) month rolling average of the Ten-Year United States Treasury Note as determined by the Administrator on September 30 of the preceding year. Notwithstanding the preceding sentence, with respect to the first Plan Year, the Fixed Crediting Rate shall be determined as of September 30, 1994. The Fixed Crediting Rate in effect as of the Participant's Termination of Employment or death shall be held constant for the remainder of the period for which benefits are paid.

1.14 Matching Credit shall mean the Company's credit to the Participant's Restoration Account under Article 4.

1.15 Normal Retirement Date shall mean the date on which a Participant attains age 65.

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

1.17 Participation Agreement shall mean the Participant's written election to participate in the Plan.

1.18 Plan Year shall mean the calendar year, except that the first Plan Year shall be the year commencing October 1, 1994 and ending December 31, 1994.

1.19 Restoration Account shall mean the notional account established for record keeping purposes for a Participant pursuant to Article 5 of the Plan.

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

1.21 Savings Plan shall mean The Parker-Hannifin Employees' Savings Plus Stock Ownership Plan as it currently exists and as it may subsequently be amended.

1.22 Statutory Limit shall mean any statutory or regulatory limit on salary reduction contributions to savings plans, or on compensation taken into account in calculating employer or employee contributions to savings plans with the exception of Internal Revenue Code Section 415(c), as adjusted for inflation, which shall be deemed to apply to the combination of both employer and employee contributions made in combination to the Plan and the Savings Plan. The impact of such limits on the Participants shall be determined by the Company prior to the beginning of each Plan Year based upon its best estimates and according to procedures determined by the Administrator. Once the Company has determined the impact of the Statutory Limits, no adjustment shall be made to increase deferrals or matching credits under this Plan notwithstanding any adjustments ultimately required under the Savings Plan due to actual employee contributions or other factors.

1.23 Termination of Employment shall mean the Participant's employment with the Company ceases for any reason whatsoever, whether voluntary or involuntary, other than Retirement or death.

1.24 Unscheduled Withdrawal shall mean a distribution of all or a portion of the entire amount credited to the Participant's Restoration Account requested by the Participant pursuant to the provisions of Article 11 of the Plan.

1.25 Valuation Date shall mean the end of the month in which Retirement, Termination of Employment, or death occurs, except in the event of an election to delay retirement benefits under Article 6, in which case the Valuation Date shall mean the November 30 of the year preceding commencement of benefit payments.

ARTICLE 2

Participation

2.1 Participation Agreement / Annual Deferral. An Eligible Executive shall become a Participant in the Plan on the first day of the Plan Year coincident with or next following the later of the date the individual becomes an Eligible Executive and the date the individual begins to participate in the Savings Plan, provided such Eligible Executive has submitted to the Administrator a Participation Agreement. To be effective, the Eligible Executive must submit the Participation Agreement to the Administrator during the enrollment period designated by the Administrator. In the Participation Agreement, and subject to the restrictions in Article 3, the Eligible Executive shall designate the Annual Deferral for the covered Plan Year.

2.2 Continuation of Participation. An Eligible Executive who has elected to participate in the Plan by making an Annual Deferral shall continue as a Participant in the Plan for purposes of such Annual Deferral even though such executive ceases to be an Eligible Executive. However, a Participant shall not be eligible to elect a new Annual Deferral unless the Participant is an Eligible Executive for the Plan Year for which the election is made.

ARTICLE 3

Executive Deferrals

3.1 Deferral Election. A Participant who has elected to contribute under the Savings Plan, but whose pre-tax contributions to the Savings Plan are limited by the Statutory Limit, may elect an Annual Deferral under this Plan to defer all or a portion of the Compensation that he or she cannot defer under the Savings Plan due to the Statutory Limit. Such election shall designate a specified percentage of Compensation to be deferred. Such percentage shall include anticipated contributions to the Savings Plan as well as to this Plan. Annual Deferrals under this Plan shall be irrevocable.

3.2 Maximum Annual Deferral. The Annual Deferral for a Plan Year, when combined with the amount the Participant has elected to contribute to the Savings Plan on a pre-tax basis, may not exceed the stated percentage of Compensation that could be deferred in the Savings Plan but for the Statutory Limits. In addition, the Administrator shall, in its sole discretion and prior to the first day of the Plan Year, decrease the deferral as needed to allow the Participant to receive the optimal Matching Credit within the Statutory Limits as defined for purpose of the Plan.

3.3 Discontinuation of Deferral. In the event that a Participant elects to make after-tax contributions of Compensation to the Savings Plan, deferrals under this Plan shall cease for the remainder of the Plan Year.

3.4 Vesting. The Participant's right to receive Compensation deferred (and gains or losses thereon) under this Article 3 shall be 100% vested at all times.

ARTICLE 4

Company Matching Credits

4.1 Amount. The Company's Matching Credit in each Plan Year shall equal one hundred percent (100%) of the first three percent (3%) of Compensation deferred and twenty-five percent (25%) of the next two (2%) of Compensation deferred, reduced by the matching contributions credited to the Participant's account under the Savings Plan.

4.2 Discontinuation of Matching Credits. Notwithstanding the foregoing, if the Participant decreases or ceases pre-tax contributions and/or makes after-tax contributions to the Savings Plan in any Plan Year, additional Matching Credits shall not be credited to the Participant's Restoration Account for the remainder of that Plan Year.

4.3 Vesting. Subject to Section 12.4, the Participant's right to receive Matching Credits (and gains or losses thereon) credited to the Participant's Restoration Account shall be one hundred percent (100%) vested.

ARTICLE 5

Restoration Accounts

5.1 Restoration Accounts. Solely for record keeping purposes, the Company shall maintain a Restoration Account for each Participant.

5.2 Timing of Credits -- Pre-Termination. The Company shall credit to the Restoration Account the Annual Deferrals under Article 3 at the time the deferrals would otherwise have been paid to the Participant but for the deferral election. Matching Credits under Article 4 shall be credited to the Restoration Account quarterly as of the first day of the following quarter. The Company shall also credit gains or losses to the Restoration Account each calendar quarter, or as of the Valuation Date, using the Crediting Rate in effect.

5.3 Mid-Year Terminations. If a Participant's Termination of Employment occurs other than at the end of a Plan Year, the Company shall credit gains or losses to the Restoration Account from the first day of such Plan Year to the Valuation Date.

5.4 Statement of Accounts. The Administrator shall provide periodically to each Participant a statement setting forth the balance of the Restoration Account maintained for such Participant.

ARTICLE 6

Retirement Benefits

6.1 Amount. Upon Retirement, the Company shall pay to the Participant a retirement benefit in the form provided in Section 6.2 of the Plan, based on the balance of the Restoration Account as of the Valuation Date. If paid as a lump sum, the retirement benefit shall be equal to such balance. If paid in installments, the installments shall be paid in amounts that will annually amortize such balance with earnings and losses credited at the Crediting Rate over the period of time benefits are to be paid.

6.2 Form of Retirement Benefits. The retirement benefit shall be paid monthly over a period of one hundred eighty (180) months or the number of months required to result in a monthly benefit of one thousand dollars (\$1,000.00), if less. Notwithstanding anything herein to the contrary, the Participant may elect in the Participation Agreement to have the retirement benefit paid in a lump sum or in installments paid monthly over a period of sixty (60) or one hundred twenty (120) months. Payments shall be made or shall begin as of the first day of the calendar quarter next following the date sixty (60) days after the Participant's Retirement unless the Participant elects in the Participation Agreement for payments to begin on January 1 of a later year. However, in all events payments shall commence on or before the earlier of the date the retired Participant attains age seventy (70) or the January 1 five years after Retirement. Except as provided under Section 10.2, Participants may elect an alternative form of payout as available under this Section 6.2 by written election filed with the Administrator; provided, however, that if the Participant files the election less than thirteen (13) months prior to the date benefit payments are to commence, the Participant's Restoration Account shall be reduced by ten percent (10%).

6.3 Small Benefit Exception. Notwithstanding any of the foregoing, if the sum of all benefits payable to the Participant is less than or equal to five thousand dollars (\$5,000.00), the Company may, in its sole discretion, elect to pay such benefits in a single lump sum.

ARTICLE 7

Termination Benefits

7.1 Amount. As of the first day of the calendar quarter beginning at least sixty (60) days after Termination of Employment, the Company shall pay to the Participant a termination benefit equal to the balance of the Restoration Account as of the Valuation Date.

7.2 Form of Termination Benefits. The Company shall pay the termination benefits in a single lump sum; provided, however, that except following a Change in Control the Company may, in its sole discretion, elect to pay the termination benefits over a period of three (3) years in monthly installments, in which event the Company shall credit interest on

the unpaid balance of the Restoration Account after the Valuation Date at the Fixed Crediting Rate in effect at the time of Termination of Employment.

ARTICLE 8

Survivor Benefits

8.1 Pre-Commencement Survivor Benefit. If the Participant dies prior to the time installment payments have commenced, the Company shall pay to the Participant's Beneficiary within ninety (90) days after the Participant's death a benefit equal to the balance of the Participant's Restoration Account as of the Valuation Date.

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

8.3 Small Benefit Payment. Notwithstanding any of the foregoing, in the event the sum of all benefits payable to the Beneficiary is less than or equal to five thousand dollars (\$5,000.00), the Company may, in its sole discretion, elect to pay such benefits in a single lump sum.

ARTICLE 9

Disability

If a Participant suffers a Disability, the Company shall pay the benefit described in Article 6 to the Participant as if the date of the Participant's Termination of Employment for Disability were the Participant's Normal Retirement Date.

ARTICLE 10

Change in Control

10.1 Election. At the time the Participant is completing his initial Participation Agreement, the Participant may elect that, if a Change in Control occurs, the Participant (or after the Participant's death the Participant's Beneficiary) shall receive a lump sum payment of the balance of the Restoration Account within thirty (30) days after the Change of Control. Such balance shall be determined as of end of the month sixty (60) days prior to the month in which the Change of Control occurs.

10.2 Benefit Reduction on Withdrawal. If a Participant has not made the election described in Section 10.1 above and, within thirty (30) days after a Change of Control, the Participant (or Beneficiary) elects to receive a distribution of the balance of the Restoration Account (determined as described in Section 10.1 herein), the lump sum payment shall be reduced by an amount equal to five percent (5%) of the total balance of the Restoration Account (instead of the ten percent (10%) reduction otherwise provided for in Section 11.2). If a Participant elects such a withdrawal, any on-going Annual Deferral shall cease, and the Participant may not again be designated as an Eligible Executive until one entire Plan Year following the Plan Year in which such withdrawal was made has elapsed.

ARTICLE 11

Unscheduled Withdrawals

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

11.2 Withdrawal Penalty. There shall be a penalty deducted from the Restoration Account prior to an Unscheduled Withdrawal equal to ten percent (10%) of the Unscheduled Withdrawal. If a Participant elects such a withdrawal, any on-going Annual Deferral shall cease, and the Participant may not again be designated as an Eligible Executive until one entire Plan Year following the Plan Year in which such withdrawal was made has elapsed.

11.3 Small Benefit Exception. Notwithstanding any of the foregoing, if the sum of all benefits payable to the Participant or Beneficiary who has requested the Unscheduled Withdrawal is less than or equal to five thousand dollars (\$5,000.00), the Company may, in its sole discretion, elect to pay out the entire Restoration Account balance (reduced by the ten percent (10%) penalty) in a single lump sum.

ARTICLE 12

Conditions Related to Benefits

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

12.2 Financial Hardship Distribution. Upon a finding that the Participant or the Beneficiary has suffered a Financial Hardship, the Administrator may in its sole discretion, permit the Participant to cease any on-going deferrals and accelerate distributions of benefits under the Plan in the amount reasonably necessary to alleviate such Financial Hardship. If a distribution is to be made to a Participant on account of Financial Hardship, the Participant may not make deferrals under the Plan until one entire Plan Year following the Plan Year in which a distribution based on Financial Hardship was made has elapsed.

12.3 No Right to Company Assets. The benefits paid under the Plan shall be paid from the general funds of the Company, and the Participant and any Beneficiary shall be no more than unsecured general creditors of the Company with no special or prior right to any assets of the Company for payment of any obligations hereunder.

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

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

ARTICLE 13

Administration of Plan

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

The Administrator shall administer the Plan and interpret, construe and apply its provisions in accordance with its terms. The Administrator shall further establish, adopt or revise such rules and regulations as it may deem necessary or advisable for the administration of the Plan. All decisions of the Administrator shall be final and binding. The individuals serving on the committee shall, except as prohibited by law, be indemnified and held harmless

by the Company from any and all liabilities, costs, and expenses (including legal fees), to the extent not covered by liability insurance arising out of any action taken by any member of the committee with respect to the Plan, unless such liability arises from the individual's own gross negligence or willful misconduct.

ARTICLE 14

Beneficiary Designation

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

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

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

ARTICLE 15

Amendment and Termination of Plan

15.1 Amendment of Plan. Except as provided in Section 15.3, the Company may at any time amend the Plan in whole or in part, provided, however, that such amendment (i) shall not decrease the balance of the Participant's Restoration Account at the time of such amendment and (ii) shall not retroactively decrease the applicable Crediting Rate of the Plan prior to the time of such amendment. The Company may amend the Crediting Rate or Fixed Crediting Rate of the Plan prospectively, in which case the Company shall notify the Participant of such amendment in writing within thirty (30) days after such amendment.

15.2 Termination of Plan. Except as provided in Section 15.3, the Company may at any time terminate the Plan. If the Company terminates the Plan, the date of such

termination shall be treated as the date of Retirement or Termination of Employment for the purpose of calculating Plan benefits, and the Company shall pay to the Participant the benefits the Participant is entitled to receive under the Plan in monthly installments over a thirty-six (36) month period. Interest at the Fixed Crediting Rate will be credited to the Participant's Restoration Account commencing as of the date of the Plan's termination and continuing until distribution under this Section is completed.

15.3 Amendment or Termination After Change in Control. Notwithstanding the foregoing, the Company shall not amend or terminate the Plan without the prior written consent of affected Participants for a period of two calendar years following a Change in Control and shall not thereafter amend or terminate the Plan in any manner which affects any Participant (or Beneficiary of a deceased Participant) who commences receiving payment of benefits under the Plan prior to the end of such two year period following a Change in Control.

15.4 Company Action. Except as provided in Section 15.3 or 15.5, the Company's power to amend or terminate the Plan shall be exercisable by the Company's Board of Directors or by the committee or individual authorized by the Company's Board of Directors to exercise such powers.

15.5 Constructive Receipt Termination. In the event the Administrator determines that amounts deferred under the Plan have been constructively received by Participants and must be recognized as income for federal income tax purposes, the Plan shall terminate and distributions shall be made to Participants in accordance with the Provisions of Section 15.2 or as may be determined by the Administrator. The determination of the Administrator under this Section 15.4 shall be binding and conclusive.

ARTICLE 16

Miscellaneous

16.1 Successors of the Company. The rights and obligations of the Company under the Plan shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Company.

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

16.3 Trust. The Company shall be responsible for the payment of all benefits under the Plan. At its discretion, the Company may establish one or more grantor trusts for the purpose of providing for payment of benefits under the Plan. Such trust or trusts may be irrevocable, but the assets thereof shall be subject to the claims of the Company's creditors.

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

16.4 Employment Not Guaranteed. Nothing contained in the Plan nor any action taken hereunder shall be construed as a contract of employment or as giving any Participant any right to continued employment with the Company.

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

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

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

16.8 Waiver of Breach. The waiver by the Company of any breach of any provision of the Plan by the Participant shall not operate or be construed as a waiver of any subsequent breach by the Participant.

16.9 Applicable Law. The Plan shall be governed and construed in accordance with the laws of Ohio except where the laws of Ohio are preempted by ERISA.

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

ARTICLE 17

Claims and Review Procedures

17.1 Claims Procedure. The Company shall notify a Participant in writing, within ninety (90) days after his or her written application for benefits, of his or her eligibility or noneligibility for benefits under the Plan. If the Company determines that a Participant is not eligible for benefits or full benefits, the notice shall set forth (1) the specific reasons for such denial, (2) a specific reference to the provisions of the Plan on which the denial is based, (3) a description of any additional information or material necessary for the claimant to perfect his or her claim, and a description of why it is needed, and (4) an explanation of the Plan's

claims review procedure and other appropriate information as to the steps to be taken if the Participant wishes to have the claim reviewed. If the Company determines that there are special circumstances requiring additional time to make a decision, the Company shall notify the Participant of the special circumstances and the date by which a decision is expected to be made, and may extend the time for up to an additional ninety-day period.

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

Exhibit (10)(r)* to Report
on Form 10-K for Fiscal
Year Ended June 30, 1995
by Parker-Hannifin Corporation

Parker-Hannifin Corporation Pension Restoration Plan,
as amended as of August 17, 1995

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

Parker-Hannifin Corporation

PENSION RESTORATION PLAN

Parker-Hannifin Corporation, an Ohio corporation (the "Company"), hereby establishes this Pension Restoration Plan (the "Plan"), effective January 1, 1995, for the purpose of attracting high quality executives and promoting in its executives increased efficiency and an interest in the successful operation of the Company by restoring benefits that are lost due to legislative limits on the Company's qualified retirement plan(s). The benefits provided under the Plan shall be provided in consideration for services to be performed after the effective date of the Plan, but prior to the executive's retirement.

ARTICLE 1

Definitions

1.1 Actuarial Value shall mean the actuarial present value of the benefits calculated by an actuary selected by the Administrator and using the actuarial assumptions employed under the Qualified Plan (other than the Pension Benefit Guaranty Corporation rates used to determine a lump sum benefit).

1.2 Administrator shall mean the Company or, if applicable, the committee appointed by the Board of Directors of the Company to administer the Plan pursuant to Article 6 of the Plan.

1.3 Beneficiary shall mean the person or persons or entity designated as such under the Qualified Plan.

1.4 Change in Control shall mean any of the following events have occurred:

(i) any "person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the "Exchange Act") and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board of Directors of the Company (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, direct or indirect, majority-owned subsidiaries of the Company; (B) an acquisition by any employee benefit plan sponsored or maintained by the Company or any corporation controlled by the Company; (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 one or more of the officers who have "change in control" contracts with the Company; or (F) the acquisition of Company Voting Securities from the Company, if a majority of the Board of Directors of the Company 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 of Directors of the Company (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 (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 of Directors shall be deemed to be a member of the Incumbent Board;

(iii) a merger or consolidation or similar form of corporate reorganization, or sale or other disposition of all or substantially all of the assets, of the Company (a "Business Combination") is consummated, unless immediately following such Business Combination: (A) more than 55% of the total voting power of the corporation resulting from such Business Combination (including, without limitation, for purposes of making such 55% determination, any shares owned through any entity which directly or indirectly has beneficial ownership of the Company Voting Securities or all or substantially all of the Company's assets) eligible to elect directors of such corporation is represented by shares held by shareholders of the Company immediately prior to such Business Combination (either by remaining outstanding or being converted); (B) no person (other than any holding company resulting from such Business Combination, any employee benefit plan sponsored or maintained by the Company (or the corporation resulting from such Business Combination), or any person which beneficially owned, immediately prior to such Business Combination, directly or indirectly, 20% or more of the Company Voting Securities) 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 corporation resulting from such Business Combination; and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement,

or action of the Board of Directors, providing for such Business Combination (a "Non-Control Transaction"); or

(iv) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company.

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, then a Change in Control shall occur.

1.5 Code shall mean the Internal Revenue Code of 1986, as amended, including any successor provisions.

1.6 Early Retirement Date shall mean the "Early Retirement Date" as defined in the Qualified Plan.

1.7 Eligible Executive shall mean an employee of the Company or any of its subsidiaries who (i) participates in the Qualified Plan, (ii) is designated by the Administrator as eligible to participate in the Plan, and (iii) qualifies as a member of the "select group of management or highly compensated employees" under ERISA.

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

1.9 Normal Retirement Date shall mean the "Normal Retirement Date" as defined in the Qualified Plan.

1.10 Participant shall mean an Eligible Executive who has become a participant hereunder pursuant to Article 2.

1.11 Qualified Plan shall mean the Parker-Hannifin Corporation Retirement Plan as it currently exists and as it may subsequently be amended, or any other qualified defined benefit plan maintained by the Company and in which an Eligible Executive participates.

1.12 Statutory Limit shall mean any limit on compensation taken into account in calculating benefits under qualified retirement plans under Section 401(a)(17) of the Code or that directly or indirectly affects the amount of benefits payable from a Qualified Plan.

1.13 Termination of Employment shall mean the date of the cessation of the Participant's employment with the Company for any reason whatsoever, whether voluntary or involuntary, other than as a result of the Participant's death.

ARTICLE 2

Participation

Eligible Executives shall become Participants in the Plan on the first day of the month following their appointment as Eligible Executives.

ARTICLE 3

Restoration Benefits

3.1 Amount. Upon Termination of Employment on or after Normal or Early Retirement Date, or after the Participant has a nonforfeitable right to a deferred benefit under the Qualified Plan, the Participant shall be entitled to a retirement benefit as provided in paragraph 3.2 of this Plan. The retirement benefit shall equal the benefits that would be payable to the Participant under the Qualified Plan calculated as if the Statutory Limit did not apply to such benefits, less the benefits that are payable under the Qualified Plan taking the Statutory Limit into account.

3.2 Form of Retirement Benefits. (a) Subject to (b) and (c) below, the retirement benefit shall be paid in the same form and at the same time as the Participant's benefits under the Qualified Plan.

(b) Notwithstanding (a) above, the Administrator may, in its sole discretion, elect to pay the Actuarial Value of the benefit under this Plan in a single lump sum if the monthly benefit otherwise due hereunder is less than \$50.00.

(c) Notwithstanding (a) above, a Participant who has retired at or after Normal or Early Retirement Date, or who reaches Normal or Early Retirement Date after a Termination of Employment may elect at any time thereafter to receive the remaining Actuarial Value of his benefit in a single lump sum, provided that his lump sum payment shall be reduced by 10%.

ARTICLE 4

Survivor Benefits

4.1 Survivor Benefit. If benefits are payable to the Participant's Beneficiary under the Qualified Plan following the Participant's death (whether the Participant's death occurs before or after Termination of Employment), the Company shall pay to the Participant's Beneficiary a survivor benefit equal to the benefits that would be payable to the Beneficiary under the Qualified Plan calculated as if the Statutory Limit did not apply to such benefits, less the survivor benefits that are payable under the Qualified Plan taking the Statutory Limit into account.

4.2 Form of Survivor Benefit. The survivor benefit shall be paid in the same form and at the same time as the survivor benefits under the Qualified Plan; provided, however that the Administrator may, in its sole discretion, elect to pay the Actuarial Value of the survivor benefit under this Plan in a single lump sum, if the monthly benefit otherwise payable hereunder is less than \$50.00.

ARTICLE 5

Conditions Related to Benefits

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

5.2 No Right to Company Assets. The benefits paid under the Plan shall be paid from the general funds of the Company, and the Participant and any Beneficiary shall be no more than unsecured general creditors of the Company with no special or prior right to any assets of the Company for payment of any obligations hereunder.

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

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

ARTICLE 6

Administration of Plan

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

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

ARTICLE 7

Change in Control

In the event there is a Change in Control, each Participant shall receive the Actuarial Value of his benefit earned hereunder to the date of the Change in Control. Such benefit shall be paid in monthly installments over thirty-six (36) months commencing within 3 months of the Change in Control; provided, however, that the Administrator may elect, in its sole discretion, to make payment in a single lump sum.

ARTICLE 8

Amendment and Termination of Plan

8.1 Amendment of Plan. The Company may at any time amend the Plan in whole or in part, provided, however, that such amendment shall not decrease the value of benefits accrued under the Plan prior to the time of such amendment.

8.2 Termination of Plan. The Company may at any time terminate the Plan. If the Company terminates the Plan, the date of such termination shall be treated as the date of Termination of Employment for the purpose of calculating Plan benefits. The Company shall pay to the Participant the benefits the Participant is entitled to receive under the Plan in monthly installments over a thirty-six (36) month period; provided, however, that the Administrator may elect, in its sole discretion, to make payment in a single lump sum.

8.3 Amendment or Termination After Change in Control. Notwithstanding the foregoing, the Company shall not amend or terminate the Plan without the prior written consent of affected Participants for a period of two calendar years following a Change in Control and shall not thereafter amend or terminate the Plan in any manner which affects any Participant (or Beneficiary of a deceased Participant) who commences receiving payment of benefits under the Plan prior to the end of such two year period following a Change in Control.

8.4 Company Action. Except as provided in paragraph 8.5, the Company's power to amend or terminate the Plan shall be exercisable by the Company's Board of Directors or by the committee or individual authorized by the Company's Board of Directors to exercise such powers.

8.5 Constructive Receipt Termination. In the event the Administrator determines that benefits under the Plan have been constructively received by Participants and must be recognized as income for federal income tax purposes, the Plan shall terminate and distributions shall be made to Participants in accordance with the provisions of paragraph 8.2 or as may be determined by the Administrator. The determination of the Administrator under this paragraph 8.5 shall be binding and conclusive.

ARTICLE 9

Miscellaneous

9.1 Successors of the Company. The rights and obligations of the Company under the Plan shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Company.

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

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

9.4 Employment Not Guaranteed. Nothing contained in the Plan nor any action taken hereunder shall be construed as a contract of employment or as giving any Participant any right to continued employment with the Company.

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

9.6 Captions. The captions of the articles and paragraphs of the Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

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

9.8 Waiver of Breach. The waiver by the Company of any breach of any provision of the Plan by the Participant shall not operate or be construed as a waiver of any subsequent breach by the Participant.

9.9 Applicable Law. The Plan shall be governed and construed in accordance with the laws of the Ohio except where the laws of the Ohio are preempted by ERISA.

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

ARTICLE 10

Claims and Review Procedures

10.1 Claims Procedure. The Company shall notify a Participant in writing, within ninety (90) days after his or her written application for benefits, of his or her eligibility or noneligibility for benefits under the Plan. If the Company determines that a Participant is not eligible for benefits or full benefits, the notice shall set forth (1) the specific reasons for such denial, (2) a specific reference to the provisions of the Plan on which the denial is based, (3) a description of any additional information or material necessary for the claimant to perfect his or her claim, and a description of why it is needed, and (4) an explanation of the Plan's claims review procedure and other appropriate information as to the steps to be taken if the Participant wishes to have the claim reviewed. If the Company determines that there are special circumstances requiring additional time to make a decision, the Company shall notify the Participant of the special circumstances and the date by which a decision is expected to be made, and may extend the time for up to an additional ninety-day period.

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

Exhibit (10)(s)* to Report
on Form 10-K for Fiscal
Year Ended June 30, 1995
by Parker-Hannifin Corporation

Parker-Hannifin Corporation Executive Deferral Plan,
as amended as of August 17, 1995

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

PARKER-HANNIFIN CORPORATION

EXECUTIVE DEFERRAL PLAN

Parker-Hannifin Corporation, an Ohio corporation, (the "Company"), hereby establishes this Executive Deferral Plan (the "Plan"), effective October 1, 1994, for the purpose of attracting high quality executives and promoting in its executives increased efficiency and an interest in the successful operation of the Company by offering a deferral opportunity to accumulate capital on favorable economic terms. The benefits provided under the Plan shall be provided in consideration for services to be performed after the effective date of the Plan, but prior to the executive's retirement.

ARTICLE 1

Definitions

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

1.2 Annual Deferral shall mean the amount of Compensation which the Participant elects to defer for a Plan Year pursuant to Articles 2 and 3 of the Plan.

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

1.4 Bonuses shall mean amounts paid in cash to the Participant by the Company in the form of annual and other regular periodic bonuses before reductions for deferrals under the Plan or the Savings Restoration Plan or the Savings Plan. "Annual and other regular periodic bonuses" shall include executive compensation, profit sharing and RONA, and any payments an Eligible Executive elects to have paid in cash under any long-term incentive plan of the Company, but shall exclude any non-cash payments under any such long-term incentive program, any volume incentive or similar bonus program, and any other extraordinary bonus or incentive program.

1.5 Change in Control shall mean any of the following events have occurred:

(i) any "person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the "Exchange Act") and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board of Directors of the Company (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, direct or indirect, majority-owned subsidiaries of the Company; (B) an acquisition by any employee benefit plan sponsored or maintained by the Company or any corporation controlled by the Company; (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 one or more of the officers who have "change in control" contracts with the Company; or (F) the acquisition of Company Voting Securities from the Company, if a majority of the Board of Directors of the Company 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 of Directors of the Company (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 (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 of Directors shall be deemed to be a member of the Incumbent Board;

(iii) a merger or consolidation or similar form of corporate reorganization, or sale or other disposition of all or substantially all of the assets, of the Company (a "Business Combination") is consummated, unless immediately following such Business Combination: (A) more than 55% of the total voting power of the corporation resulting from such Business Combination (including, without limitation, for purposes of making such 55% determination, any shares owned through any entity which directly or indirectly has beneficial ownership of the Company Voting Securities or all or substantially all of the Company's assets) eligible to elect directors of such corporation is represented by shares held by shareholders of the Company immediately prior to such Business Combination (either by remaining outstanding or being converted); (B) no person (other than any holding company resulting from such Business Combination, any employee benefit plan sponsored or maintained by the Company (or the corporation resulting from such Business Combination), or any person which beneficially owned, immediately prior to such Business Combination, directly or indirectly, 20% or more of the Company Voting Securities) 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 corporation resulting from such Business Combination; and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or action of the Board of Directors, providing for such Business Combination (a "Non-Control Transaction"); or

(iv) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company.

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, then a Change in Control shall occur.

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

1.7 Crediting Rate shall mean any notional gains or losses equal to those generated as if the Deferral Account balance attributable to Annual Deferrals under Article 3 had been invested in one or more of the investment portfolios sponsored by The Prudential Series Fund, Inc. and designated as available by the Administrator, less separate account fees and less applicable administrative charges determined annually by the Administrator.

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

1.8 Deferral Account shall mean the notional account established for record keeping purposes for a Participant pursuant to Article 4 of the Plan.

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

1.10 Early Retirement Date shall mean age 55 with ten or more years of employment with the Company.

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

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

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

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

1.15 Savings Plan shall mean The Parker-Hannifin Employees' Savings Plus Stock Ownership Plan as it currently exists and as it may subsequently be amended.

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

1.17 In-Service Distribution shall mean a distribution elected by the Participant pursuant to Article 10 of the Plan.

1.18 Normal Retirement Date shall mean the date on which a Participant attains age 65.

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

1.20 Participation Agreement shall mean the Participant's written election to participate in the Plan.

1.21 Plan Year shall mean the calendar year, except that the first Plan Year shall be the year commencing October 1, 1994 and ending December 31, 1994.

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

1.23 Salary shall mean the Participant's annual basic rate of pay from the Company (excluding Bonuses, commissions and other non-regular forms of compensation) before reductions for deferrals under the Plan or under the Savings Restoration Plan or under the 401(k)/ESOP Plan.

1.24 Scheduled Withdrawal shall mean a distribution of all or a portion of the entire amount credited to the Participant's Deferral Account requested by the Participant pursuant to the provisions of Article 10 of the Plan.

1.25 Termination of Employment shall mean the Participant's employment with the Company ceases for any reason whatsoever, whether voluntary or involuntary, other than Retirement or death.

1.26 Unscheduled Withdrawal shall mean a distribution of all or a portion of the entire amount credited to the Participant's Deferral Account requested by the Participant pursuant to the provisions of Article 10 of the Plan.

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

ARTICLE 2

Participation

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

2.2 Continuation of Participation. An Eligible Executive who has elected to participate in the Plan by making an Annual Deferral shall continue as a Participant in the Plan for purposes of such Annual Deferral even though such executive ceases to be an Eligible Executive. However, a Participant shall not be eligible to elect a new Annual Deferral unless the Participant is an Eligible Executive for the Plan Year for which the election is made.

ARTICLE 3

Executive Deferrals

3.1 Deferral Commitment. A Participant may elect in the Participation Agreement to defer an amount equal to a specified dollar amount of Salary and a specified dollar amount or percentage of Bonuses to be earned by such Participant during the next Plan Year. The Participant may also elect to defer a percentage of Bonuses to be earned during the next Plan Year up to a specified maximum dollar amount. Annual Deferrals under this Plan shall be irrevocable.

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

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

3.3 Maximum Deferral Commitment. The Annual Deferral for any Plan Year may not exceed 20% of Salary plus 100% of Bonuses. Notwithstanding the foregoing, the Annual Deferral may not reduce the Participant's income to an amount below the old age, survivor, and disability insurance wage base under Social Security.

3.4 Vesting. Subject to Section 11.4, the Participant's right to receive Compensation deferred (and gains or losses thereon) under this Article 3 shall be 100% vested at all times.

ARTICLE 4

Deferral Accounts

4.1 Deferral Accounts. Solely for recordkeeping purposes, the Company shall maintain a Deferral Account for each Participant.

4.2 Timing of Credits -- Pre-Termination. The Company shall credit to the Deferral Account the Annual Deferrals under Article 3 at the time the deferrals would otherwise have been paid to the Participant but for the deferral election. The Company shall also credit gains or losses to the Deferral Account each calendar quarter, or as of the Valuation Date, using the Crediting Rate in effect.

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

4.4 Statement of Accounts. The Administrator shall provide periodically to each Participant a statement setting forth the balance of the Deferral Account maintained for such Participant.

ARTICLE 5

Retirement Benefits

5.1 Amount. Upon Retirement, the Company shall pay to the Participant a retirement benefit in the form provided in Section 5.2 of the Plan, based on the balance of the Deferral Account as of the Valuation Date. If paid as a lump sum, the retirement benefit shall be equal to such balance. If paid in installments, the installments shall be paid in amounts that will annually amortize such balance with earnings and losses credited at the Crediting Rate over the period of time benefits are to be paid.

5.2 Form of Retirement Benefits. The retirement benefit shall be paid monthly over a period of one hundred eighty (180) months or the number of months required to result in a monthly benefit of one thousand dollars \$1,000.00, if less. Notwithstanding anything herein to the contrary, the Participant may elect in the Participation Agreement to have the retirement benefit paid in a lump sum or in installments paid monthly over a period of sixty (60) or one hundred twenty (120) months. Payment shall be made or shall begin as of the first day of the calendar quarter next following the date sixty (60) days after the Participant's Retirement unless the Participant elects in the Participation Agreement for payments to begin on January 1 of a later year. However, in all events payments shall commence on or before the earlier of the date the retired Participant attains age seventy (70) or the January 1 five years after Retirement. Except as provided under Section 9.2, Participants may elect an alternative form of payout as available under this Section 5.2 by written election filed with the Administrator; provided, however, that if the Participant files the election less than thirteen (13) months prior to the date benefit payments are to commence, the Deferral Account shall be reduced by ten percent (10%).

5.3 Small Benefit Exception. Notwithstanding any of the foregoing, if the sum of all benefits payable to the Participant is less than or equal to five thousand dollars (\$5,000), the Company may, in its sole discretion, elect to pay such benefits in a single lump sum.

ARTICLE 6

Termination Benefits

6.1 Amount. As of the first day of the calendar quarter beginning at least sixty (60) days after Termination of Employment, the Company shall pay to the Participant a termination benefit equal to the balance of the Deferral Account as of the Valuation Date.

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

ARTICLE 7

Survivor Benefits

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

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

7.3 Small Benefit Payment. Notwithstanding any of the foregoing, in the event the sum of all benefits payable to the Beneficiary is less than or equal to five thousand dollars (\$5,000), the Company may, in its sole discretion, elect to pay such benefits in a single lump sum.

ARTICLE 8

Disability

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

ARTICLE 9

Change in Control

9.1 Election. At the time the Participant is completing his initial Participation Agreement, the Participant may elect that, if a Change in Control occurs, the Participant (or after the Participant's death the Participant's Beneficiary) shall receive a lump sum payment of the balance of the Deferral Account within thirty (30) days after the Change of Control. Such balance shall be determined as of end of the month sixty (60) days prior to the month in which the Change of Control occurs.

9.2 Benefit Reduction on Withdrawal. If a Participant has not made the election described in Section 9.1 above and, within thirty (30) days after a Change of Control, the Participant (or Beneficiary) elects to receive a distribution of the balance of the Deferral Account (determined as described in Section 10.2 herein), the lump sum payment shall be reduced by an amount equal to five percent (5%) of the total vested balance of the Deferral Account (instead of the ten percent (10%) reduction otherwise provided for in Section 10.3). If a Participant elects such a withdrawal,

any on-going Annual Deferral shall cease, and the Participant may not again be designated as an Eligible Executive until one entire Plan Year following the Plan Year in which such withdrawal was made has elapsed.

ARTICLE 10

Scheduled and Unscheduled Withdrawals

10.1 Payment of Scheduled Withdrawal. No later than the last day of February of the Plan Year designated in the initial Participation Agreement for a Scheduled Withdrawal, the Company shall pay to the Participant, in a lump sum or four approximately equal annual installments, all or a portion of the vested balance in the Participant's Deferral Account.

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

10.3 Withdrawal Penalty. There shall be a penalty deducted from the Deferral Account prior to an Unscheduled Withdrawal equal to ten percent (10%) of the Unscheduled Withdrawal. If a Participant elects such a withdrawal, any on-going Annual Deferral shall cease, and the Participant may not again be designated as an Eligible Executive until one entire Plan Year following the Plan Year in which such withdrawal was made has elapsed.

10.4 Small Benefit Exception. Notwithstanding any of the foregoing, if the sum of all benefits payable to the Participant or Beneficiary who has requested the Unscheduled Withdrawal is less than or equal to five thousand dollars (\$5,000), the Company may, in its sole discretion, elect to pay out the entire Deferral Account balance (reduced by the ten percent (10%) penalty) in a single lump sum.

ARTICLE 11

Conditions Related to Benefits

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

11.2 Financial Hardship Distribution. Upon a finding that the Participant or the Beneficiary has suffered a Financial Hardship, the Administrator may in its sole discretion, permit the

Participant to cease any on-going deferrals and accelerate distributions of benefits under the Plan in the amount reasonably necessary to alleviate such Financial Hardship. If a distribution is to be made to a Participant on account of Financial Hardship, the Participant may not make deferrals under the Plan until one entire Plan Year following the Plan Year in which a distribution based on Financial Hardship has elapsed.

11.3 No Right to Company Assets. The benefits paid under the Plan shall be paid from the general funds of the Company, and the Participant and any Beneficiary shall be no more than unsecured general creditors of the Company with no special or prior right to any assets of the Company for payment of any obligations hereunder.

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

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

ARTICLE 12

Administration of Plan

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

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

ARTICLE 13

Beneficiary Designation

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

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

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

ARTICLE 14

Amendment and Termination of Plan

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

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

14.3 Amendment or Termination After Change in Control.

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

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

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

ARTICLE 15

Miscellaneous

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

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

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

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

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

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

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

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

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

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

ARTICLE 16

Claims and Review Procedures

16.1 Claims Procedure. The Company shall notify a Participant in writing, within ninety (90) days after his or her written application for benefits, of his or her eligibility or noneligibility for benefits under the Plan. If the Company determines that a Participant is not eligible for benefits or full benefits, the notice shall set forth (1) the specific reasons for such denial, (2) a specific reference to the provisions of the Plan on which the denial is based, (3) a description of any additional information or material necessary for the claimant to perfect his or her claim, and a description of why it is needed, and (4) an explanation of the Plan's claims review procedure and other appropriate information as to the steps to be taken if the Participant wishes to have the claim reviewed. If the Company determines that there are special circumstances requiring additional time to make a decision, the Company shall notify the Participant of the special circumstances and the date by which a decision is expected to be made, and may extend the time for up to an additional ninety-day period.

16.2 Review Procedure. If a Participant is determined by the Company not to be eligible for benefits, or if the Participant believes that he or she is entitled to greater or different benefits, the Participant shall have the opportunity to have such claim reviewed by the Company by filing a petition for review with the Company within sixty (60) days after receipt of the notice issued by the Company. Said petition shall state the specific reasons which the Participant believes entitle him or her to benefits or to greater or different benefits. Within sixty (60) days after receipt by the Company of the petition, the Company shall afford the Participant (and counsel, if any) an opportunity to present his or her position to the Company orally or in writing, and the Participant (or counsel) shall have the right to review the pertinent documents. The Company shall notify the Participant of its decision in writing within the sixty-day period, stating specifically the basis of its decision, written in a manner calculated to be understood by the Participant and the specific provisions of the Plan on which the

decision is based. If, because of the need for a hearing, the sixty-day period is not sufficient, the decision may be deferred for up to another sixty-day period at the election of the Company, but notice of this deferral shall be given to the Participant. In the event of the death of the Participant, the same procedures shall apply to the Participant's beneficiaries.

Exhibit (10)(u)* to Report
on Form 10-K for Fiscal
Year Ended June 30, 1995
by Parker-Hannifin Corporation

Parker-Hannifin Corporation 1996 Volume Incentive Plan

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

PARKER-HANNIFIN CORPORATION
VOLUME INCENTIVE PLAN
FOR FISCAL YEAR 1996

Participants: All Group Presidents, Trading Subsidiary Presidents and
Group Operating Vice Presidents

Terms: Participants will receive a bonus of 1 percent of base pay for each 1 percent increase in excess of a 7.5 percent increase, up to a 12.5 percent increase, in fiscal year 1996 customer sales over fiscal year 1995 customer sales for their respective operations. Participants will receive a bonus of 2 percent of base pay for each 1 percent increase in customer sales above 12.5 percent. Participants are limited to an overall maximum bonus under the Plan of 15 percent of base pay. Acquisitions may only account for up to 5 percent of the increase in customer sales. Also, sales growth above 12.5 percent will result in additional payments under the Plan only if the operating group is exceeding corporate goals with respect to its return on sales and its assets/sales ratio.

Exhibit (10)(v)* to Report
on Form 10-K for Fiscal
Year Ended June 30, 1995
by Parker-Hannifin Corporation

Parker-Hannifin Corporation Non-Employee Directors' Stock
Plan, as amended as of August 17, 1995

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

PARKER-HANNIFIN CORPORATION NON-EMPLOYEE DIRECTORS'
STOCK PLAN

ARTICLE A -- Purpose.

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

ARTICLE B -- Administration.

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

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

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

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

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

ARTICLE C -- Participation and Participant Elections.

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

2. Elections by Directors under the Plan to receive shares of Common Stock in lieu of fees shall be irrevocably made in writing at least six (6) months prior to the effective date of the election.

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

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

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

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

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

ARTICLE F -- Transfer of Shares.

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

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

ARTICLE G -- Additional Provisions.

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

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

ARTICLE H --Duration of Plan.

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

EXHIBIT (11)* TO REPORT ON FORM 10-K
 FOR FISCAL YEAR ENDED JUNE 30, 1995
 PARKER HANNIFIN CORPORATION
 COMPUTATION OF COMMON SHARES OUTSTANDING
 AND EARNINGS PER SHARE**
 (Amounts in thousands, except per share amounts)

| | 1995 | 1994 | 1993 |
|--|------------------------|------------------------|------------------------|
| Net income applicable to common shares | \$ 218,238 ===== | \$ 47,652 ===== | \$ 65,056 ===== |
| Weighted average common shares outstanding for the year | 73,717 | 73,107 | 72,710 |
| Increase in weighted average from: Dilutive effect of stock options | 382 | 407 | 210 |
| Weighted average common shares, assuming issuance of the above securities | <u>74,099</u> ===== | <u>73,514</u> ===== | <u>72,920</u> ===== |
| Earnings per common share: | | | |
| On the weighted average common shares outstanding for the year | \$ 2.96 | \$.65 | \$.89 |
| Assuming issuance of shares for convertible debentures and dilutive stock options*** | \$ 2.95 | \$.65 | \$.89 |

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

** Amounts for years prior to 1995 have been adjusted to reflect the 3-shares-for-2 common stock split paid June 2, 1995.

***This calculation is submitted in accordance with Regulation S-K Item 601(b)(11) although not required for income statement presentation because it results in dilution less than three percent.

Exhibit (13)* to Report
on Form 10-K for Fiscal
Year Ended June 30, 1995
by Parker-Hannifin Corporation

Excerpts from Annual Report to Shareholders for the fiscal year ended
June 30, 1995.

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

DISCUSSION OF STATEMENT OF INCOME

The Consolidated Statement of Income summarizes Parker's operating performance over the last three years. The Company achieved all-time sales and earnings records in 1995. During the first two years of this period the Company reorganized extensively to respond to market changes. The North American Industrial markets experienced a strong recovery in the latter half of fiscal 1993 which continued through all of fiscal 1994 and 1995. The reorganization of prior years helped these operations prepare for this growth and for margin improvement. Recessions in Europe and Latin America caused volume declines in the International Industrial markets during 1993 and 1994 which led to significant reorganization and downsizing. In late fiscal 1994 and throughout 1995 these markets also began to recover, which resulted in double-digit volume increases for 1995. The commercial airline and military aerospace markets experienced significant declines in 1993 and 1994 which flattened in 1995, causing significant reorganization and downsizing, as well as the impairment of certain long-term assets. The lower levels of volume in these markets continue to be a concern, but the Aerospace Segment has reorganized and in 1995 significantly improved the margins on relatively flat sales.

In analyzing the results, note that 1994 included the effect of an extraordinary charge for the early-retirement of debt which is explained in Note 7 to the Consolidated Financial Statements. Also note that in fiscal 1993 the Company changed the end of the twelve-month reporting period for subsidiaries outside of North America from May 31 to June 30. That resulted in an additional month (June 1992) being included in the fiscal 1993 operating results. The June 1992 results for these subsidiaries were Net sales of \$50,801, Income from operations of \$2,263, Interest expense of \$470 and Net income of \$1,057 or \$.01 per share.

Net Sales of \$3.21 billion for fiscal 1995 were 24.8 percent higher than \$2.58 billion in 1994. Acquisitions contributed nearly one-fourth of this increase. North American Industrial operations experienced continuing strong demand in the heavy-duty truck, industrial machinery, construction and farm equipment, semiconductor, mobile, and telecommunications markets. In addition, these operations captured additional market share from competitors that have not been able to meet customer demands. International Industrial operations experienced significant growth, as much of Europe and Latin America recovered from recessions. Aerospace markets remained flat compared to the prior year as lower spending for military aircraft and a slumping commercial airline industry continued. Fiscal 1994 sales increased 3.5 percent from \$2.49 billion in 1993 due to North American Industrial increases which were offset by declines in International and Aerospace markets. The increased volume levels in North American Industrial operations are anticipated to continue and the International operations are expected to continue their recovery. The

Aerospace markets are expected to remain flat through much of 1996. With a presence on virtually every significant current commercial and military aircraft program, any improvements in aerospace markets should benefit Parker.

Net income of \$218.2 million for 1995 was 358.0 percent higher than income of \$47.7 million in 1994. Income for 1994 was reduced by \$56.5 million, primarily for the reduction in book value of certain long-term assets, downsizing and relocation activities. Net income for 1994 was 26.8 percent lower than 1993.

Extraordinary item - extinguishment of debt of \$4.5 million in 1994 is due to the redemption premiums and deferred issuance costs related to the early-retirement of \$100.0 million of 9.45 percent debentures and \$3.5 million of Australian long-term bearer bonds. See Note 7 for further description.

Income before extraordinary item as a percentage of sales was 6.8 percent in 1995, up from 2.0 percent in 1994 and 2.6 percent in 1993. A summary of the changes follows:

| Increase (Decrease) in Income | % to Sales Change | |
|---|-------------------|---------|
| | 1995-94 | 1994-93 |
| Gross profit | 3.5 | .9 |
| Selling, general & admin. expenses | (.3) | .8 |
| Provision for business restructuring activities | .7 | .2 |
| Impairment of long-term operating assets | 1.4 | (1.4) |
| Interest expense | .5 | .4 |
| Loss on disposal of assets | .7 | (.7) |
| Other | | (.2) |
| Income taxes | (1.7) | (.6) |
| Income before extraordinary item | 4.8 | (.6) |

Gross profit margin increased to 23.8 percent in 1995 from 20.3 percent in 1994 and 19.4 percent in 1993. Increased production levels in North American and International Industrial operations provided increased margins and better absorption of fixed costs. Despite level sales volume, the Aerospace operations were able to improve margins by taking advantage of efficiencies as a result of previous reorganizations. The benefits of restructuring activities performed in prior years are being realized in the margin returns of all operations and are expected to benefit future years as well.

Selling, general and administrative expenses as a percent of sales increased to 12.0 percent, from 11.7 percent in 1994, but decreased from the 12.5 percent in 1993. Acquisitions contributed to the increase in 1995 with an average selling, general and administrative expense rate of 17.1 percent of sales. In addition, the Company incurred larger sales-promotion expenses and larger incentive compensation based on increased sales and earnings. Increased sales volume and efficiencies as a result of reorganizations contributed to the improvement made in 1994.

Provision for business restructuring activities in 1994 and 1993 was the result of continued actions aimed at reducing costs and included downsizing, plant closings and relocations, and write-offs of related capital assets. The actions taken have resulted in reduced overhead charges, benefiting 1995 and 1994, and should continue to benefit future periods. The remaining accruals from these actions are expected to be utilized by the end of 1996.

The Industrial Segment incurred restructuring charges of \$12.3 million in 1994 and \$13.6 million in 1993. The North American Industrial operations incurred restructuring charges of \$5.4 million in 1994, which primarily involved the relocation or consolidation of higher-cost and under-utilized facilities. Severance charges of \$1.2 million were recorded for the reduction of 51 employees in 1994 and the reduction of 107 employees in 1995. Due to a management decision to sell a facility rather than relocate it, 44 of the employees were not terminated and a portion of the previous provision was reversed to income. Another 56 of the 107 employees have yet to be terminated in 1996 for a facility closing and relocation which is to occur within the year. Net cash outflow for the remaining actions is estimated to be \$3.0 million in 1996. International's restructuring charges of \$6.9 million in 1994 were primarily for severance costs for 159 employees (106 employees in 1994 and the remainder in 1995) and the consolidation of under-utilized facilities. Remaining net cash outflow is estimated to be \$1.1 million in 1996 for employee terminations and costs to close facilities.

The Aerospace operations incurred restructuring costs of \$6.5 million in 1994, compared to \$9.3 million in 1993. Management took action to adjust to the changing market by reducing factory and office floor space and organizing into customer-focused teams to more effectively serve the customer. These charges included a workforce reduction of 597 employees (296 in 1994 and 301 in 1995) and relocation costs for three facilities which resulted in lower costs and enhanced capacity utilization. Of the 301 to be terminated in 1995, 159 were terminated and 24 remain to be terminated in 1996. Due to a change in the outlook for several product lines, the remaining employees to be terminated were maintained. The effect on income for this adjustment was immaterial. Net cash outflow for the remaining restructuring activities is estimated to be \$2.1 million in 1996.

Impairment of long-term operating assets of \$35.5 million in 1994 includes \$28.9 million related to the write-down of goodwill and certain permanently impaired assets of the continuing operations of the Aerospace heat-transfer components product line. This product line was purchased during a period of heavy defense spending in 1987 and the related goodwill was being amortized over 40 years. However, with the completion of major contracts and the decline of aerospace markets, future cash flows are now estimated to be less than the carrying value of the related assets. Accordingly, the assets were written down to their recoverable value. While the effect of this charge had no cash impact, it reduced amortization and depreciation expenses \$1.6 million per year. The remaining impairment charges related primarily to certain machinery and equipment used in operations in unprofitable product lines in Brazil and Germany. Since the future cash flows of these product lines were anticipated to be less than the carrying value of the related assets, the machinery and equipment for these product lines were written down to their estimated recoverable value. The effect of these charges had no cash impact but reduced depreciation expense \$.7 million per year.

Interest expense decreased by \$6.9 million in 1995 and by \$9.2 million in 1994 principally due to reductions in debt.

Loss on disposal of assets was \$4.5 million in 1995 as compared to \$19.6 million in 1994. In 1994 \$14.7 million was related to the impairment of idle properties. These properties became idle due to downsizing activities and the assets were written-down to their estimated recoverable value based on current markets. The 1994 loss on disposal of assets was also affected by a charge of \$1.3 million for the estimated net loss on the sale of the Metal Bellows

operations. The 1993 loss on disposal was \$1.1 million. Losses on the disposal of assets from plant consolidations are included in the Provision for business restructuring activities in 1994 and 1993.

Income taxes decreased to an effective rate of 37.4 percent in 1995 as compared to 53.6 percent in 1994 and 39.8 percent in 1993. The 1995 decrease was primarily due to the unusually high effective rate in 1994 from receiving no federal or state tax benefit for the charge taken to write down goodwill, and due to the use of net operating loss carryforwards in the U.K. and Brazil. Profits were higher-than-expected in these countries because of the International industrial recovery. The increase in 1994 as compared to 1993 was primarily due to the write-down of goodwill, and for tax rate changes enacted in the United States and Germany in 1994.

DISCUSSION OF BALANCE SHEET

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

The current ratio at June 30, 1995 dropped slightly from the ratio at June 30, 1994.

| Working Capital (millions) | 1995 | 1994 |
|----------------------------|----------|----------|
| Current Assets | \$ 1,246 | \$ 1,031 |
| Current Liabilities | 653 | 504 |
| Working Capital | 593 | 527 |
| Current Ratio | 1.9 | 2.0 |

Accounts receivable are primarily due from customers for sales of product (\$426.3 million at June 30, 1995, compared to \$347.4 million at June 30, 1994). The current year increase in accounts receivable is due to increased sales volume, acquisitions, and the effects of currency rate changes. All of the increase was within the Industrial Segment as the Aerospace Segment slightly decreased accounts receivable on relatively level year-to-year sales. Days sales outstanding for the Company did not change from 1994.

Inventories were \$625.9 million at June 30, 1995, compared to \$492.9 million a year ago. This increase is due to increased volume, acquisitions and the effects of currency rate changes. In addition, there were increased purchases of certain raw materials made late in the year for materials that had been in short supply. The increase is within the Industrial Segment, as the Aerospace Segment inventories decreased. Months supply of inventory on hand at June 30, 1995 remained level with the prior year.

Excess cost of investments over net assets acquired increased \$57.8 million in 1995 from acquisitions.

Accounts payable, trade increased \$46.3 million in 1995 due to higher volume and current year acquisitions. The majority of the increase was within the Industrial Segment.

Accrued payrolls and other compensation increased \$30.7 million in 1995 primarily as a result of incentive plans based on sales and earnings.

Accrued domestic and foreign taxes decreased \$10.8 million in 1995 primarily as a result of payments made to the IRS to settle audit issues, partially offset by an increase in foreign taxes payable.

Other accrued liabilities increased \$11.5 million in 1995 primarily due to acquisitions. Accruals related to restructuring decreased during the year, but were offset by increases in pension and workers' compensation accruals.

Notes payable and Long-term debt increased a total of \$50.3 million primarily due to cash needed for acquisitions, debt acquired as part of the acquisitions, and cash needed for foreign working capital, offset by a reduction of \$12.2 million of the ESOP debt guarantee.

Pensions and other postretirement benefits increased \$19.2 million to \$188.3 million in 1995. These costs are explained further in Note 10 to the Consolidated Financial Statements.

Deferred income taxes included in current assets increased by \$2.7 million due largely to increases in state income taxes that are not currently deductible. Non-current deferred income tax assets decreased by \$.4 million due to the reduction of the net operating loss carryovers of \$4.6 million for our German operations. That reduction, however, was almost entirely offset by the foreign currency translation adjustments resulting from the strengthening Mark. Non-current deferred income tax liabilities increased \$2.5 million primarily due to increases in tax over book depreciation deductions and the deferred income taxes arising from current year acquisitions.

At June 30, 1995, non-current deferred income tax assets include a \$22.4 million tax benefit for the net operating loss carryforwards of the Company's German operations. The Company has not provided a valuation allowance that would be required under Statement of Financial Accounting Standards (SFAS) No. 109 if it is more likely that these benefits would not be realized. Although future events cannot be predicted with certainty, management continues to believe these benefits will be realized because: the tax loss carryforward period is unlimited; there are several tax planning strategies that can be used to reduce the carryforward; 26 percent of the losses were due to non-recurring restructuring charges and the remainder primarily the result of the recession in Europe; and the Company expects its German operations will continue their return to pre-1991 profitability levels.

The Consolidated Balance Sheet for 1994 has been restated to correct the classification of \$13.0 million of certain Deferred income taxes within current assets and long-term liabilities.

It is the Company's goal to maintain no less than an "A" rating on senior debt to ensure availability and reasonable cost of external funds. To meet this objective, the Company has established the financial goal of maintaining a ratio of debt to debt-equity of 30 to 33 percent. The calculation of the debt to debt-equity ratio at June 30, 1995 and 1994 includes the Company's loan guarantee to the trust established by the Company for the Employee Stock Ownership Plan (ESOP) as described more fully in Note 7.

| Debt to Debt-Equity Ratio (millions) | 1995 | 1994 |
|--------------------------------------|--------|--------|
| Debt | \$ 335 | \$ 284 |
| Debt & Equity | 1,526 | 1,251 |
| Ratio | 21.9 % | 22.7 % |

Excluding the effect of the ESOP loan guarantee on both Long-term debt and Shareholders' equity, the debt to debt-equity ratio at June 30, 1995 and 1994 was 21.0 percent and 20.7 percent, respectively.

In fiscal 1996, no additional borrowings are anticipated to be used for the stock repurchase program, capital investments, or working capital purposes, but may be utilized for acquisitions.

DISCUSSION OF CASH FLOWS

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

Cash and cash equivalents decreased \$17.8 million in 1995 and \$78.4 million in 1994, but increased \$59.9 million in 1993. The major components of these changes in cash flows are as follows:

Cash Flows From Operating Activities -- The Company's largest source of cash continues to be net cash provided by operating activities. The most significant contribution to operating cash in 1995 was Net income. Changes in the principal working capital items--Accounts receivable, Inventories and Accounts payable, trade--required \$109.2 million cash in 1995, and contributed \$24.4 million cash in 1994 and \$19.4 million cash in 1993. Accounts receivable and Inventories increased significantly in 1995 as a result of increased volume (without the effect of acquisitions), using cash of \$138.8 million. The charge for the impairment of long-term assets in 1994 (\$52.4 million) did not require the use of cash and therefore is a reconciling item added to Net income.

Cash paid for income taxes was \$123,590 in 1995, \$71,375 in 1994 and \$39,148 in 1993.

Cash Flows From Investing Activities -- Capital expenditures are a principal use of long-term funds and have averaged \$114.5 million per year for the 1993-1995 period. Capital expenditures increased to \$152.0 million in 1995 and are expected to increase again in 1996. Cash used for Acquisitions was \$126.7 million in 1995; \$39.4 million in 1994 and \$35.6 million in 1993. Financing for future capital expenditures and acquisitions are expected to come primarily from internally generated cash flows. Proceeds from dispositions of business provided \$13.7 million cash in 1994.

Acquisition amounts shown represent the net assets of the acquired companies at their respective acquisition dates and consist of the following:

| (In thousands) | 1995 | 1994 | 1993 |
|-----------------------|----------------|---------------|---------------|
| Assets acquired: | | | |
| Accounts receivable | \$ 31,160 | \$ 2,906 | \$ 4,349 |
| Inventories | 30,528 | 6,278 | 4,907 |
| Prepaid expenses | 774 | 2,146 | |
| Deferred income taxes | 149 | 256 | 635 |
| Plant & equipment | 57,613 | 10,299 | 23,491 |
| Other assets | 53,679 | 22,539 | 8,428 |
| | <u>173,903</u> | <u>44,424</u> | <u>41,810</u> |

(Table continued on page 13-7)

| | | | |
|---------------------------|-------------------|------------------|------------------|
| Liabilities assumed: | | | |
| Notes payable | 4,180 | | |
| Accounts payable | 11,680 | 1,260 | 1,374 |
| Accrued payrolls | 3,823 | 1,977 | 988 |
| Accrued taxes | 5,641 | 204 | 884 |
| Other accrued liabilities | 8,053 | 1,222 | 2,694 |
| Long-term debt | 10,772 | 375 | |
| Other liabilities | 3,041 | (60) | 229 |
| | <u>47,190</u> | <u>4,978</u> | <u>6,169</u> |
| Net assets acquired | <u>\$ 126,713</u> | <u>\$ 39,446</u> | <u>\$ 35,641</u> |
| | ===== | ===== | ===== |

Cash Flows From Financing Activities -- In 1995 the Company increased its outstanding borrowings by a net total of \$43.3 million compared to reducing its outstanding borrowings by a net total of \$172.3 million in 1994. In 1995 Notes payable were utilized to provide cash for acquisitions. In 1994 payments of long-term borrowings were primarily the early-retirement of \$100.0 million of debentures, the retirement of \$35.1 million in foreign bearer bonds and the elimination of certain foreign bank loans. In 1993 the Company's notes payable and long-term borrowings remained fairly steady, resulting in net proceeds of \$3.2 million.

Proceeds from common share activity is primarily from the exercise of stock options and common shares issued for a 1995 acquisition. Dividends have been paid for 180 consecutive quarters, including a yearly increase in dividends for the last 39 fiscal years. The current annual dividend rate is \$.72 per share.

Cash paid for interest, net of capitalized interest, was \$28,944 in 1995, \$34,221 in 1994 and \$42,905 in 1993. Noncash financing activities included the reduction in principal of the ESOP debt guarantee, which amounted to \$12,229 in 1995, \$11,067 in 1994 and \$10,003 in 1993.

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

DISCUSSION OF BUSINESS SEGMENT INFORMATION

The Business Segment Information presents sales, operating income and assets by the principal industries and geographic areas in which Parker's various businesses operate.

INDUSTRIAL SEGMENT

| | 1995 | 1994 | 1993 |
|--|--------|--------|--------|
| Operating income as a percent of sales | 13.7 % | 9.2 % | 7.2 % |
| Return on average assets | 22.6 % | 14.0 % | 10.6 % |

Sales for the total segment increased 31.2 percent in 1995 and 8.7 percent in 1994. Sales for the North American operations increased to a record \$1.8 billion; 20.6 percent over 1994, following 1994's increase of 15.5 percent over 1993. One-fifth of the 1995 increase was due to acquisitions. Record-level volume was achieved as increasing demand continued within the heavy-duty truck, industrial machinery, construction and farm equipment, mobile, and telecommunications markets. In addition to increased demand, the North American operations achieved increased market share and were able to implement minor price increases in 1995. Although many indicators predict a leveling in many of the North American markets, the Company expects to again increase sales in 1996 through the benefit of acquisitions and continuing success in gaining market share.

International Industrial sales increased to a record \$853.5 million; 61.1 percent over 1994, following a 1994 sales decrease of 6.9 percent from 1993. One-fourth of the 1995 increase was attributable to acquisitions and one-fifth was attributable to currency rate changes. Without the effects of acquisitions and currency rate changes, sales for 1995 would have increased more than 30 percent over the prior year. Without the effect of the 13th-month for International operations in 1993, sales for International would have increased 2.3 percent in 1994. Most of 1994 was still affected by the recessions in Europe and Latin America, but in late 1994 and all of 1995 the Company experienced a strong recovery in these markets as well as significant growth in Asia Pacific markets. Increased market share and minor price increases were also achieved in 1995. With a continued strong recovery in Europe and Latin America, acquisition growth, and further growth in the Asia Pacific markets, the Company anticipates significant improvement in the International Industrial operations in 1996.

Backlog for the Industrial Segment was \$419.0 million at June 30, 1995, compared to \$318.8 million at the end of the prior period. This increase occurred evenly between North American and International operations as a result of acquisitions and increased volume. Backlog was \$245.5 million at June 30, 1993.

Operating income for the total segment increased 94.1 percent in 1995. North American operations improved 35.8 percent. International operations improved from a loss in 1994 to \$85.5 million of operating income in 1995. In 1994 operating income included restructuring charges of \$5.4 million for North America and \$6.9 million for the International operations. Also, in 1994 the International operations recognized the impairment of long-term assets - \$6.6 million pretax. This restructuring and downsizing allowed the operations to take full advantage of the benefits gained from increased volume. Better absorption of fixed costs through increased capacity utilization helped offset the effects of raw material price increases experienced in 1995.

Operating income for 1994 increased 38.8 percent over 1993 for the total segment, with North America increasing 33.4 percent. The International operations reduced their losses by 16.0 percent during the same period, without the effect of the extra month of operations in 1993. Restructuring charges were \$3.4 million in 1993 for North America and \$10.2 million for the International operations. In North America, volume gains and productivity improvements as a result of prior years' restructurings were the primary contributors to the increase. The International operations, still in a recession, experienced continued under-absorption of fixed costs as a result of the reduced volume.

Assets for the Industrial segment increased 32.4 percent in 1995 and 8.0 percent in 1994. Accounts receivable and inventories increased as a result of increased volume and acquisitions. Net plant and equipment increased due to acquisitions and capital expenditures exceeding depreciation, but these increases were offset by write-downs of impaired assets in 1994. Acquisitions also caused an increase in goodwill. Deferred taxes increased in 1994 for the tax benefits of partially funding the pension obligation and an inventory tax accounting change in Germany.

AEROSPACE SEGMENT

| | 1995 | 1994 | 1993 |
|--|--------|-------|--------|
| Operating income as a percent of sales | 11.5 % | 3.3 % | 8.5 % |
| Return on average assets | 18.9 % | 4.4 % | 10.7 % |

Sales increased 1.1 percent in 1995 despite the divestiture of the Metal Bellows business in April 1994, and a relatively flat aerospace market. Improvements in the commercial maintenance, repair, and overhaul market were offset by reduced defense orders. The Aerospace segment continued increasing its penetration of commercial markets resulting in an approximate revenue split of 60 percent commercial and 40 percent military. In 1994 sales decreased 12.1 percent from the previous year, reflecting cutbacks in defense and commercial aircraft deliveries. Backlog at June 30, 1995 was \$606.7 million compared to \$533.7 million in 1994, reflecting improvement in long-term orders from original equipment customers. Backlog was \$611.1 million at the end of 1993.

Operating income more than tripled to \$63.9 million in 1995 due to productivity gains resulting from prior years' restructuring activities. Higher margins were achieved on the same volume, using fewer facilities and employees. The 1994 operating income decreased 66.1 percent from 1993. Restructuring charges were \$6.5 million in 1994 and \$9.3 million in 1993. The 1994 results also included recognition of pretax impairment losses of \$28.9 million.

Assets decreased 8.2 percent in 1995 and 23.5 percent in 1994, primarily due to reductions in customer receivables, inventories and net plant and equipment, and in 1994, also due to the write down of goodwill related to impaired assets and the divestiture of the Metal Bellows operations. Net plant and equipment decreased as a result of downsizing and consolidation of facilities in 1994.

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

| | For the years ended June 30, | 1995 | 1994 | 1993 |
|--|------------------------------|-------------------|------------------|------------------|
| NET SALES | | \$ 3,214,370 | \$ 2,576,337 | \$ 2,489,323 |
| Cost of sales | | 2,448,264 | 2,053,376 | 2,004,955 |
| Gross profit | | <u>766,106</u> | <u>522,961</u> | <u>484,368</u> |
| Selling, general and administrative expenses | | 384,581 | 302,668 | 310,765 |
| Provision for business restructuring activities | | | 18,773 | 22,879 |
| Impairment of long-term operating assets | | | 35,483 | |
| INCOME FROM OPERATIONS | | <u>381,525</u> | <u>166,037</u> | <u>150,724</u> |
| Other income (deductions): | | | | |
| Interest expense | | (30,922) | (37,832) | (47,056) |
| Interest and other income, net | | 2,335 | 3,879 | 5,457 |
| Loss on disposal of assets | | (4,531) | (19,635) | (1,059) |
| | | <u>(33,118)</u> | <u>(53,588)</u> | <u>(42,658)</u> |
| Income before income taxes | | <u>348,407</u> | <u>112,449</u> | <u>108,066</u> |
| Income taxes (Note 3) | | 130,169 | 60,274 | 43,010 |
| Income before extraordinary item | | <u>218,238</u> | <u>52,175</u> | <u>65,056</u> |
| Extraordinary item - extinguishment of debt (Note 7) | | | (4,523) | |
| NET INCOME | | <u>\$ 218,238</u> | <u>\$ 47,652</u> | <u>\$ 65,056</u> |
| | | ===== | ===== | ===== |
| EARNINGS PER SHARE: (Note 4) | | | | |
| Earnings per share before extraordinary item | | \$ 2.96 | \$.71 | \$.89 |
| Extraordinary item - extinguishment of debt | | | (.06) | |
| Earnings per share | | <u>\$ 2.96</u> | <u>\$.65</u> | <u>\$.89</u> |
| | | ===== | ===== | ===== |

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

QUARTERLY INFORMATION

(Dollars in thousands, except per share amounts)

| | | | | | |
|--|------------|------------|------------|------------|--------------|
| 1995 (a) | 1st | 2nd | 3rd | 4th | Total |
| Net sales | \$ 712,457 | \$ 738,231 | \$ 879,673 | \$ 884,009 | \$ 3,214,370 |
| Gross profit | 161,930 | 165,369 | 212,705 | 226,102 | 766,106 |
| Net income | 43,649 | 41,084 | 65,855 | 67,650 | 218,238 |
| Earnings per share | .59 | .56 | .89 | .92 | 2.96 |
| 1994 (a) (b) | 1st | 2nd | 3rd | 4th | Total |
| Net sales | \$ 607,411 | \$ 592,226 | \$ 677,353 | \$ 699,347 | \$ 2,576,337 |
| Gross profit | 113,357 | 107,081 | 139,389 | 163,134 | 522,961 |
| Income before extraordinary item | 16,065 | 14,061 | (19,083) | 41,132 | 52,175 |
| Net income | 16,065 | 9,854 | (19,083) | 40,816 | 47,652 |
| Earnings per share before extraordinary item | .22 | .19 | (.26) | .56 | .71 |
| Earnings per share | .22 | .13 | (.26) | .56 | .65 |

(a) Quarterly Information is unaudited.

(b) Net income for the third quarter of fiscal 1994 includes charges totaling \$52,707 or \$.72 per share, to reduce the book value of certain long-term assets to their current values, and to recognize the cost of downsizing and relocation activities. The effect on Gross profit was \$49,738.

CONSOLIDATED BALANCE SHEET
(Dollars in thousands)

| | June 30, | 1995 | 1994 |
|--|----------|---------------------|---------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ | 63,830 | \$ 81,590 |
| Accounts receivable, less allowance for doubtful accounts (1995 - \$6,613; 1994 - \$4,731) | | 484,962 | 388,515 |
| Inventories (Notes 1 and 5): | | | |
| Finished products | | 314,180 | 245,068 |
| Work in process | | 201,386 | 171,114 |
| Raw materials | | 110,340 | 76,748 |
| | | <u>625,906</u> | <u>492,930</u> |
| Prepaid expenses | | 14,994 | 14,263 |
| Deferred income taxes (Notes 1 and 3) | | 56,690 | 54,010 |
| | | <u>1,246,382</u> | <u>1,031,308</u> |
| TOTAL CURRENT ASSETS | | | |
| Plant and equipment (Note 1): | | | |
| Land and land improvements | | 87,521 | 81,900 |
| Buildings and building equipment | | 426,150 | 387,764 |
| Machinery and equipment | | 1,234,962 | 1,114,708 |
| Construction in progress | | 64,034 | 37,456 |
| | | <u>1,812,667</u> | <u>1,621,828</u> |
| Less accumulated depreciation | | 996,896 | 904,528 |
| | | <u>815,771</u> | <u>717,300</u> |
| Investments and other assets (Note 1) | | 102,669 | 97,137 |
| Excess cost of investments over net assets acquired (Note 1) | | 109,308 | 51,516 |
| Deferred income taxes (Notes 1 and 3) | | 28,079 | 28,483 |
| | | <u>\$ 2,302,209</u> | <u>\$ 1,925,744</u> |
| | | ===== | ===== |

(Table continued on page 13-13)

June 30, 1995 1994

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

| | | |
|---|-----------|-----------|
| Notes payable, including long-term debt payable within one year (Notes 6 and 7) | \$ 97,372 | \$ 26,973 |
| Accounts payable, trade | 227,482 | 181,148 |
| Accrued payrolls and other compensation | 110,186 | 79,497 |
| Accrued domestic and foreign taxes | 46,876 | 57,641 |
| Other accrued liabilities | 170,705 | 159,185 |

| | | |
|---------------------------|---------|---------|
| TOTAL CURRENT LIABILITIES | 652,621 | 504,444 |
|---------------------------|---------|---------|

| | | |
|---|---------|---------|
| Long-term debt (Note 7) | 237,157 | 257,259 |
| Pensions and other postretirement benefits (Notes 1 and 10) | 188,292 | 169,081 |
| Deferred income taxes (Notes 1 and 3) | 23,512 | 21,006 |
| Other liabilities | 9,113 | 7,603 |

| | | |
|-------------------|-----------|---------|
| TOTAL LIABILITIES | 1,110,695 | 959,393 |
|-------------------|-----------|---------|

SHAREHOLDERS' EQUITY (Note 9)

| | | |
|---|----------|----------|
| Serial preferred stock, \$.50 par value, authorized 3,000,000 shares, none issued | | |
| Common stock, \$.50 par value, authorized 150,000,000 shares; issued 74,002,402 shares in 1995 and 49,265,074 shares in 1994 at par value | 37,001 | 24,633 |
| Additional capital | 158,454 | 165,942 |
| Retained earnings | 974,486 | 806,240 |
| Deferred compensation related to guarantee of ESOP debt (Note 7) | (13,468) | (25,697) |
| Foreign currency translation adjustments | 35,041 | 2,538 |

| | | |
|--|-----------|---------|
| | 1,191,514 | 973,656 |
|--|-----------|---------|

| | | |
|--|--|---------|
| Common stock in treasury at cost; 325,371 shares in 1994 | | (7,305) |
|--|--|---------|

| | | |
|----------------------------|-----------|---------|
| TOTAL SHAREHOLDERS' EQUITY | 1,191,514 | 966,351 |
|----------------------------|-----------|---------|

| | | |
|--|--------------|--------------|
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 2,302,209 | \$ 1,925,744 |
|--|--------------|--------------|

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, | 1995 | 1994 | 1993 |
|---|------------------------------|----------------|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net income | | \$ 218,238 | \$ 47,652 | \$ 65,056 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Net effect of extraordinary loss | | | 4,523 | |
| Depreciation | 110,527 | | 106,546 | 109,673 |
| Amortization | 9,403 | | 6,523 | 4,483 |
| Deferred income taxes | (4,299) | | (34,000) | (14,525) |
| Foreign currency transaction loss | 1,903 | | 3,563 | 983 |
| Loss on sale of plant and equipment | 3,728 | | 2,849 | 1,003 |
| Provision for restructuring (net of cash payments of \$7,481 in 1995, \$20,214 in 1994 and \$7,300 in 1993) | (5,676) | | (1,441) | 15,579 |
| Impairment losses on long-term assets | | | 52,422 | |
| Changes in assets and liabilities, net of effects from acquisitions and dispositions: | | | | |
| Accounts receivable | (53,052) | | (45,387) | (17,873) |
| Inventories | (85,795) | | 11,247 | 39,716 |
| Prepaid expenses | 617 | | 1,887 | (260) |
| Other assets | (13,716) | | (6,719) | (4,095) |
| Accounts payable, trade | 29,668 | | 58,497 | (2,464) |
| Accrued payrolls and other compensation | 24,726 | | 9,568 | 6,388 |
| Accrued domestic and foreign taxes | (9,159) | | 22,630 | 23,409 |
| Other accrued liabilities | (311) | | 11,364 | 3,953 |
| Pensions and other postretirement benefits | 12,396 | | 8,971 | 1,609 |
| Other liabilities | 937 | | (1,491) | (3,253) |
| Net cash provided by operating activities | | <u>240,135</u> | <u>259,204</u> | <u>229,382</u> |

(Table continued on page 13-15)

| | For the years ended June 30, | 1995 | 1994 | 1993 |
|--|------------------------------|------------------|------------------|-------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Acquisitions (excluding cash of \$5,961 in 1995 and \$2,661 in 1994) | | (126,713) | (39,446) | (35,641) |
| Capital expenditures | | (151,963) | (99,914) | (91,484) |
| Proceeds from sale of plant and equipment | | 13,045 | 5,774 | 3,440 |
| Proceeds from disposition of business | | | 13,689 | |
| Other | | 1,409 | (362) | (4,324) |
| Net cash (used in) investing activities | | <u>(264,222)</u> | <u>(120,259)</u> | <u>(128,009)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Proceeds from common share activity | | 11,528 | 9,105 | 4,645 |
| Proceeds from (payments of) notes payable, net | | 62,021 | (18,888) | 14,673 |
| Proceeds from long-term borrowings | | 20,764 | 3,619 | 8,528 |
| Payments of long-term borrowings | | (39,438) | (157,026) | (19,960) |
| Extraordinary loss on early retirement of debt | | | (7,238) | |
| Dividends paid, net of tax benefit of ESOP shares | | (49,961) | (47,445) | (46,121) |
| Net cash provided by (used in) financing activities | | <u>4,914</u> | <u>(217,873)</u> | <u>(38,235)</u> |
| Effect of exchange rate changes on cash | | 1,413 | 533 | (3,206) |
| Net (decrease) increase in cash and cash equivalents | | <u>(17,760)</u> | <u>(78,395)</u> | <u>59,932</u> |
| Cash and cash equivalents at beginning of year | | 81,590 | 159,985 | 100,053 |
| Cash and cash equivalents at end of year | | <u>\$ 63,830</u> | <u>\$ 81,590</u> | <u>\$ 159,985</u> |
| | | ===== | ===== | ===== |

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

BUSINESS SEGMENT INFORMATION - BY INDUSTRY
(Dollars in thousands)

| | 1995 | 1994 | 1993 |
|---|---------------------|---------------------|---------------------|
| NET SALES, including intersegment sales: | | | |
| Industrial: | | | |
| North America | \$ 1,806,883 | \$ 1,498,612 | \$ 1,297,474 |
| International | 853,537 | 529,891 | 568,984 |
| Aerospace | 554,378 | 548,091 | 623,239 |
| Intersegment sales | (428) | (257) | (374) |
| | <u>\$ 3,214,370</u> | <u>\$ 2,576,337</u> | <u>\$ 2,489,323</u> |
| INCOME FROM OPERATIONS before corporate general and administrative expenses: | | | |
| Industrial: | | | |
| North America | \$ 278,018 | \$ 204,778 | \$ 153,525 |
| International | 85,470 | (17,502) | (18,579) |
| Aerospace | 63,882 | 18,001 | 53,093 |
| | <u>427,370</u> | <u>205,277</u> | <u>188,039</u> |
| Corporate general and administrative expenses | 45,845 | 39,240 | 37,315 |
| | <u>381,525</u> | <u>166,037</u> | <u>150,724</u> |
| Other deductions | 33,118 | 53,588 | 42,658 |
| | <u>\$ 348,407</u> | <u>\$ 112,449</u> | <u>\$ 108,066</u> |
| IDENTIFIABLE ASSETS: | | | |
| Industrial | \$ 1,835,789 | \$ 1,386,660 | \$ 1,283,728 |
| Aerospace | 324,600 | 353,635 | 462,538 |
| | <u>2,160,389</u> | <u>1,740,295</u> | <u>1,746,266</u> |
| Corporate assets (a) | 141,820 | 185,449 | 217,324 |
| | <u>\$ 2,302,209</u> | <u>\$ 1,925,744</u> | <u>\$ 1,963,590</u> |
| PROPERTY ADDITIONS: (b) | | | |
| Industrial | \$ 196,691 | \$ 99,710 | \$ 104,669 |
| Aerospace | 9,052 | 9,675 | 7,981 |
| Corporate | 3,834 | 828 | 2,325 |
| | <u>\$ 209,577</u> | <u>\$ 110,213</u> | <u>\$ 114,975</u> |
| DEPRECIATION: | | | |
| Industrial | \$ 90,712 | \$ 82,796 | \$ 83,333 |
| Aerospace | 17,183 | 20,475 | 23,117 |
| Corporate | 2,632 | 3,275 | 3,223 |
| | <u>\$ 110,527</u> | <u>\$ 106,546</u> | <u>\$ 109,673</u> |

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

(b) Includes value of net plant and equipment at the date of acquisition of acquired companies accounted for by the purchase method (1995 - \$57,613; 1994 - \$10,299; 1993 - \$23,491).

BUSINESS SEGMENT INFORMATION - BY GEOGRAPHIC AREA

(Dollars in thousands)

| | 1995 | 1994 | 1993 |
|---|---------------------|---------------------|---------------------|
| NET SALES, including interarea sales: | | | |
| North America | \$ 2,423,283 | \$ 2,091,974 | \$ 1,957,014 |
| Europe | 728,642 | 433,844 | 473,547 |
| All Other | 156,455 | 109,113 | 110,703 |
| Interarea | (94,010) | (58,594) | (51,941) |
| | <u>\$ 3,214,370</u> | <u>\$ 2,576,337</u> | <u>\$ 2,489,323</u> |
| | ===== | ===== | ===== |
| INCOME FROM OPERATIONS before corporate general and administrative expenses: | | | |
| North America | \$ 341,204 | \$ 222,779 | \$ 206,618 |
| Europe | 66,368 | (16,708) | (22,404) |
| All Other | 19,798 | (794) | 3,825 |
| | <u>427,370</u> | <u>205,277</u> | <u>188,039</u> |
| Corporate general and administrative expenses | 45,845 | 39,240 | 37,315 |
| | <u>\$ 381,525</u> | <u>\$ 166,037</u> | <u>\$ 150,724</u> |
| | ===== | ===== | ===== |
| IDENTIFIABLE ASSETS: | | | |
| North America | \$ 1,346,601 | \$ 1,193,568 | \$ 1,272,589 |
| Europe | 704,061 | 460,961 | 386,461 |
| All Other | 109,727 | 85,766 | 87,216 |
| | <u>2,160,389</u> | <u>1,740,295</u> | <u>1,746,266</u> |
| Corporate assets (a) | 141,820 | 185,449 | 217,324 |
| | <u>\$ 2,302,209</u> | <u>\$ 1,925,744</u> | <u>\$ 1,963,590</u> |
| | ===== | ===== | ===== |

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

The Industrial Segment produces motion-control and fluid system components for builders and users of various types of manufacturing, packaging, processing, transportation, agricultural, and military machinery, vehicles and equipment. The North American Industrial business represents the largest portion of the Company's manufacturing plants and distribution networks. The International Industrial operations bring Parker products and services to countries outside of North America. Through both overseas manufacturing and export, these International operations supply a rapidly growing customer base in Europe, Asia Pacific and Latin America.

The Aerospace Segment provides Parker components and systems for most of the western-world's commercial, military and general-aviation aircraft and turbine engines. Its components also perform a vital role in naval vessels, land-based weapons systems, satellites and space vehicles. This Segment serves original equipment and maintenance, repair and overhaul customers worldwide.

Intersegment and interarea sales are recorded at fair market value.

There was no customer to whom sales were 3 percent or more of consolidated sales.

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.

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.

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

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

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

Plant, equipment and depreciation - Plant and equipment are recorded at cost and are depreciated principally using the straight-line method for financial reporting purposes. Depreciation rates are based on estimated useful lives of the assets. Improvements which extend the useful life of

property are capitalized, and maintenance and repairs are expensed. When property is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the appropriate accounts and any gain or loss is included in current income.

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

Excess cost of investments - The excess cost of investments over net assets acquired is being amortized, on a straight-line basis, primarily over 15 years and not exceeding 40 years. Unamortized cost in excess of associated expected operating cash flows is considered to be impaired and is written down to fair value.

Income taxes - Income taxes are provided based upon income for financial reporting purposes. Deferred income taxes arise from temporary differences in the recognition of income and expense for tax purposes. Tax credits and similar tax incentives are applied to reduce the provision for income taxes in the year in which the credits arise. Undistributed earnings of foreign subsidiaries are reinvested in their operations. Accordingly, no provision is made for additional income taxes that might be payable on the distribution of such earnings.

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

Derivative financial instruments - Derivative financial instruments are utilized by the company to manage risks generally associated with foreign exchange rate and interest rate market volatility. The Company does not hold or issue derivative financial instruments for trading purposes.

Through the use of foreign currency forward exchange contracts (forward contracts), the Company reduces its exposure to fluctuations in related foreign currencies. These contracts are with major financial institutions and the risk of loss is considered remote. Gains or losses on forward contracts which hedge dividends from consolidated subsidiaries are accrued in Shareholders' equity. Gains or losses on forward contracts which hedge specific transactions are recognized in Net income, offsetting the underlying foreign currency gains or losses.

The Company has an interest rate agreement to convert fixed rate debt to variable rate debt. The interest rate swap involves the exchange of fixed and floating rate interest payment obligations over the life of the agreement without the exchange of the notional payment obligation. The differential to be paid or received is accrued monthly as interest rates change and is recognized over the life of the agreement as an adjustment to Interest expense.

2. ACQUISITIONS AND DIVESTITURES

Acquisitions - Effective March 30, 1995 the Company acquired the assets of Figgie International's Power Systems Division, headquartered in Rockford, Illinois, a manufacturer of hydraulic bladder accumulators and pneumatic cylinders, for \$7.0 million cash. On March 3, 1995 the Company purchased the stock of Byron Valve and Machine Company, Inc. of Siloam Springs, Arkansas, a producer of distributors and flow raters, for \$3.1 million cash. As of December 31, 1994 the Company purchased the Polyflex Schwarz Group of companies located in Germany, France and Texas, a manufacturer of reinforced high-pressure hoses, fittings and assemblies, for \$18.1 million cash. The Company also purchased Hauser Elektronik GmbH, a producer of automation components and systems, based in Offenburg, Germany, for \$11.6 million cash on December 31, 1994. Effective December 21, 1994 the Company sold its 49 percent interest in its Mexican joint venture, Conductores de Fluidos Parker and purchased its inventory and accounts receivable to form a new wholly-owned subsidiary - Parker Fluid Connectors de Mexico - for a net purchase price of \$2.5 million cash. On October 31, 1994 the Company acquired Symetrics, Inc., a Newbury Park, California manufacturer of aerospace quick-disconnect valved couplings, for 108,680 shares of Parker-Hannifin Common Stock, valued at \$5.1 million. On September 30, 1994 the Company acquired Chomerics, Inc., a leading producer of electromagnetic interference-shielding materials, with plants in Massachusetts, New Hampshire and the United Kingdom, for \$40.0 million cash. On August 1, 1994 the Company acquired the Automation Division of Atlas Copco AB, a Swedish manufacturer of pneumatic components, for \$37.0 million cash. Annual sales for these operations, for their most recent fiscal year prior to acquisition, were approximately \$200 million. These acquisitions were accounted for by the purchase method, and results are included as of the respective dates of acquisition.

In April 1994 the Company purchased the assets of a leading Scandinavian filter manufacturer, Finn-Filter Oy, for \$9.6 million cash which included manufacturing locations in Finland and a sales subsidiary in Sweden. In December 1993 the Company acquired the remaining 60 percent of LDI Pneutronics Corp., which specializes in advanced-technology pneumatic valves and components for an additional investment of \$5.7 million. In November 1993 the Company acquired the Electro-pneumatic Division of Telemecanique in Evreux, France, a leading European manufacturer of pneumatic products, for \$26.7 million cash. Annual sales for these operations for their most recent fiscal year prior to acquisition exceeded \$63.2 million. These acquisitions were accounted for by the purchase method.

During the year ended June 30, 1993 the Company acquired the Ross hydraulic motor and hydrostatic steering controls business of TRW Inc. located in Greeneville, Tennessee and Dusseldorf, Germany for approximately \$31.3 million cash. Annual sales for these operations for the most recent fiscal year prior to acquisition exceeded \$39 million. This acquisition was accounted for by the purchase method.

Divestitures - Effective April 1, 1994 the Company divested nearly all of the assets related to its Metal Bellows operations, which manufactured welded and formed bellows, accumulators and other fabricated assemblies, principally for the aerospace market. The sale resulted in proceeds of \$14.2 million. Annual sales for this product line were approximately \$30 million in fiscal 1993.

In December 1992, the Company purchased the assets of Gromelle S.A., in Annemasse, France. In August 1993, a French Court of Appeals rescinded the purchase and ordered the return of the purchase price to the Company. The effects of this transaction were not material to the Company's consolidated financial statements and were reported as a disposition of business in fiscal 1994.

3. INCOME TAXES

Income taxes before extraordinary items include the following:

| | 1995 | 1994 | 1993 |
|-----------------|-------------------|------------------|------------------|
| Federal | \$ 90,956 | \$ 70,332 | \$ 45,523 |
| Foreign | 23,350 | 10,004 | 5,470 |
| State and local | 14,631 | 14,376 | 6,940 |
| Deferred | 1,232 | (34,438) | (14,923) |
| | <u>\$ 130,169</u> | <u>\$ 60,274</u> | <u>\$ 43,010</u> |
| | ===== | ===== | ===== |

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

| | 1995 | 1994 | 1993 |
|---------------------------------------|---------------|---------------|---------------|
| Statutory Federal income tax rate | 35.0 % | 35.0 % | 34.0 % |
| State and local income taxes | 2.6 | 6.1 | 4.0 |
| FSC income not taxed | (1.3) | (3.0) | (2.7) |
| Foreign tax rate difference | 1.0 | .8 | 1.6 |
| Foreign losses with no tax benefit | | 1.5 | 3.0 |
| Foreign tax credits | | 1.1 | .2 |
| Recognized loss carryforwards | (1.8) | | (3.4) |
| Impairment losses with no tax benefit | | 9.0 | |
| Other | 1.9 | 3.1 | 3.1 |
| Effective income tax rate | <u>37.4 %</u> | <u>53.6 %</u> | <u>39.8 %</u> |
| | ===== | ===== | ===== |

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:

| | 1995 | 1994 |
|---|---------------------------|---------------------------|
| Postretirement benefits | \$ 45,965 | \$ 45,051 |
| Other liabilities and reserves | 44,741 | 39,358 |
| Long-term contracts | 9,365 | 8,944 |
| Operating loss carryforwards | 35,669 | 38,403 |
| Foreign tax credit carryforwards | | 3,093 |
| Valuation allowance | (8,867) | (11,035) |
| Depreciation | (59,892) | (57,848) |
| Acquisitions | (9,183) | (7,584) |
| Inventory | 5,746 | 4,048 |
| Net deferred tax asset (liability) | <u>\$ 63,544</u> ===== | <u>\$ 62,430</u> ===== |
| Change in net deferred tax asset (liability): | | |
| Provision for deferred tax | \$ (1,232) | \$ 34,438 |
| Translation adjustment | 4,323 | 1,978 |
| Acquisitions | (1,977) | (490) |
| Total change in net deferred tax | <u>\$ 1,114</u> ===== | <u>\$ 35,926</u> ===== |

At June 30, 1995, foreign subsidiaries had benefits for operating loss carryforwards of \$35,669 for tax and \$37,262 for financial reporting, most of which can be carried forward indefinitely. Currency adjustments offset the loss carryforward reductions in the valuation allowance.

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

4. EARNINGS PER SHARE

Earnings per share are computed using the weighted average number of shares of common stock outstanding during the year, adjusted for shares issued in acquisitions accounted for as poolings of interests and stock splits distributed to shareholders. Fully diluted earnings per share are not presented because such dilution is not material.

5. INVENTORIES

Inventories valued on the last-in, first-out cost method are approximately 40% in 1995 and 1994 of total inventories. The current cost of these inventories exceeds their valuation determined on the LIFO basis by \$138,974 in 1995 and \$130,710 in 1994. Progress payments of \$11,665 in 1995 and \$11,429 in 1994 are netted against inventories.

6. LINES OF CREDIT

At June 30, 1995, the Company had available \$100,000 through a multi-currency unsecured revolving credit agreement with a group of banks, of which \$47,447 was outstanding at June 30, 1995. The interest on this credit agreement, which expires October 1997, is based upon the type of debt advanced. The agreement also requires a facility fee equal to 1/10 percent of the commitment per annum. Covenants in the agreement include a limitation on the Company's debt to debt-equity ratio.

The Company has other lines of credit, primarily short-term, aggregating \$68,210, from various foreign banks, of which \$37,397 is outstanding at June 30, 1995. Most of these agreements are reviewed annually.

The Company is also authorized to sell up to \$200,000 of short-term commercial paper notes, rated A-1 by Standard & Poor's and P-2 by Moody's. There were no commercial paper notes outstanding at June 30, 1995 or 1994.

7. DEBT

| | June 30, | 1995 | 1994 |
|--|----------|-------------------|-------------------|
| Domestic: | | | |
| Debentures and notes | | | |
| 9.86%, due 1996-1997 | \$ | 2,000 | \$ 4,000 |
| 9.6%, due 1996-1999 | | 7,428 | 10,286 |
| 10.375%, due 1999-2018 | | 100,000 | 100,000 |
| 9.75%, due 2002-2021 | | 100,000 | 100,000 |
| Variable rate debentures 4.15%, due 2010-2025 | | 15,535 | |
| Industrial revenue bonds | | | |
| 2.05% to 4.71%, due 2002-2015 | | 4,660 | 25,121 |
| ESOP loan guarantee 8.49%, due 1996 | | 13,468 | 25,697 |
| Foreign: | | | |
| Bank loans, including revolving credit | | | |
| 2.25% to 11.75%, due 1996-2006 | | 15,541 | 10,842 |
| Other long-term debt, including capitalized leases | | 1,042 | 1,864 |
| Total long-term debt | | <u>259,674</u> | <u>277,810</u> |
| Less long-term debt payable within one year | | 22,517 | 20,551 |
| Long-term debt, net | | <u>\$ 237,157</u> | <u>\$ 257,259</u> |
| | | ===== | ===== |

Principal amounts of long-term debt payable in the five years ending June 30, 1996 through 2000 are \$22,517, \$7,927, \$5,408, \$6,836, and \$6,166, respectively.

In November 1993, the Company used cash from operating activities to early-retire \$100,000 of 9.45% debentures due November 1997 through 2016, resulting in an early redemption premium and write-off of deferred issuance costs totaling \$4,207, which is net of applicable income taxes of \$3,515. In addition, the Company early-retired \$3,509 of 15.08% Australian debt due in 1995, resulting in early redemption premium of \$316.

Notes payable - Notes payable primarily represent short-term borrowings from foreign banks. The balance and weighted average interest rate at June 30, 1995 and 1994 were \$74,855 and 6.6% and \$6,422 and 7.6%, respectively.

ESOP loan guarantee - During 1989, Parker established a leveraged Employee Stock Ownership Plan. A trust established under the plan borrowed \$70,000, which is unconditionally guaranteed by the Company, to purchase 2.5 million shares of Parker-Hannifin common stock on the open market. The unpaid balance of the loan, due June 30, 1996, is recorded as Long-term debt and an equivalent amount, representing deferred compensation, is a deduction of Shareholders' equity.

Lease Commitments - Future minimum rental commitments as of June 30, 1995, under noncancelable operating leases, which expire at various dates, are as follows: 1996-\$22,598; 1997-\$17,087; 1998-\$11,703; 1999-\$7,466; 2000-\$4,758; and after 2000-\$16,061.

Rental expense in 1995, 1994 and 1993 was \$26,374, \$21,470 and \$30,897, respectively.

8. FINANCIAL INSTRUMENTS

The Company's financial instruments consist primarily of investments in cash, cash equivalents and long-term investments as well as obligations under notes payable and long-term debt. The carrying values for Cash and cash equivalents, Investments and other assets and Notes payable approximate fair value. The estimated fair value of the Company's Long-term debt (excluding leases) was estimated using discounted cash flow analyses based on the Company's current incremental borrowing rate for similar types of borrowing arrangements. The carrying value of this debt, \$259,359 and \$277,215 at June 30, 1995 and 1994, respectively, was estimated to have a fair value of \$288,935 and \$284,499, at June 30, 1995 and 1994, respectively.

The Company has also entered into forward contracts with terms of one year or less which require the Company to exchange foreign currencies for 61,429 U.S. dollars and U.S. dollars for 1,137 British Pounds Sterling. These agreements would have resulted in a gain of \$85 had they been settled by the Company at June 30, 1995. There were no forward contracts outstanding at June 30, 1994.

The Company has an interest-rate swap agreement with a triple-A-rated counterparty covering a notional amount of \$50,000, which expires in December, 1996. This agreement effectively changes the Company's interest rate exposure to the difference between a 5.079% fixed rate receivable and the six-month LIBOR rate payable at each December 1 and June 1 through maturity of the agreement. This agreement could have been settled for a payment of \$623 and \$2,278 at June 30, 1995 and 1994, respectively.

The estimated amounts the Company would receive or pay to terminate the forward contracts and the interest rate swap agreement represent the fair value as determined by dealer quotes.

9. SHAREHOLDERS' EQUITY AND OTHER STOCK-RELATED INFORMATION

| | 1995 | 1994 | 1993 |
|--|-------------------|-------------------|-------------------|
| COMMON SHARES | | | |
| Balance July 1 | \$ 24,633 | \$ 24,633 | \$ 24,632 |
| Shares issued under stock option plans (1995 - 282,880; 1994 - 129,801; 1993 - 22,496) less shares of stock for stock exchange (1995 - 190,556; 1994 - 129,801; 1993 - 22,496) | 46 | | |
| Shares issued (24,642,547) in connection with 3-for-2 stock split | 12,321 | | |
| Shares issued for prior year pooled acquisition / conversion of debentures | 1 | | 1 |
| Balance June 30 | <u>\$ 37,001</u> | <u>\$ 24,633</u> | <u>\$ 24,633</u> |
| ADDITIONAL CAPITAL | | | |
| Balance July 1 | \$ 165,942 | \$ 164,430 | \$ 164,041 |
| Shares issued under stock option plans, less shares of stock for stock exchange | 1,890 | 1,512 | 367 |
| Shares issued in connection with 3-for-2 stock split | (12,321) | | |
| Shares issued for purchase acquisition | 2,641 | | |
| Shares issued as restricted stock | 287 | | |
| Shares issued for prior year pooled acquisition / conversion of debentures | 15 | | 22 |
| Balance June 30 | <u>\$ 158,454</u> | <u>\$ 165,942</u> | <u>\$ 164,430</u> |
| RETAINED EARNINGS | | | |
| Balance July 1 | \$ 806,240 | \$ 806,033 | \$ 787,098 |
| Net income | 218,238 | 47,652 | 65,056 |
| Cash dividends paid on common shares, net of tax benefit of ESOP shares (1995 - \$.68 per share; 1994 - \$.65 per share; 1993 - \$.64 per share) | (49,961) | (47,445) | (46,121) |
| Cash payments for fractional shares in connection with 3-for-2 stock split | (31) | | |
| Balance June 30 | <u>\$ 974,486</u> | <u>\$ 806,240</u> | <u>\$ 806,033</u> |

(Table continued on Page 13-26)

| | 1995 | 1994 | 1993 |
|---|--------------------|--------------------|--------------------|
| DEFERRED COMPENSATION RELATED TO ESOP DEBT | | | |
| Balance July 1 | \$ (25,697) | \$ (36,764) | \$ (46,767) |
| Reduction of ESOP debt (Note 7) | 12,229 | 11,067 | 10,003 |
| Balance June 30 | <u>\$ (13,468)</u> | <u>\$ (25,697)</u> | <u>\$ (36,764)</u> |
| | ===== | ===== | ===== |
| TRANSLATION ADJUSTMENTS | | | |
| Balance July 1 | \$ 2,538 | \$ (10,533) | \$ 24,201 |
| Translation adjustments (Note 11) | 32,503 | 13,071 | (34,734) |
| Balance June 30 | <u>\$ 35,041</u> | <u>\$ 2,538</u> | <u>\$ (10,533)</u> |
| | ===== | ===== | ===== |
| COMMON STOCK IN TREASURY | | | |
| Balance July 1 | \$ (7,305) | \$ (14,899) | \$ (19,186) |
| Shares purchased at cost | (1,364) | | |
| Shares issued under stock option plans (1995 - 230,234; 1994 - 338,330; 1993 - 190,961) | 5,890 | 7,594 | 4,287 |
| Shares issued for purchase acquisition | 2,440 | | |
| Shares issued as restricted stock | 339 | | |
| Balance June 30 | <u>\$ 0</u> | <u>\$ (7,305)</u> | <u>\$ (14,899)</u> |
| | ===== | ===== | ===== |

On April 13, 1995, the Board of Directors authorized a 3-for-2 split of the Company's common shares, paid June 2, 1995. All per share amounts in the financial statements and notes thereto have been restated to give effect to the 3-for-2 split. Historical share amounts have not been adjusted for the stock split with the exception of Options exercisable and Shares available for grant information in this footnote, data in Note 10 on shares held by the ESOP, and shares outstanding data on the eleven-year financial summary.

The Company's stock option and stock incentive plans provide for the granting of incentive stock options and/or nonqualified options to officers and key employees to purchase shares of common stock at a price not less than 100% of the fair market value of the stock on the dates options are granted. All outstanding options are exercisable one year after the date of grant and expire no more than ten years after grant.

Under the Company's 1993 Stock Incentive Plan, 19,444 shares of restricted stock were issued to certain key employees as interim payments under the Company's 1993-94-95 Long Term Incentive Plan (LTIP). Value of the payments was set as the market value of the Company's common stock on the date of issuance and totaled \$534 or \$27.50 per share. Shares were earned and awarded based upon attainment of criteria specified in the LTIP over the first two years of the 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. The LTIP's final payout of 41,526 shares, accrued in 1995, will be issued in 1996.

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 1995, 2,991 shares were issued in lieu of directors' fees.

At June 30, 1995, the Company had 4,674,353 common shares reserved for issuance in connection with all these plans. Additional information as to shares subject to options is as follows:

| | Shares Subject To Options | Average Option Price Per Share |
|-----------------------------|------------------------------|-----------------------------------|
| Outstanding June 30, 1993 | 2,134,126 | \$ 28.04 |
| Granted | 49,800 | 40.25 |
| Exercised | (468,031) | 26.29 |
| Cancelled | (34,132) | -- |
| Outstanding June 30, 1994 | 1,681,763 | \$ 28.85 |
| Granted (pre-split) | 454,200 | 44.79 |
| Exercised (pre-split) | (370,514) | 29.22 |
| Additional shares for split | 876,131 | -- |
| Exercised (post-split) | (142,600) | 19.75 |
| Cancelled | (14,287) | -- |
| Outstanding June 30, 1995 | 2,484,693 ===== | \$ 22.05 ===== |

Options exercisable and shares available for future grant were:

| | June 30, 1995 | 1994 |
|----------------------------|---------------|-----------|
| Options exercisable | 1,808,643 | 2,447,945 |
| Shares available for grant | 2,189,660 | 2,174,840 |

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. The Company makes no charges against capital with respect to options granted.

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 costs for all plans were \$17,246, \$10,850 and \$14,649 for 1995, 1994 and 1993, respectively. Pension costs were reduced in 1994 by curtailment gains of \$1,899 for the Metal Bellows divestiture. Pension costs for all defined benefit plans accounted for using SFAS No. 87, Employers' Accounting for Pensions, are as follows:

| | 1995 | 1994 | 1993 |
|--|---------------------------|--------------------------|---------------------------|
| Service cost-benefits earned during the period | \$ 18,801 | \$ 16,889 | \$ 16,776 |
| Interest cost on projected benefit obligation | 37,929 | 34,330 | 31,564 |
| Actual return on assets | (77,321) | (3,088) | (46,181) |
| Net amortization and deferral | 35,665 | (38,364) | 11,524 |
| Net periodic pension costs | <u>\$ 15,074</u> ===== | <u>\$ 9,767</u> ===== | <u>\$ 13,683</u> ===== |

For domestic plans, the weighted average discount rates and the rates of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligations were 8% and 5%, respectively, at June 30, 1995 and 1994. The expected long-term rate of return on assets was 9% at June 30, 1995 and 1994. For the principal foreign plans located in the United Kingdom and Germany, the weighted average discount rates used were 8% and 7%, respectively, at June 30, 1995 and 7.5% and 7%, respectively, at June 30, 1994 and the rates of increase in future compensation used were 6% and 4.5%, respectively, at June 30, 1995 and 5.5% and 4.5%, respectively, at June 30, 1994. The rates of return on assets used in the United Kingdom and Germany were 8.5% and 7%, respectively, at June 30, 1995 and 1994.

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

| | Assets Exceed Accumulated Benefits | |
|---|------------------------------------|---------------------------|
| | 1995 | 1994 |
| Actuarial present value of benefit obligations: | | |
| Vested benefit obligation | \$ (371,240) | \$ (319,733) |
| | ===== | ===== |
| Accumulated benefit obligation | \$ (380,902) | \$ (330,657) |
| | ===== | ===== |
| Projected benefit obligation | \$ (437,653) | \$ (388,478) |
| Plan assets at fair value | 507,015 | 434,951 |
| Projected benefit obligation less than plan assets | <u>69,362</u> | <u>46,473</u> |
| Unrecognized net (gain) or loss | (6,415) | 9,258 |
| Unrecognized prior service cost | 12,033 | 11,409 |
| Unrecognized net (asset) obligation | <u>(23,700)</u> | <u>(26,977)</u> |
| Prepaid pension cost (pension liability) recognized | <u>\$ 51,280</u> ===== | <u>\$ 40,163</u> ===== |

| | Accumulated Benefits 1995 | Exceed Assets 1994 |
|--|------------------------------|-----------------------|
| Actuarial present value of benefit obligations: | | |
| Vested benefit obligation | \$ (73,642) | \$ (60,322) |
| | ===== | ===== |
| Accumulated benefit obligation | \$ (83,387) | \$ (67,402) |
| | ===== | ===== |
| Projected benefit obligation | \$ (99,537) | \$ (77,353) |
| Plan assets at fair value | 17,440 | 15,682 |
| | ----- | ----- |
| Projected benefit obligation in excess of plan assets | (82,097) | (61,671) |
| Unrecognized net (gain) or loss | 3,937 | 1,809 |
| Unrecognized prior service cost | 4,883 | 1,299 |
| Unrecognized net (asset) obligation | 2,900 | 3,056 |
| | ----- | ----- |
| Prepaid pension cost (pension liability) recognized | \$ (70,377) | \$ (55,507) |
| | ===== | ===== |

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

The plans' assets consist primarily of listed common stocks, corporate and government bonds, and real estate investments. At June 30, 1995 and 1994, the plans' assets included Company stock with market values of \$12,844 and \$10,068, respectively.

Employee Savings Plan -- During 1989, the Company established a leveraged Employee Stock Ownership Plan (ESOP) as part of its existing savings and investment 401(k) plan, which is available to eligible domestic employees. Parker-Hannifin common shares, within the ESOP, are used to match contributions made by employees to the savings plan up to a maximum of 5% of an employee's annual compensation.

| | 1995 | 1994 | 1993 |
|-------------------------------|-----------|-----------|-----------|
| Allocated shares | 4,156,716 | 3,671,907 | 3,280,128 |
| Committed to be released | 44,365 | 12,267 | 7,395 |
| Unreleased shares | 562,178 | 1,117,098 | 1,659,522 |
| | ----- | ----- | ----- |
| Total shares held by the ESOP | 4,763,259 | 4,801,272 | 4,947,045 |
| | ===== | ===== | ===== |

Company contributions to the ESOP, recorded as compensation and interest expense, were \$17,106 in 1995, \$15,764 in 1994 and \$15,217 in 1993. The interest expense portion (interest on ESOP debt) was \$1,910 in 1995, \$2,848 in 1994 and \$3,764 in 1993. Dividends earned by the unallocated shares and interest income within the ESOP are used to service the ESOP debt. These were \$793 in 1995, \$1,059 in 1994 and \$1,368 in 1993.

Other Postretirement Benefits--The Company provides postretirement medical and life insurance benefits to certain retirees and eligible dependents. Most plans are contributory, with retiree contributions adjusted annually. The plans are unfunded and pay stated percentages of covered medically necessary expenses incurred by retirees, after subtracting payments by Medicare or other providers and after stated deductibles have been met. For most plans, the

Company has established cost maximums to more effectively control future medical costs. The Company has reserved the right to change or eliminate these benefit plans. Postretirement benefit costs included the following components:

| | 1995 | 1994 | 1993 |
|---|---------------------------|---------------------------|---------------------------|
| Service cost-benefits attributed to service during the period | \$ 3,598 | \$ 3,414 | \$ 3,767 |
| Interest cost on accumulated postretirement benefit obligations | 9,638 | 9,656 | 9,009 |
| Net amortization and deferral | 72 | 364 | (125) |
| Net periodic postretirement benefit costs | <u>\$ 13,308</u> ===== | <u>\$ 13,434</u> ===== | <u>\$ 12,651</u> ===== |

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

| | 1995 | 1994 |
|--|------------------------------|------------------------------|
| Accumulated postretirement benefit obligation: | | |
| Retirees | \$ (68,452) | \$ (61,488) |
| Fully eligible active plan participants | (26,602) | (27,532) |
| Other active plan participants | (34,373) | (39,026) |
| Unrecognized (gain) loss | 316 | 6,976 |
| Unrecognized prior service cost | 606 | 754 |
| Accrued postretirement benefit costs | <u>\$ (128,505)</u> ===== | <u>\$ (120,316)</u> ===== |

For measurement purposes, an 11% annual rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) was assumed for 1996. The rate was assumed to decrease gradually to 6% by 2007 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rates by 1 percentage point in each year would increase the accumulated postretirement benefit obligation as of June 30, 1995 by \$5,910, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year then ended by \$421. The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 8% at June 30, 1995 and 1994.

Other -- In 1995 the Company established nonqualified deferred compensation programs which permit officers, directors and certain management employees to annually elect (via individual contracts) 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 \$2,530 in 1995.

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

11. FOREIGN OPERATIONS

The Company's major foreign operations are located in Germany, the United Kingdom, Brazil, France, and Italy. Their business activities are conducted principally in their local currency. Net transaction and translation adjustments reduced Net income in 1995, 1994 and 1993 by \$195, \$382 and \$2,218, respectively. Such amounts are net of the tax benefits from monetary corrections for inflation and exclude the effect on Cost of sales resulting from valuing inventories at acquisition cost since sales price increases in each year more than offset this effect.

Net sales, Income before income taxes (and before extraordinary item in 1994) and Net income include the following amounts from foreign operations:

| | 1995 | 1994 | 1993 |
|----------------------------|------------|------------|------------|
| Net sales | \$ 932,886 | \$ 588,098 | \$ 616,717 |
| | ===== | ===== | ===== |
| Income before income taxes | 92,256 | (17,070) | (25,804) |
| | ===== | ===== | ===== |
| Net income | 63,514 | (14,594) | (17,468) |
| | ===== | ===== | ===== |

Net assets of foreign operations at June 30, 1995 and 1994 amounted to \$601,142 and \$416,756, respectively.

Accumulated undistributed earnings of foreign operations reinvested in their operations amounted to \$100,550, \$38,938, and \$58,101, at June 30, 1995, 1994 and 1993, respectively.

12. RESEARCH AND DEVELOPMENT

Research and development costs amounted to \$74,129 in 1995, \$64,518 in 1994, and \$60,054 in 1993. Customer reimbursements included in the total cost for each of the respective years were \$21,202, \$22,640 and \$16,648. Costs include those costs related to independent research and development as well as customer reimbursed and unreimbursed development programs.

13. CONTINGENCIES

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

Environmental - The Company is currently involved in environmental remediation at 22 manufacturing facilities presently or formerly operated by the Company and has been named as a "potentially responsible party", along with other companies, at 12 off-site waste disposal facilities.

As of June 30, 1995, the Company has a reserve of \$11,364 for environmental matters which are probable and reasonably estimable. This reserve is recorded based upon the best estimate of net costs to be incurred in light of the progress made in determining the magnitude of remediation costs, the timing and extent of remedial actions required by governmental authorities, the amount of the Company's liability in proportion to other responsible parties and any recoveries receivable. This reserve is net of \$802 for discounting at an 8% annual rate a portion of the costs at 7 locations for established treatment procedures required over periods ranging from 7 to 20 years. The Company also has an account receivable of \$533 for anticipated insurance recoveries.

The Company's estimated total liability for the above mentioned sites ranges from a minimum of \$10,698 to a maximum of \$27,051. The actual costs to be incurred by the Company will be dependent on final delineation of contamination, final determination of remedial action required, negotiations with federal and state agencies with respect to cleanup levels, changes in regulatory requirements, innovations in investigatory and remedial technology, effectiveness of remedial technologies employed, the ultimate ability to pay of the other responsible parties and any insurance recoveries.

Report of Management

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

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

Coopers & Lybrand L.L.P., independent accountants, are retained to conduct an audit of Parker Hannifin's financial statements in accordance with generally accepted auditing standards and to provide an independent assessment that helps ensure fair presentation of the Company's financial position, results of operations and cash flows.

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

Duane E. Collins

Michael J. Hiemstra

Duane E. Collins
President and
Chief Executive Officer

Michael J. Hiemstra
Vice President -
Finance and Administration

Report of Independent Accountants

To the Shareholders and Board of Directors
Parker Hannifin Corporation

We have audited the accompanying consolidated balance sheet of Parker Hannifin Corporation and its subsidiaries at June 30, 1995 and 1994, and the related consolidated statements of income and cash flows for each of the three years in the period ended June 30, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Parker Hannifin Corporation and its subsidiaries at June 30, 1995 and 1994, and the consolidated results of their operations and their cash flows for each of the three years in the period ended June 30, 1995 in conformity with generally accepted accounting principles.

Coopers & Lybrand L.L.P.

Cleveland, Ohio
August 3, 1995

FIVE-YEAR FINANCIAL SUMMARY
(Dollars in thousands, except per share amounts)

| | 1995 | 1994 (a) | 1993 | 1992 (b) | 1991 |
|--|--------------|--------------|--------------|--------------|--------------|
| Net sales | \$ 3,214,370 | \$ 2,576,337 | \$ 2,489,323 | \$ 2,375,808 | \$ 2,440,815 |
| Cost of sales | 2,448,264 | 2,053,376 | 2,004,955 | 1,925,800 | 1,977,381 |
| Selling, general and administrative expenses | 384,581 | 302,668 | 310,765 | 282,861 | 289,535 |
| Provision for business restructuring activities | | 18,773 | 22,879 | 14,798 | 14,350 |
| Impairment of long-term assets | | 35,483 | | | |
| Interest expense | 30,922 | 37,832 | 47,056 | 52,190 | 59,369 |
| Interest and other income, net | (2,335) | (3,879) | (5,457) | (6,380) | (5,973) |
| Loss (gain) on disposal of assets | 4,531 | 19,635 | 1,059 | 1,148 | 2,685 |
| Income taxes | 130,169 | 60,274 | 43,010 | 41,912 | 44,300 |
| Income - continuing operations | 218,238 | 52,175 | 65,056 | 63,479 | 59,168 |
| Income before extraordinary item and cumulative effect of changes in accounting principles | 218,238 | 52,175 | 65,056 | 63,479 | 59,168 |
| Net income | 218,238 | 47,652 | 65,056 | 11,218 | 59,168 |
| Earnings per share - continuing operations | 2.96 | .71 | .89 | .88 | .82 |
| Earnings per share before extraordinary item and cumulative effect of changes in accounting principles | 2.96 | .71 | .89 | .88 | .82 |
| Earnings per share | \$ 2.96 | \$.65 | \$.89 | \$.15 | \$.82 |
| Average number of shares outstanding (thousands) | 73,717 | 73,107 | 72,710 | 72,429 | 72,422 |
| Cash dividends per share | \$.68 | \$.65 | \$.64 | \$.62 | \$.61 |
| Cash dividends paid | \$ 49,961 | \$ 47,445 | \$ 46,121 | \$ 44,382 | \$ 43,415 |
| Net income as a percent of net sales | 6.8% | 1.8% | 2.6% | 0.5% | 2.4% |
| Return on average assets | 10.3% | 2.5% | 3.3% | 0.6% | 3.0% |
| Return on average equity | 20.2% | 5.0% | 7.0% | 1.2% | 6.3% |
| Book value per share | \$ 16.10 | \$ 13.16 | \$ 12.80 | \$ 12.86 | \$ 13.05 |
| Current assets | 1,246,382 | 1,031,308 | 1,056,443 | 1,055,776 | 1,019,019 |
| Current liabilities | 652,621 | 504,444 | 468,254 | 383,603 | 369,545 |
| Working capital | \$ 593,761 | \$ 526,864 | \$ 588,189 | \$ 672,173 | \$ 649,474 |
| Ratio of current assets to current liabilities | 1.9 | 2.0 | 2.3 | 2.8 | 2.8 |
| Plant and equipment, net continuing | \$ 815,771 | \$ 717,300 | \$ 736,056 | \$ 752,490 | \$ 757,937 |
| Plant and equipment, net discontinued | | | | | |
| Total assets | 2,302,209 | 1,925,744 | 1,963,590 | 1,958,120 | 1,920,697 |
| Long-term debt | 237,157 | 257,259 | 378,476 | 446,974 | 476,586 |
| Shareholders' equity | \$ 1,191,514 | \$ 966,351 | \$ 932,900 | \$ 934,019 | \$ 943,475 |
| Debt to debt-equity percent | 21.9% | 22.7% | 33.3% | 34.0% | 35.4% |
| Depreciation continuing | \$ 110,527 | \$ 106,546 | \$ 109,673 | \$ 102,628 | \$ 98,919 |
| Capital expenditures continuing | \$ 151,963 | \$ 99,914 | \$ 91,484 | \$ 84,955 | \$ 112,047 |
| Number of employees | 30,590 | 26,730 | 25,646 | 26,669 | 27,793 |
| Number of shareholders | 35,629 | 29,625 | 30,414 | 30,836 | 32,812 |
| Number of shares outstanding at year-end (thousands) | 74,002 | 73,410 | 72,902 | 72,614 | 72,308 |

- (a) Includes an extraordinary item for the early retirement of debt.
(b) Includes the cumulative effect of changes in accounting principles for SFAS No. 106, Employer's Accounting for Postretirement Benefits Other than Pensions and SFAS No. 109, Accounting for Income Taxes.

Exhibit (21)* to Report
on Form 10-K for Fiscal
Year Ended June 30, 1995
by Parker-Hannifin Corporation

The Company has the following subsidiaries:

Domestic Subsidiaries

| Percentage Name Owned(1) | Incorporated | |
|--|--------------|--------|
| iPower Distribution Group Inc. | Delaware | 100 |
| Parker de Puerto Rico, Inc. | Delaware | 100 |
| Parker Finance Corp. | Delaware | 100(2) |
| Parker-Hannifin Asia Pacific Co., Ltd. | Delaware | 100(3) |
| Parker-Hannifin International Corp. | Delaware | 100 |
| Parker Intangibles Inc. | Delaware | 100 |
| Parker Properties Inc. | Delaware | 100 |
| Parker Services Inc. | Delaware | 100 |
| Travel 17325 Inc. | Delaware | 100 |

Foreign Subsidiaries

| | | |
|--|----------------|---------|
| Acadia International Insurance Limited | Ireland | 100 |
| Alenco (Holdings) Limited | United Kingdom | 100(3) |
| Brownsville Rubber Co., S.A. de C.V. | Mexico | 100 |
| Ermeto Productie Maatschappij B.V. | Netherlands | 100(4) |
| Hauser Elektronik GmbH | Germany | 100(5) |
| Hauser Elektronik GmbH | Switzerland | 100(6) |
| N. V. Parker-Hannifin S.A. | Belgium | 100(7) |
| P-H do Brasil Comercial Ltda. | Brazil | 100(3) |
| PH Finance Limited | United Kingdom | 100(8) |
| Parker Automotive de Mexico S.A. de C.V. | Mexico | 100 |
| Parker Enzed (N.Z.) Limited | New Zealand | 100(3) |
| Parker Enzed (Australia) Pty. Ltd. | Australia | 100(9) |
| Parker Enzed Equipment (Australia) Pty. Ltd. | Australia | 100(9) |
| Parker Enzed Technologies Pty. Ltd. | Australia | 100(9) |
| Parker Ermeto GmbH | Austria | 100(5) |
| Parker Fluid Connectors de Mexico S.A. de C.V. | Mexico | 100 |
| Parker Pneumatique S.A. | France | 100(10) |
| Parker Pradifa GmbH | Germany | 100(11) |
| Parker Reynosa S.A. de C.V. | Mexico | 100 |
| Parker Seal de Baja S.A. de C.V. | Mexico | 100 |
| Parker Seals S.p.A. | Italy | 100(12) |
| Parker Zenith S.A. de C.V. | Mexico | 100 |
| Parker Hannifin (Africa) Pty. Ltd. | South Africa | 100 |
| Parker Hannifin Argentina SAIC | Argentina | 100 |
| Parker Hannifin A/S | Norway | 100(13) |
| Parker Hannifin (Australia) Pty. Ltd. | Australia | 100(3) |
| Parker Hannifin B.V. | Netherlands | 100(3) |
| Parker Hannifin (Canada) Inc. | Canada | 100(3) |
| Parker Hannifin Danmark A/S | Denmark | 100 |
| Parker Hannifin de Venezuela, C.A. | Venezuela | 100(3) |
| Parker Hannifin (Espana) SA | Spain | 100(3) |
| Parker Hannifin Finance B.V. | Netherlands | 100(7) |
| Parker Hannifin Foreign Sales Corp. | Guam | 100(3) |
| Parker Hannifin GmbH | Germany | 100(3) |
| Parker Hannifin GmbH & Co. KG | Germany | 100(14) |
| Parker Hannifin Hong Kong Limited | Hong Kong | 100(15) |
| | | |
| Parker Hannifin Industria e Comercio Ltda. | Brazil | 100(16) |
| Parker Hannifin Japan Ltd. | Japan | 100 |
| Parker Hannifin Naarden B.V. | Netherlands | 100(7) |
| Parker Hannifin NMF AG | Switzerland | 100(5) |
| Parker Hannifin (N.Z.) Ltd. | New Zealand | 100 |
| Parker Hannifin Oy | Finland | 100 |
| Parker Hannifin plc | United Kingdom | 100(13) |
| Parker Hannifin RAK, S.A. | France | 100 |
| Parker Hannifin S.p.A. | Italy | 100 |
| Parker Hannifin Sp. z.o.o. | Poland | 100 |
| Parker Hannifin S.r.o. | Czech Republic | 100(3) |
| Parker-Hannifin Singapore Pte. Ltd. | Singapore | 100 |
| Parker Hannifin Sweden AB | Sweden | 100 |
| Parker Hannifin Taiwan Ltd. | Taiwan | 100 |
| Parker Hannifin Verwaltungs GmbH | Germany | 100(5) |
| Polar Seals ApS | Denmark | 100(17) |
| Polyflex France S.A. | France | 100(10) |
| Swedab Finn-Filter Svenska AB | Sweden | 100(18) |
| Atlas Automation AB | Sweden | 100 |

| | | |
|-------------------------------|---------|---------|
| Atlas Automation Svenska AB | Sweden | 100(19) |
| Atlas Svenska Forsaljnings AB | Sweden | 100(19) |
| Atlas Automation A/S | Denmark | 100(19) |
| Hydro-Pneumatik AB | Sweden | 100(19) |

- (1) Excludes directors' qualifying shares
- (2) Owned 100% by Parker de Puerto Rico, Inc.
- (3) Owned 100% by Parker-Hannifin International Corp.
- (4) Owned 100% by Parker-Hannifin Naarden B.V.
- (5) Owned 100% by Parker Hannifin GmbH
- (6) Owned 100% by Parker Hannifin NMF AG
- (7) Owned 100% by Parker Hannifin B.V.
- (8) Owned 100% by Parker Hannifin plc
- (9) Owned 100% by Parker-Hannifin (Australia) Pty. Ltd.
- (10) Owned 100% by Parker Hannifin RAK S.A.
- (11) Owned 13.8% by Parker Hannifin GmbH and 86.2% by Parker-Hannifin International Corp.
- (12) Owned 100% by Parker-Hannifin S.p.A.
- (13) Owned 100% by Alenco (Holdings) Limited
- (14) Owned 99% by Parker Hannifin GmbH and 1% by Parker Hannifin Verwaltungs GmbH
- (15) Owned 99.99% by Parker-Hannifin Corporation and .01% by Parker-Hannifin International Corporation
- (16) Owned 37.5% by P-H do Brasil Comercial Ltda. and 62.5% by Parker-Hannifin International Corp.
- (17) Owned 100% by Parker Hannifin Danmark A/S
- (18) Owned 100% by Parker Hannifin Sweden AB
- (19) Owned 100% by Atlas Automation AB

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

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

Exhibit (25)* to Report
on Form 10-K for Fiscal
Year Ended June 30, 1995
by Parker-Hannifin Corporation

Power of Attorney

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

Securities and Exchange Commission
Washington, D.C. 20549

Re: Parker-Hannifin Corporation

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

Gentlemen:

Parker-Hannifin Corporation (the "Company") is the issuer of Securities registered under Section 12(b) of the Securities Exchange Act of 1934 (the "Act"). Each of the persons signing his name below confirms, as of the date appearing opposite his signature, that each of the following "Authorized Representatives" is authorized on his behalf to sign and to submit to the Securities and Exchange Commission Annual Reports on Form 10-K and amendments thereto as required by the Act:

Authorized Representatives

Duane E. Collins
Michael J. Hiemstra
Patrick S. Parker
Joseph D. Whiteman

Each person so signing also confirms the authority of each of the Authorized Representatives named above to do and perform, on his behalf, any and all acts and things requisite or necessary to assure compliance by the signing person with the Form 10-K filing requirements. The authority confirmed herein shall remain in effect as to each person signing his name below until such time as the Commission shall receive from such person a written communication terminating or modifying the authority.

| | Date | | Date |
|--|---------|---------------------------------|---------|
| P. S. Parker | 8/16/95 | F. A. LePage | 8/17/95 |
| <hr/> P. S. Parker, Chairman of the Board of Directors | <hr/> | <hr/> F. A. LePage, Director | <hr/> |
| D. E. Collins | 8/17/95 | Peter W. Likins | 8/17/95 |
| <hr/> D. E. Collins, Principal Executive Officer and Director | <hr/> | <hr/> P. W. Likins, Director | <hr/> |
| M. J. Hiemstra | 8-17-95 | Allan L. Rayfield | 8/17/95 |
| <hr/> M. J. Hiemstra, Principal Financial Officer | <hr/> | <hr/> A. L. Rayfield, Director | <hr/> |
| H. C. Gueritey, Jr | 8-16-95 | P. G. Schloemer | 8/17/95 |
| <hr/> H. C. Gueritey, Jr., Principal Accounting Officer | <hr/> | <hr/> P. G. Schloemer, Director | <hr/> |
| J. G. Breen | 8-16-95 | Wolfgang R. Schmitt | 8-17-95 |
| <hr/> J. G. Breen, Director | <hr/> | <hr/> W. R. Schmitt, Director | <hr/> |
| Paul C. Ely, Jr. | 8-16-95 | | |
| <hr/> P. C. Ely, Jr., Director | <hr/> | <hr/> W. Seipp, Director | <hr/> |
| Allen H. Ford | 8/17/95 | D. W. Sullivan | 8/17/95 |
| <hr/> A. H. Ford, Director | <hr/> | <hr/> D. W. Sullivan, Director | <hr/> |

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM PARKER-HANNIFIN CORPORATION'S REPORT ON FORM 10-K FOR ITS FISCAL YEAR ENDED JUNE 30, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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| | | |
|-------------|-------------|-----------|
| | 12-MOS | |
| JUN-30-1995 | | |
| | JUN-30-1995 | |
| | | 63,830 |
| | | 0 |
| | | 426,337 |
| | | 6,613 |
| | | 625,906 |
| 1,246,382 | | |
| | | 1,812,667 |
| | | 996,896 |
| 2,302,209 | | |
| 652,621 | | |
| | | 259,674 |
| | | 37,001 |
| 0 | | |
| | | 0 |
| | | 1,154,513 |
| 2,302,209 | | |
| | | 3,214,370 |
| 3,214,370 | | |
| | | 2,448,264 |
| 2,448,264 | | |
| | | 0 |
| | | 2,411 |
| 30,922 | | |
| 348,407 | | |
| | | 130,169 |
| 218,238 | | |
| | | 0 |
| | | 0 |
| | | 0 |
| | | 218,238 |
| | | 2.96 |
| | | 2.95 |