

# Citigroup Global Industrial Conference

**New York, NY**



**Don Washkewicz**  
Chairman, CEO & President

ENGINEERING YOUR SUCCESS.

**March 4, 2008**

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**Why own Parker ?**

# World Leading Technologies

**Hydraulics**



**Fluid Handling**



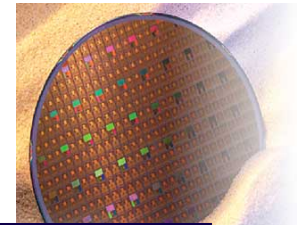
**Filtration**



**Aerospace**



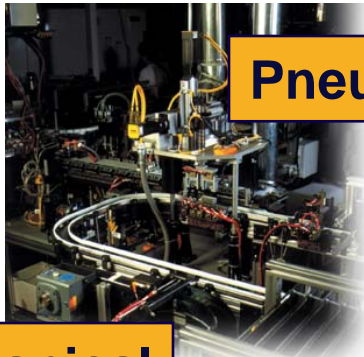
**Process Control**



**Refrigeration**



**Pneumatics**

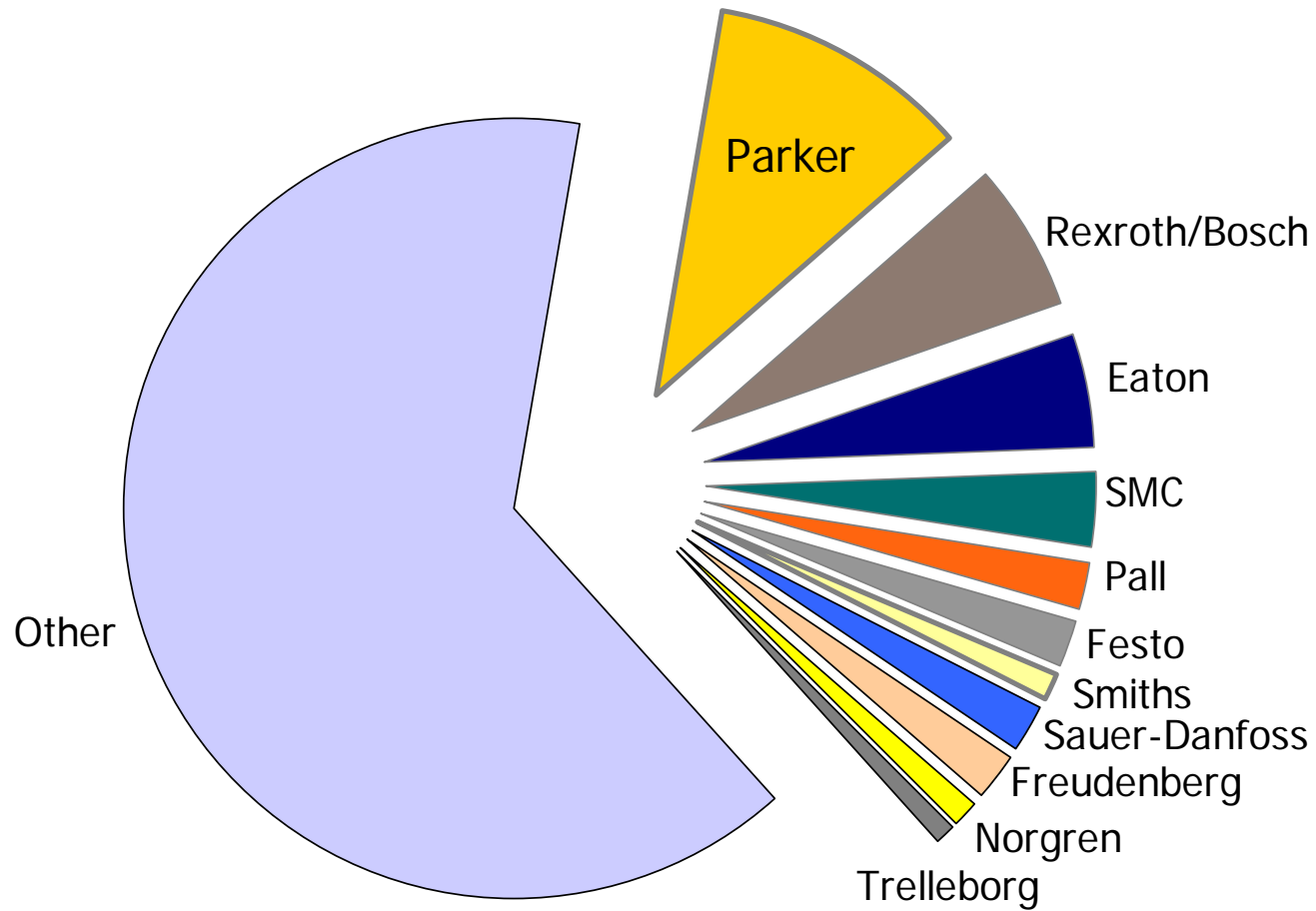


**Sealing & Shielding**



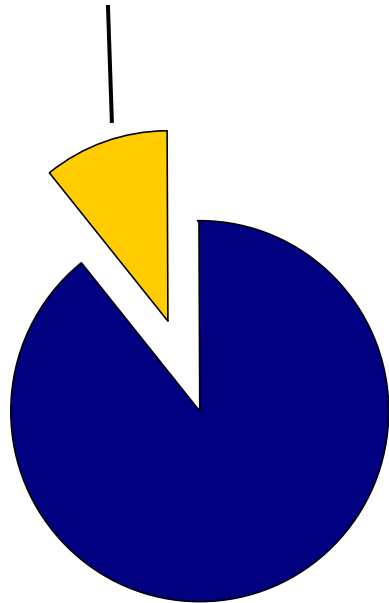
**Electromechanical**

# Parker is the Global Leader in Motion & Control



# Parker Market Potential

Parker Sales in  
FY2000: \$5.4 Billion



Potential Market in  
2000: \$50 Billion

**Our growth opportunities are  
far greater than ever before**

Parker Sales in  
FY2007: \$10.7 Billion



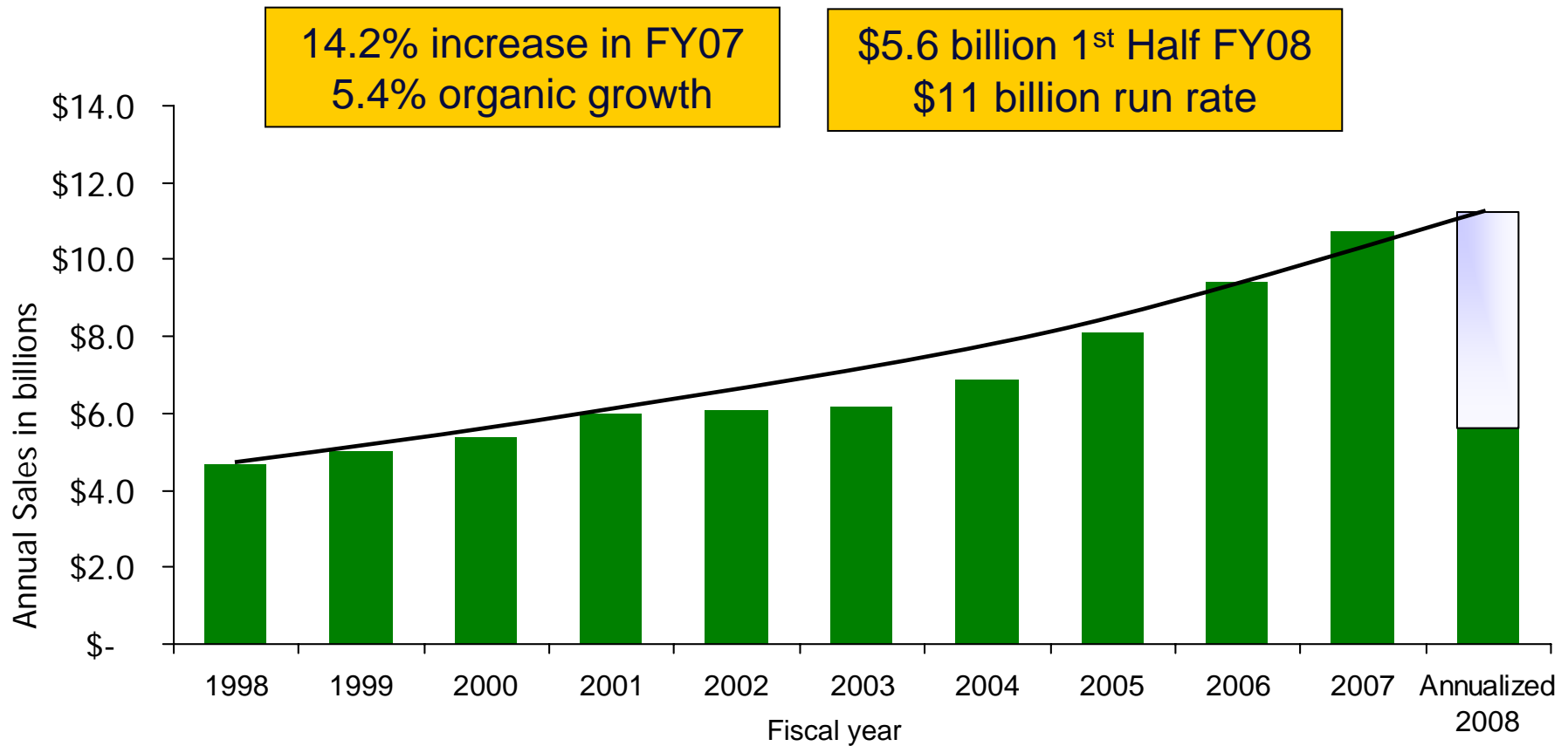
**Potential Market  
Today: \$100 Billion**

## **FY07 Results**

# **Record Results!**

- **Record sales**
- **Record operating margin %**
- **Record earnings**
- **Record ROS**
- **Record EPS**
- **Record cash flow from operations**

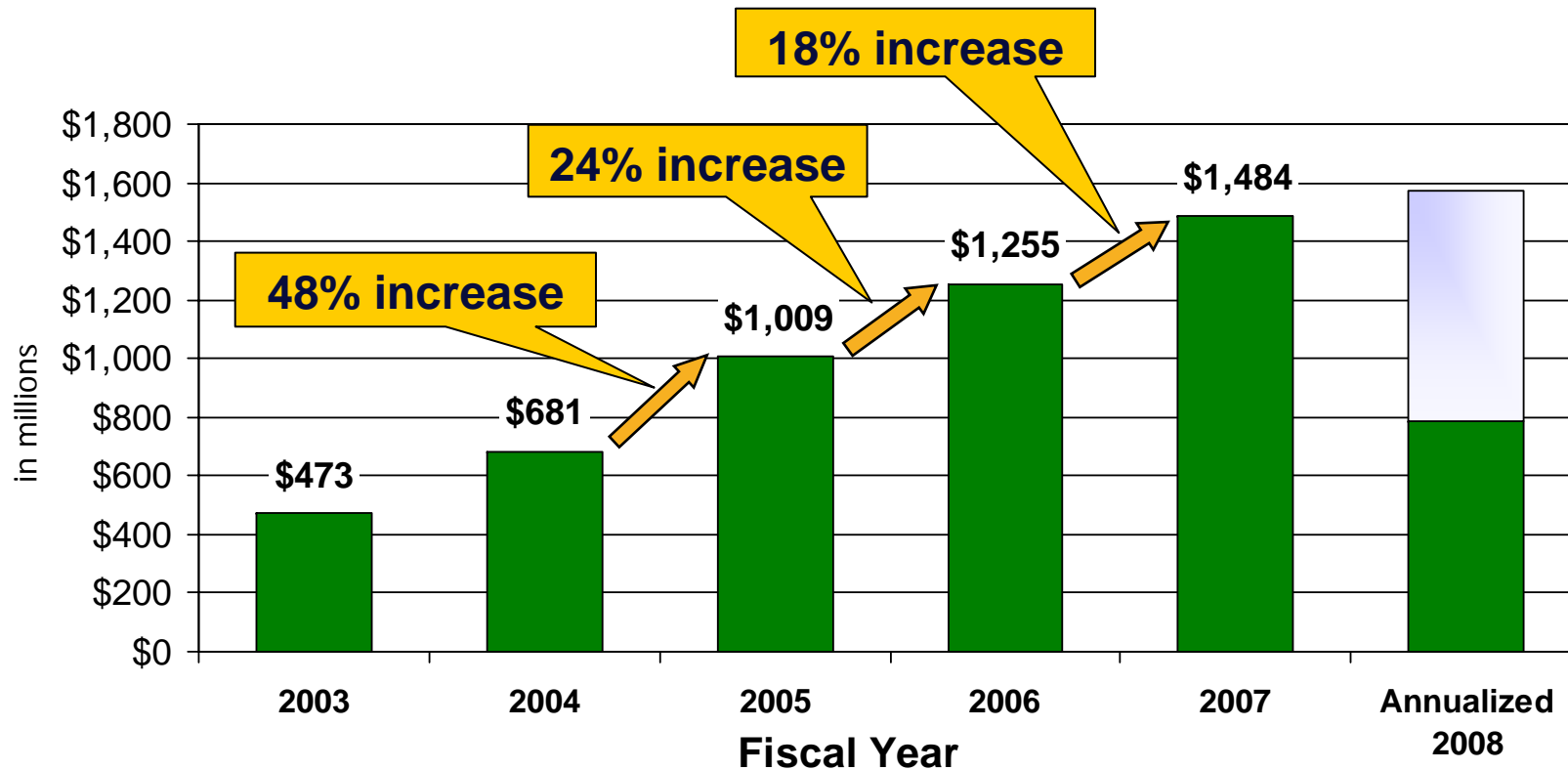
# Results: Sales are Growing



**FY07 10 Year CAGR – 10.1%**



# Operating Income is growing



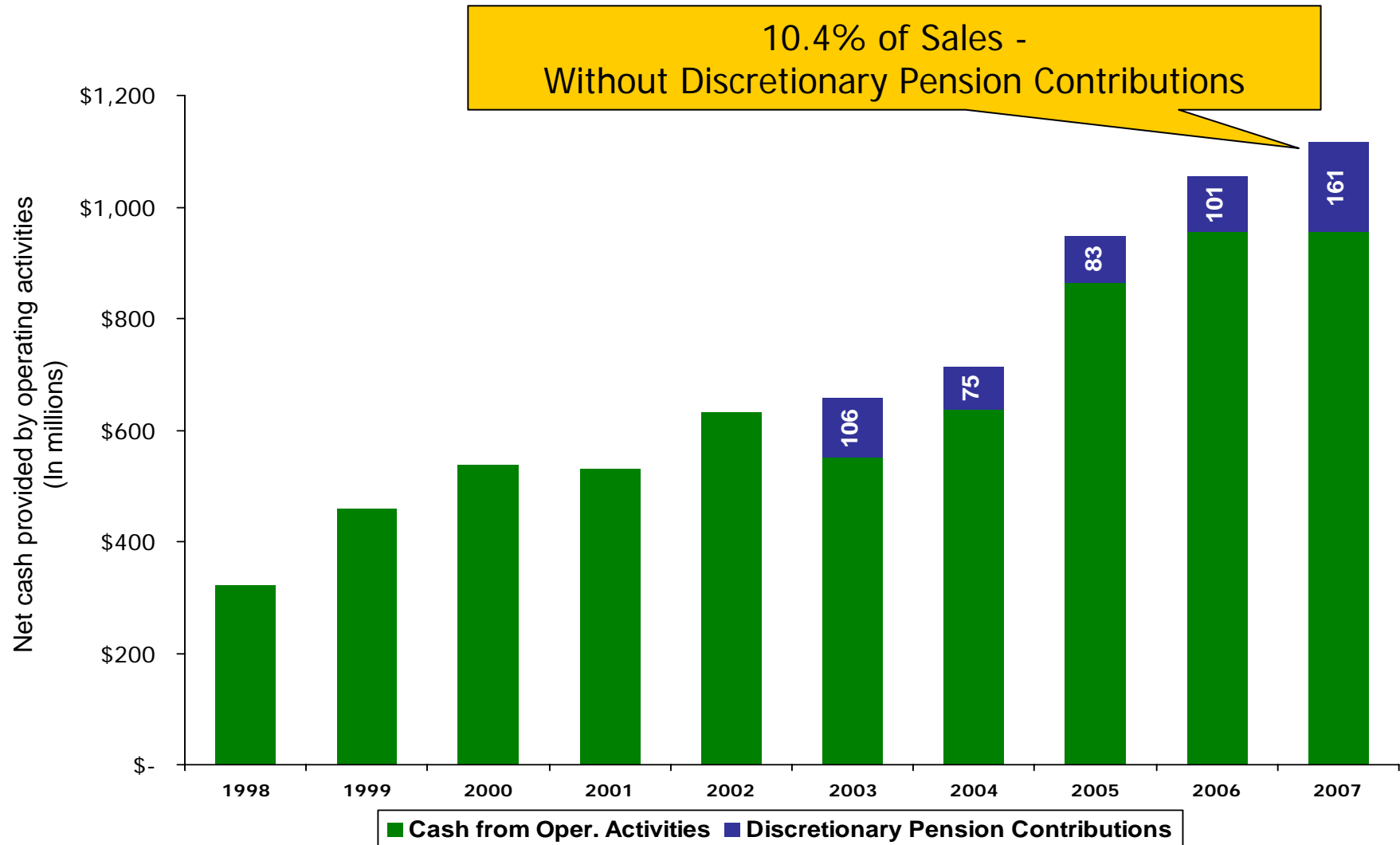
**FY07 5-Year CAGR - 27%**

# Operating Margins

International Margins > No. American Margins

	Total Year			1st Half	
	FY05	FY06	FY07	FY07	FY08
Industrial North America	13.3%	15.0%	14.7%	14.6%	14.9%
Industrial International	11.1%	12.2%	13.7%	13.9%	15.7%
Aerospace	14.7%	14.7%	16.0%	17.0%	12.7%
Climate and Industrial Controls	9.4%	8.5%	7.7%	7.6%	4.3%
<b>Total Parker</b>	<b>12.5%</b>	<b>13.4%</b>	<b>13.8%</b>	<b>14.0%</b>	<b>14.0%</b>

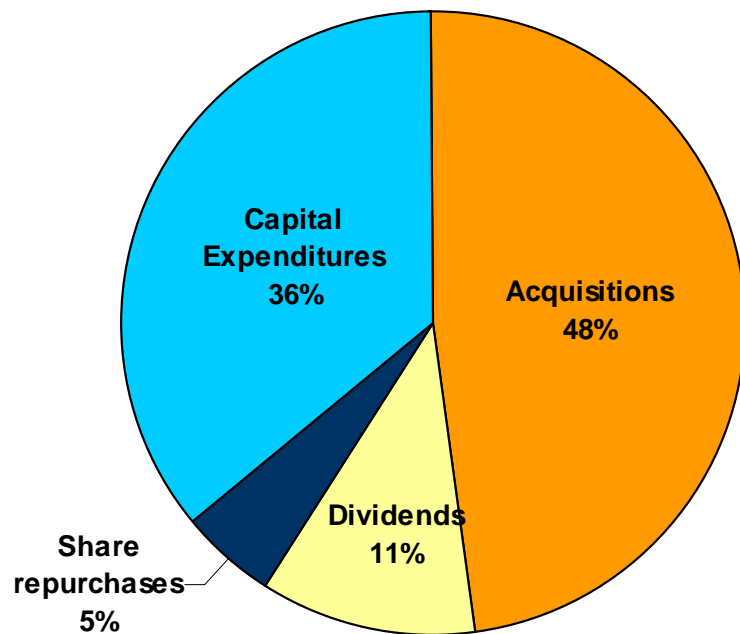
# Results: Cash Flow is Strong



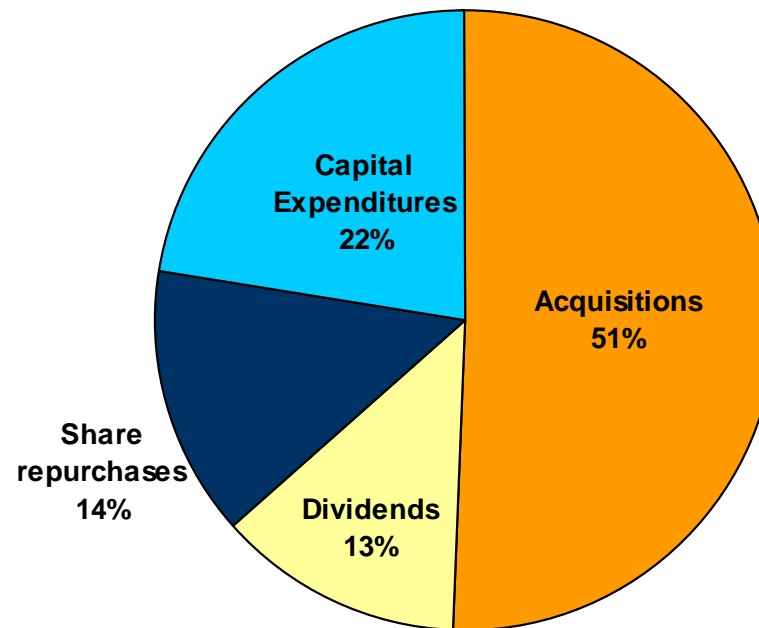
# Results: Cash Flow is Strong

## Uses of Cash

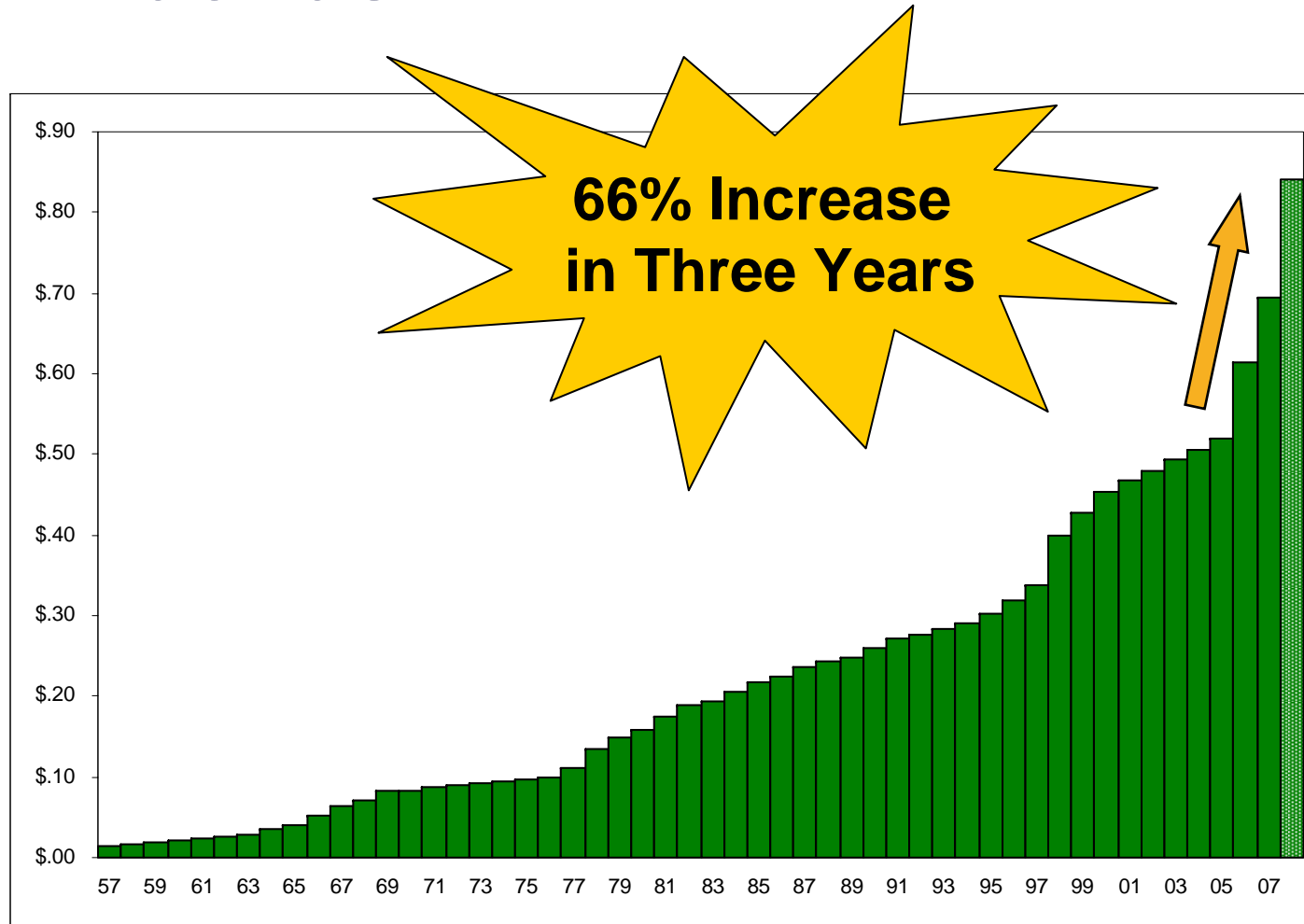
1998 - 2002



2003 - 2007

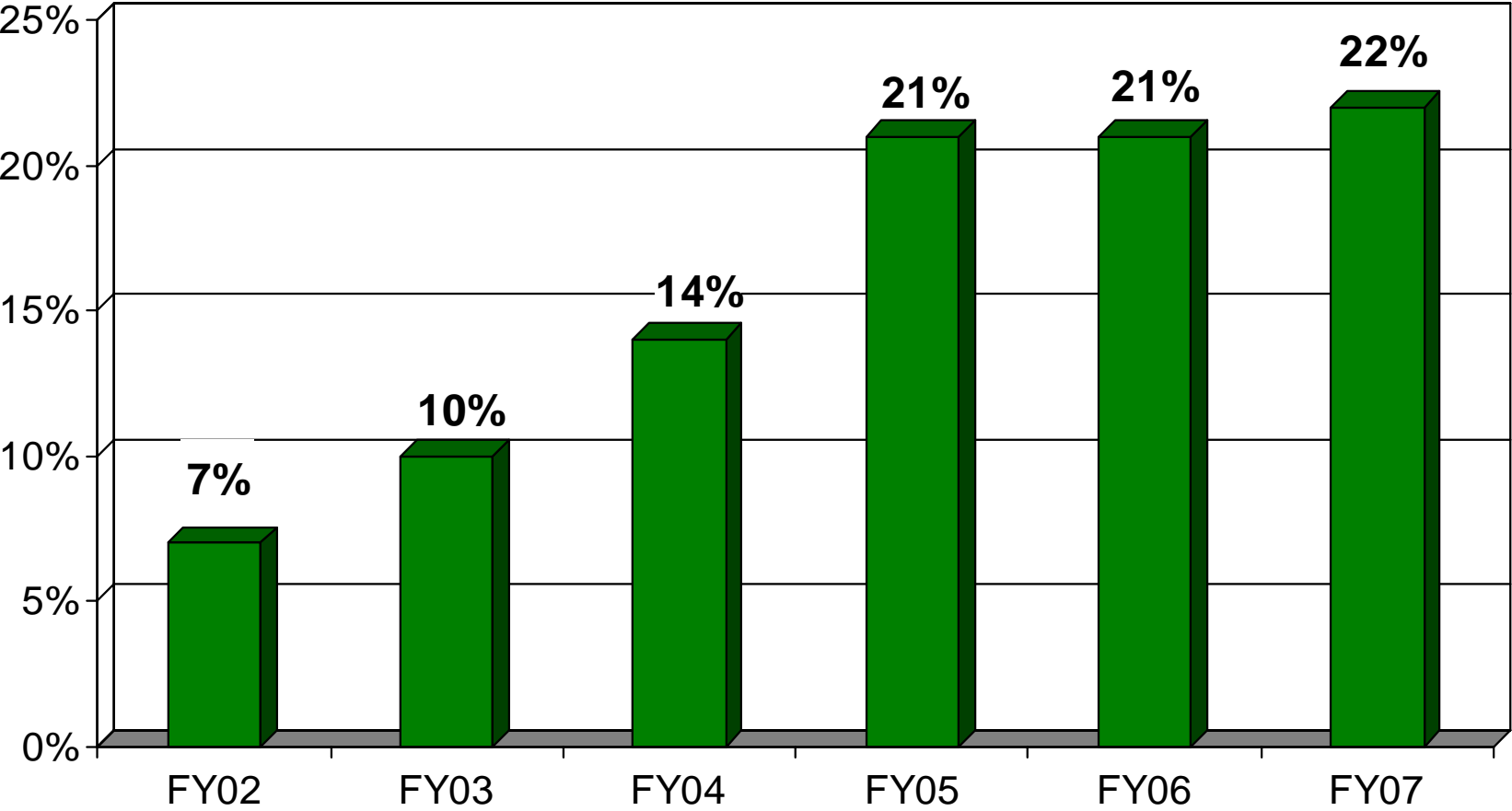


# 51 Consecutive Years of Increased Dividends



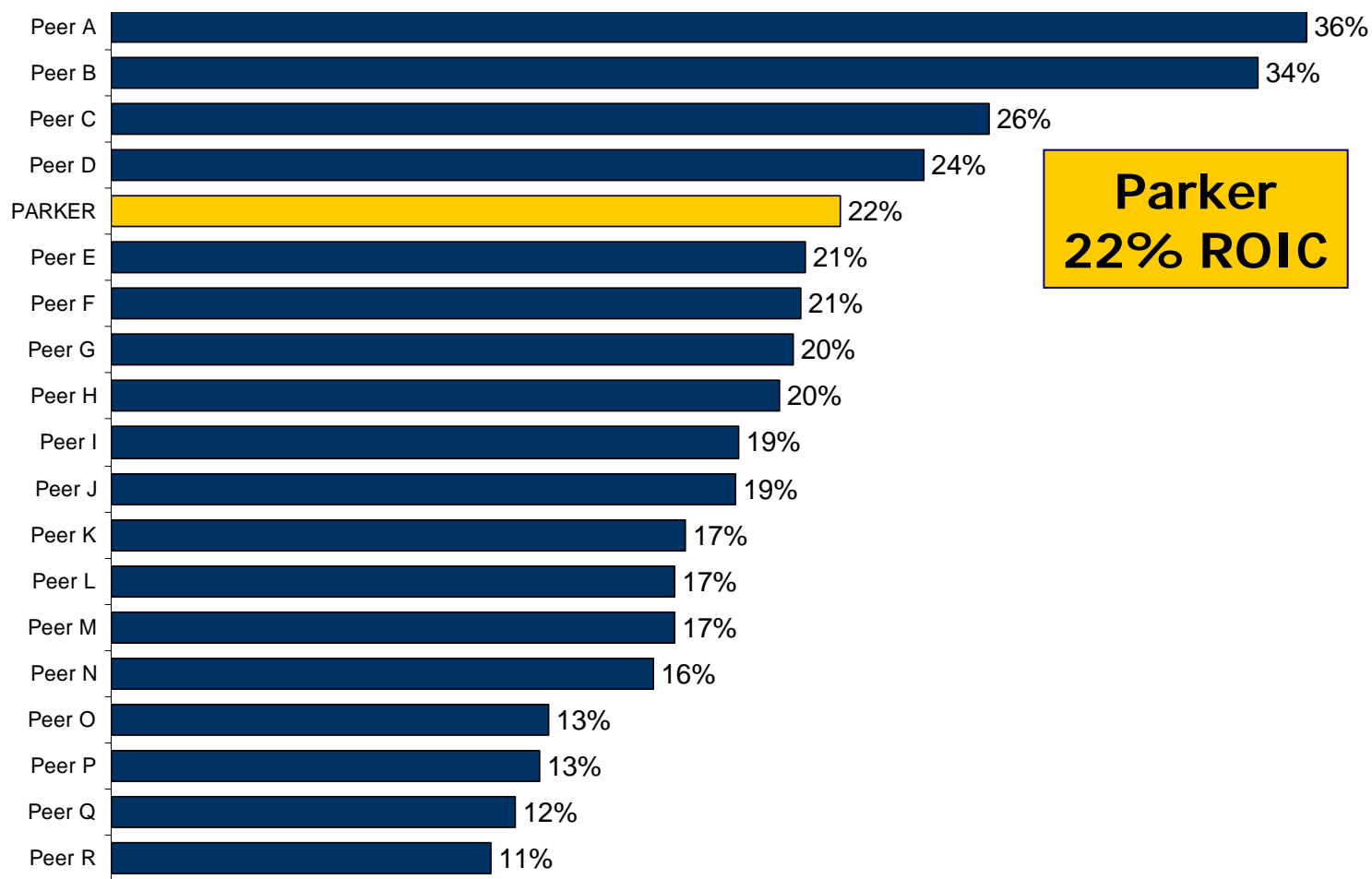
*\* Among the top 5 longest-running dividend increase records in the S&P 500 index.*

# ROIC is Improving



● ROIC is defined as: EBIT from continuing operations divided by average capital

# ROIC versus Peers (pre-tax)



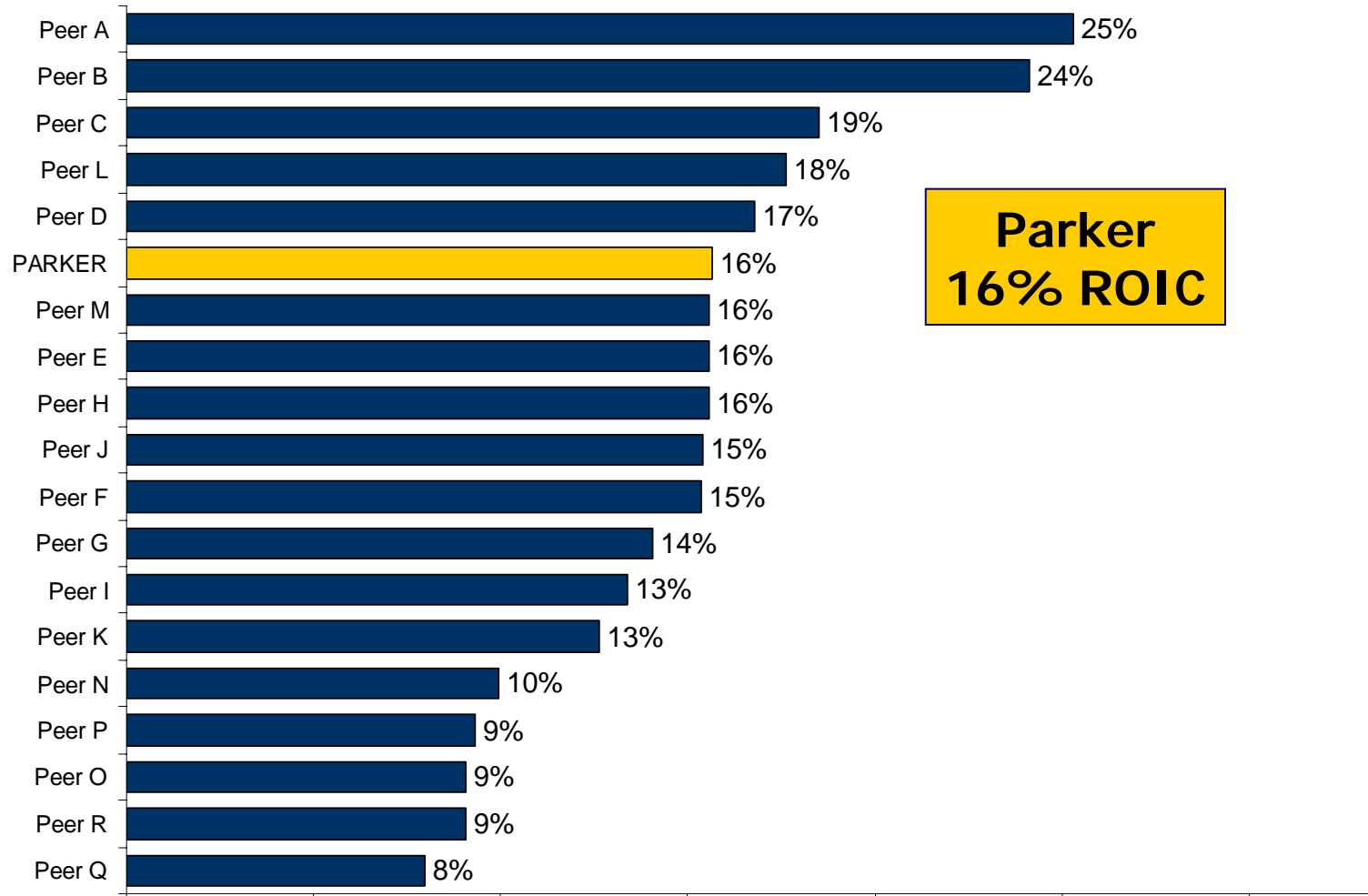
**Parker  
22% ROIC**

● ROIC is defined as: *Income from cont. ops. before interest and taxes divided by average capital (avg. of debt and equity at beginning and end of fiscal year).*

● Parker data is June 30, 2007. Peer data is from the most recent 10-K filings.



# ROIC versus Peers (after tax)



**Parker  
16% ROIC**

● ROIC is defined as: *Income from continuing ops before interest divided by average capital (avg. of debt and equity at beginning and end of fiscal year).*

● Parker data is June 30, 2007. Peer data is from the most recent 10-K filings.

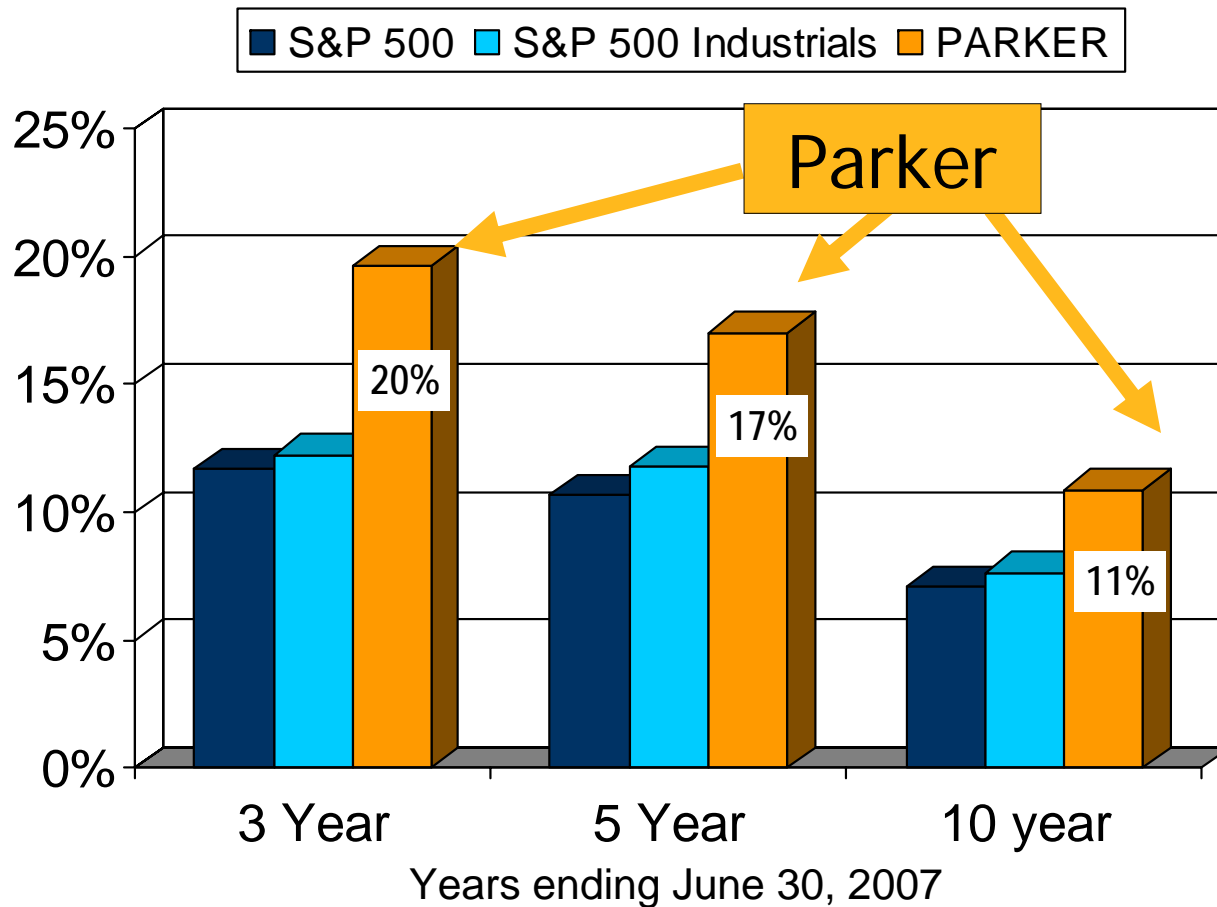




# Parker Delivers Strong Returns

## Total Shareholder Return

(Annual Equivalent)



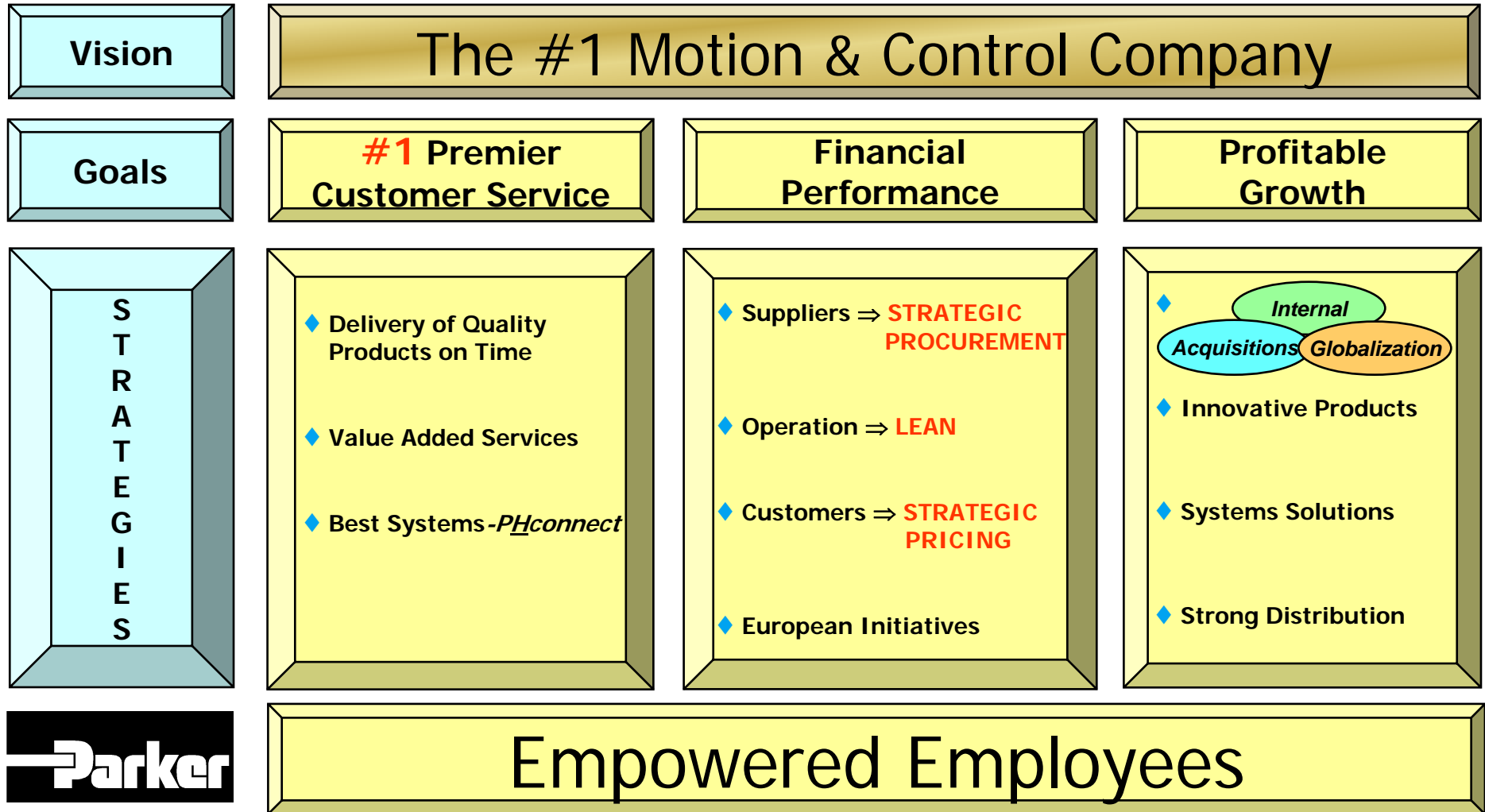
# The Outlook is Good

## FY08 Order Rates

	ORDER RATES	TOTAL PARKER	INDUSTRIAL NO. AMER	INDUSTRIAL INTERNAT'L	AEROSPACE	CIC
Sept	7	0	19	12	(13)	
Dec	10	4	16	19	(6)	
Mar						
June						

Excludes acquisitions & currency  
 3-month year-over-year comparisons, except Aerospace  
 Aerospace is calculated using a 12-month moving average

# A Clear Roadmap – “Win Strategy”



# What is the “Win Strategy”?

**Operational Excellence  
&  
Growth**

# What is the “Win Strategy”?

**“It’s How We Add Value”**

# Still Our #1 Goal

Vision

The #1 Motion & Control Company

Goals

**#1 Premier  
Customer Service**

Financial  
Performance

Profitable  
Growth

S

# Customer Service

G  
I  
E  
S

◆ Best Systems-*PHconnect*

Customers ⇒ Strategic  
Pricing

European Initiatives

◆ Systems Solutions

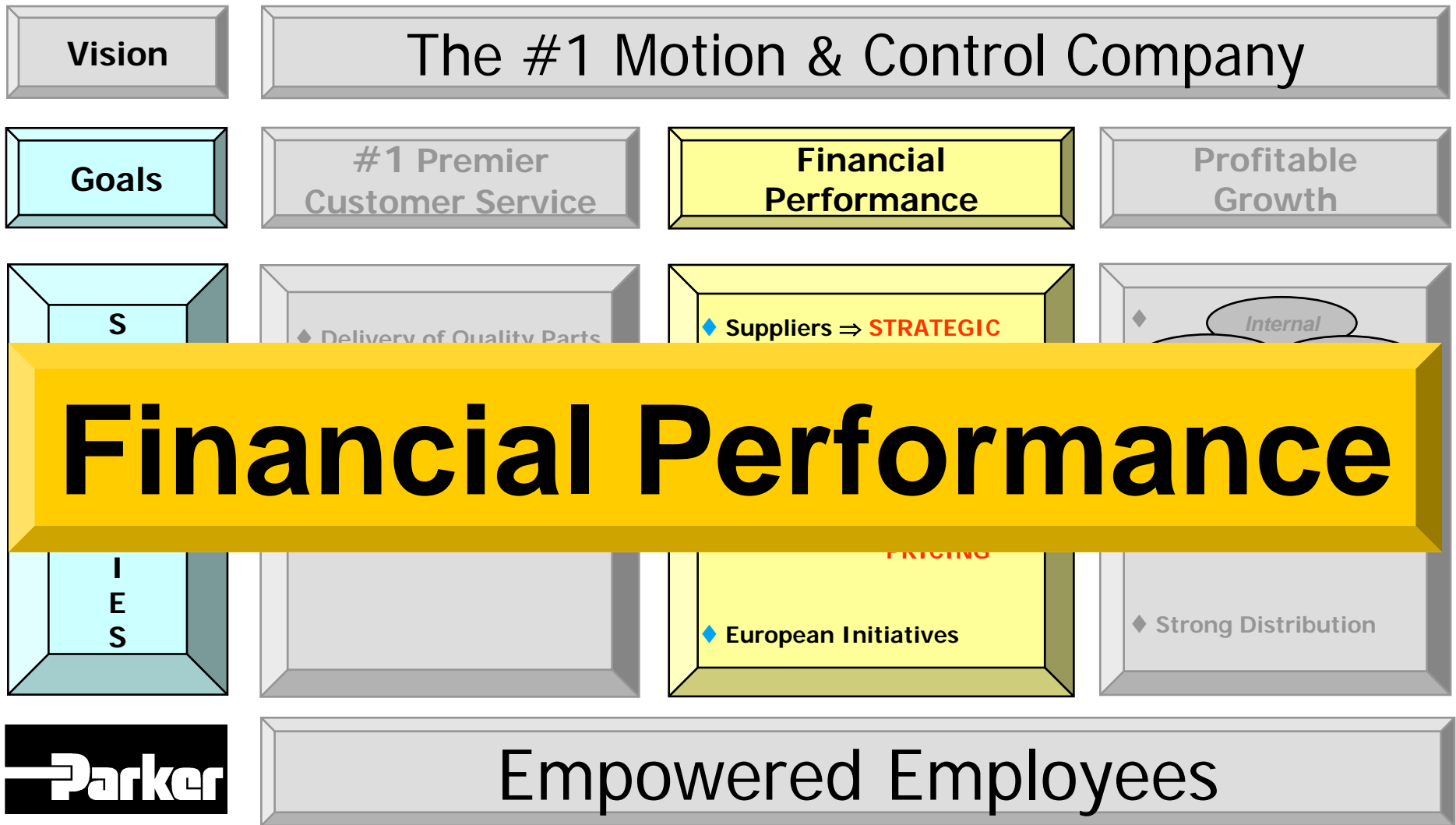
◆ Strong Distribution



Empowered Employees



# Goal #2



# The “Win Strategy” Objective

**Maximize ROIC**

**Returns**



**Invested Capital**





# Lean Enterprise: Key Metrics

**Inventory Goes Down**

# Inventory % to Sales



**Record  
11.8%  
FY2007**

**Goal = 10%**

# Lean Enterprise: Key Metrics

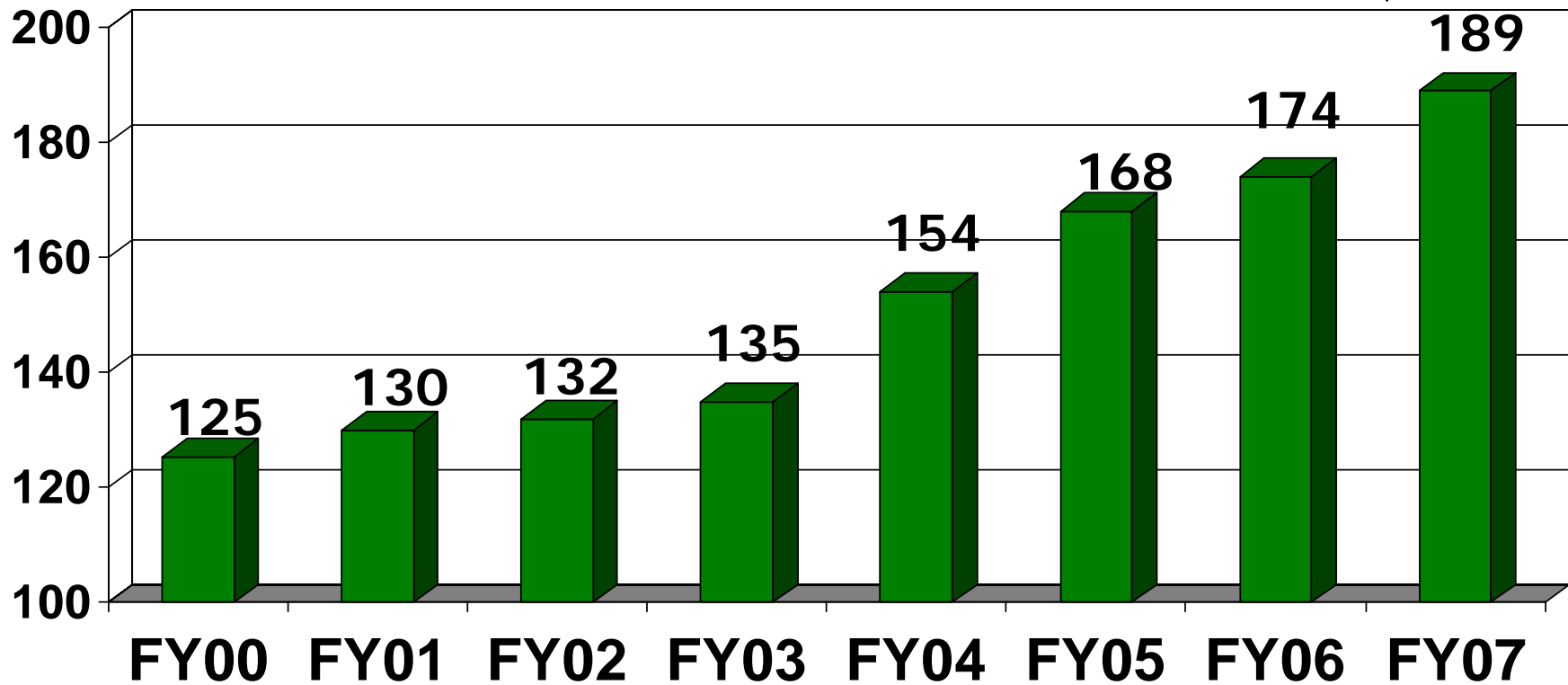
Inventory Goes Down

**Productivity Improves**

# Productivity

**Sales/Employee  
000's**

**Record**



**With annualized acquisition volume**

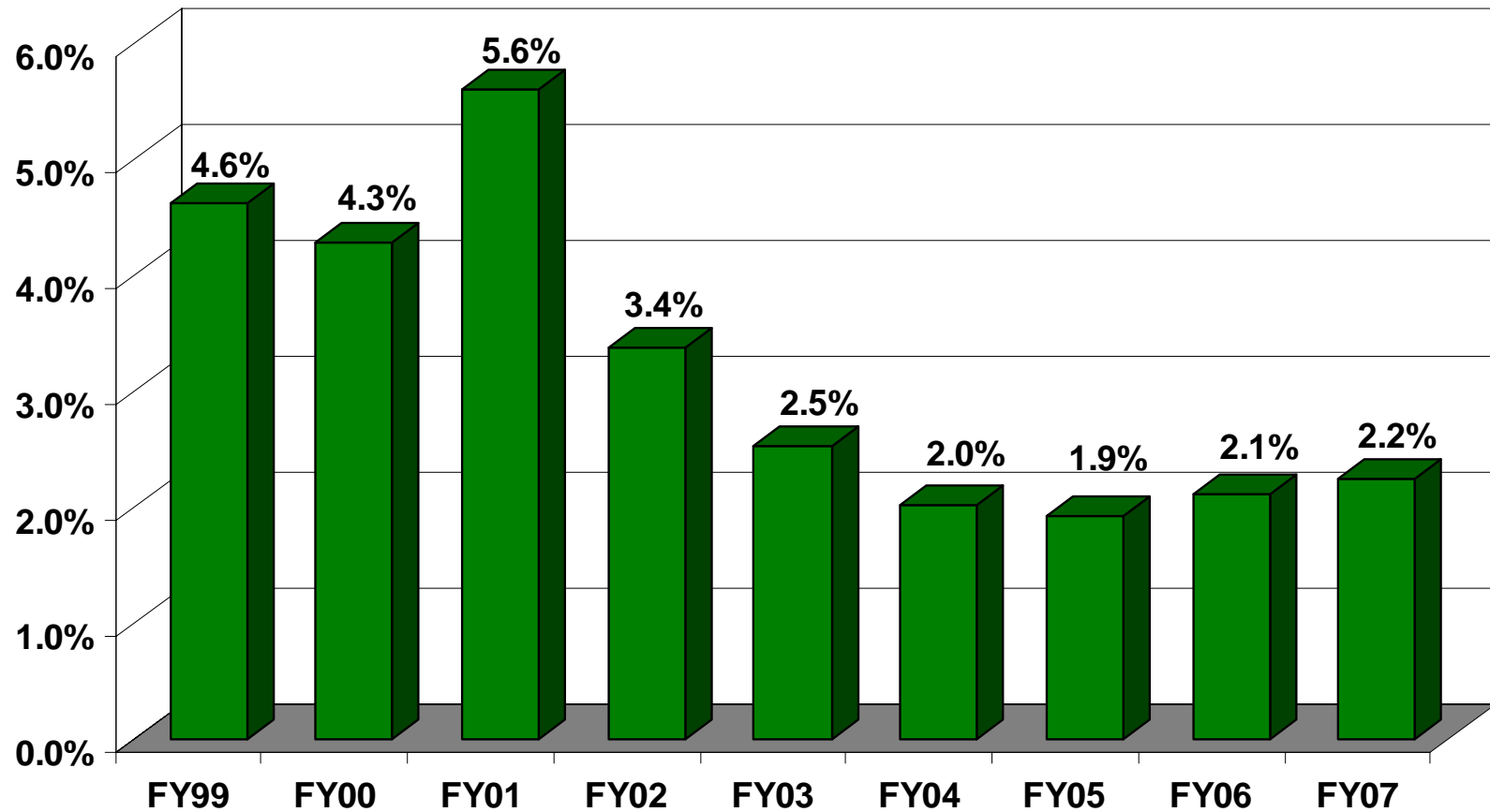
# Lean Enterprise: Key Metrics

Inventory Goes Down

Productivity Improves

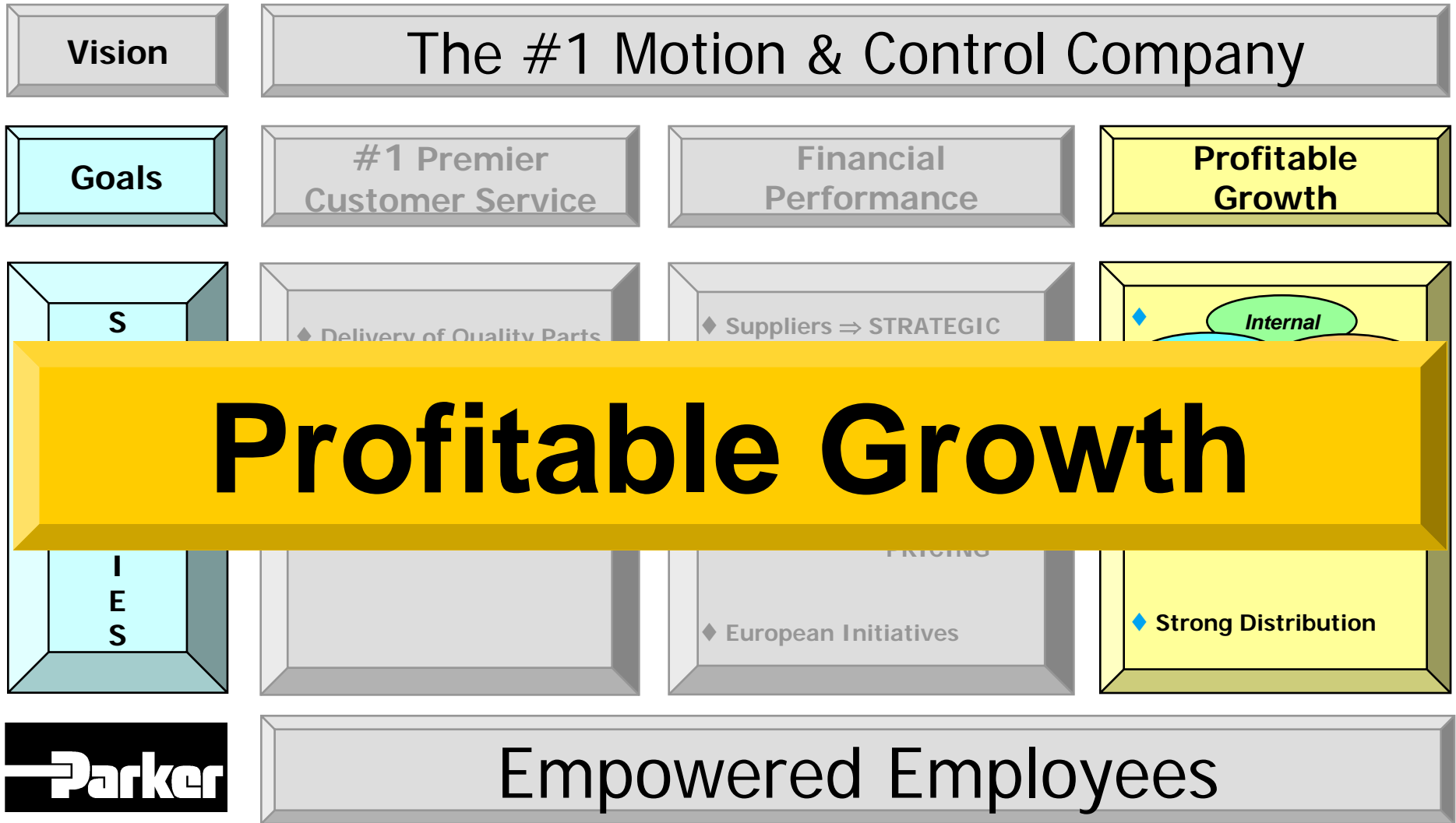
**Capital Expenditures Reduced**

# Capital Expenditures as a % of Sales

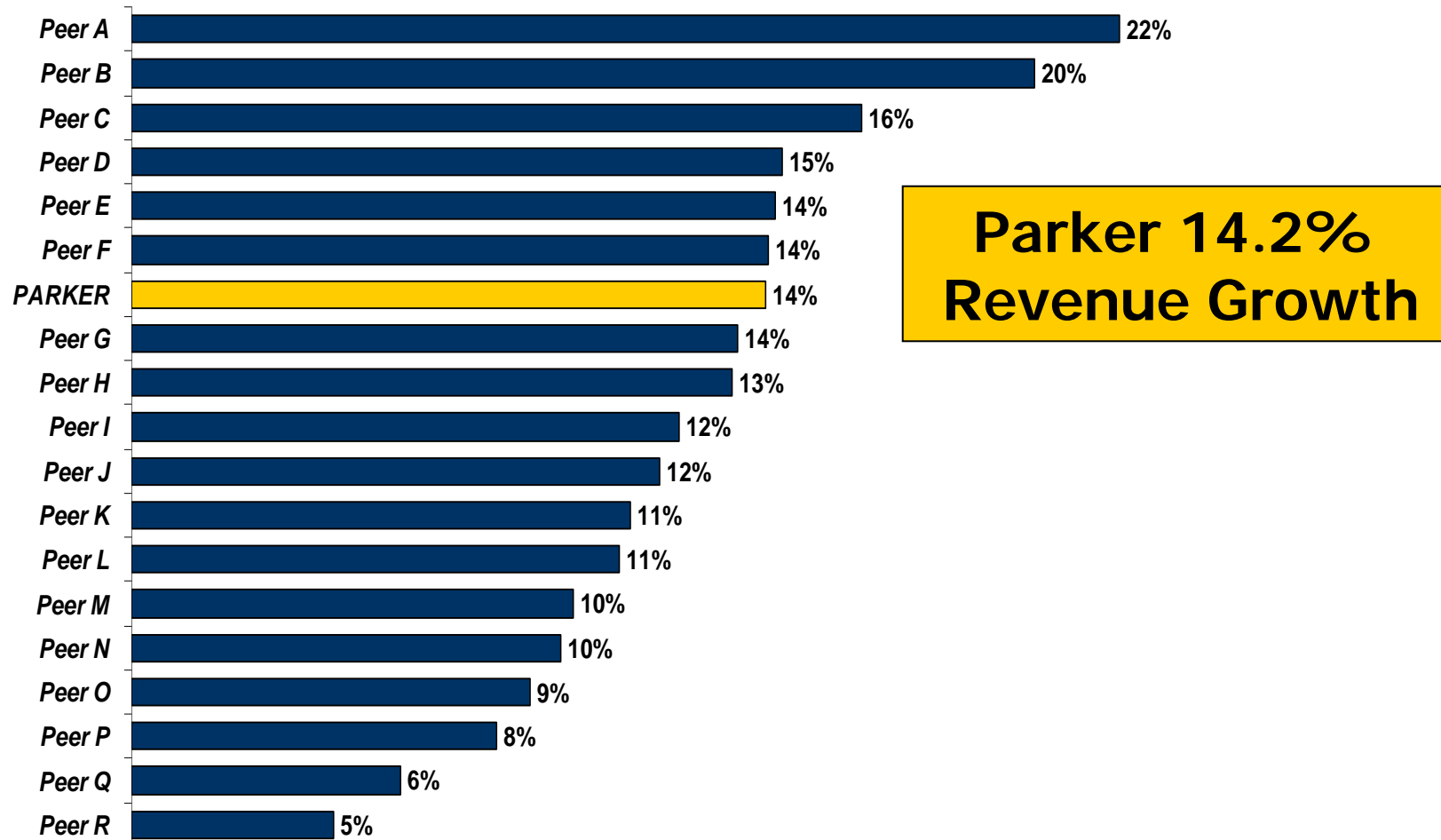


**FY07 annual depreciation: 2.3%**

# Goal #3



# Revenue Growth vs. Peers



● Parker data is June 30, 2007. Peer data is from the most recent 10-K filings.



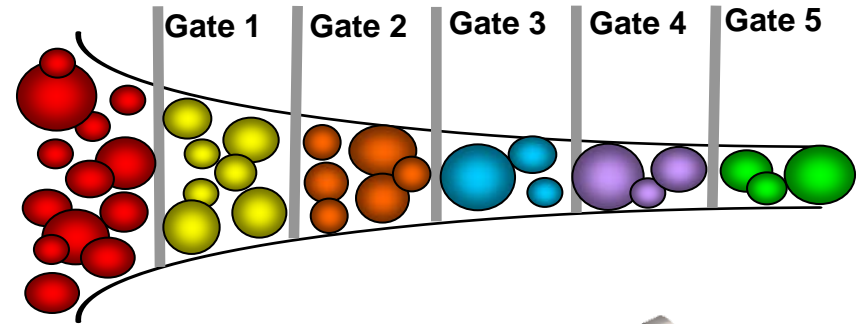


# Recent Acquisitions – A Key to Growth

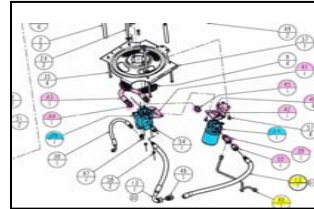
FY05					Annualized Sales
					\$404M
FY06					\$983M
					
					
FY07					
					
FY08 YTD					\$237M
					Total \$1.9B

# Internal Growth from...

**Winovation**



**Systems**



**Distribution**



**Globalization**

China



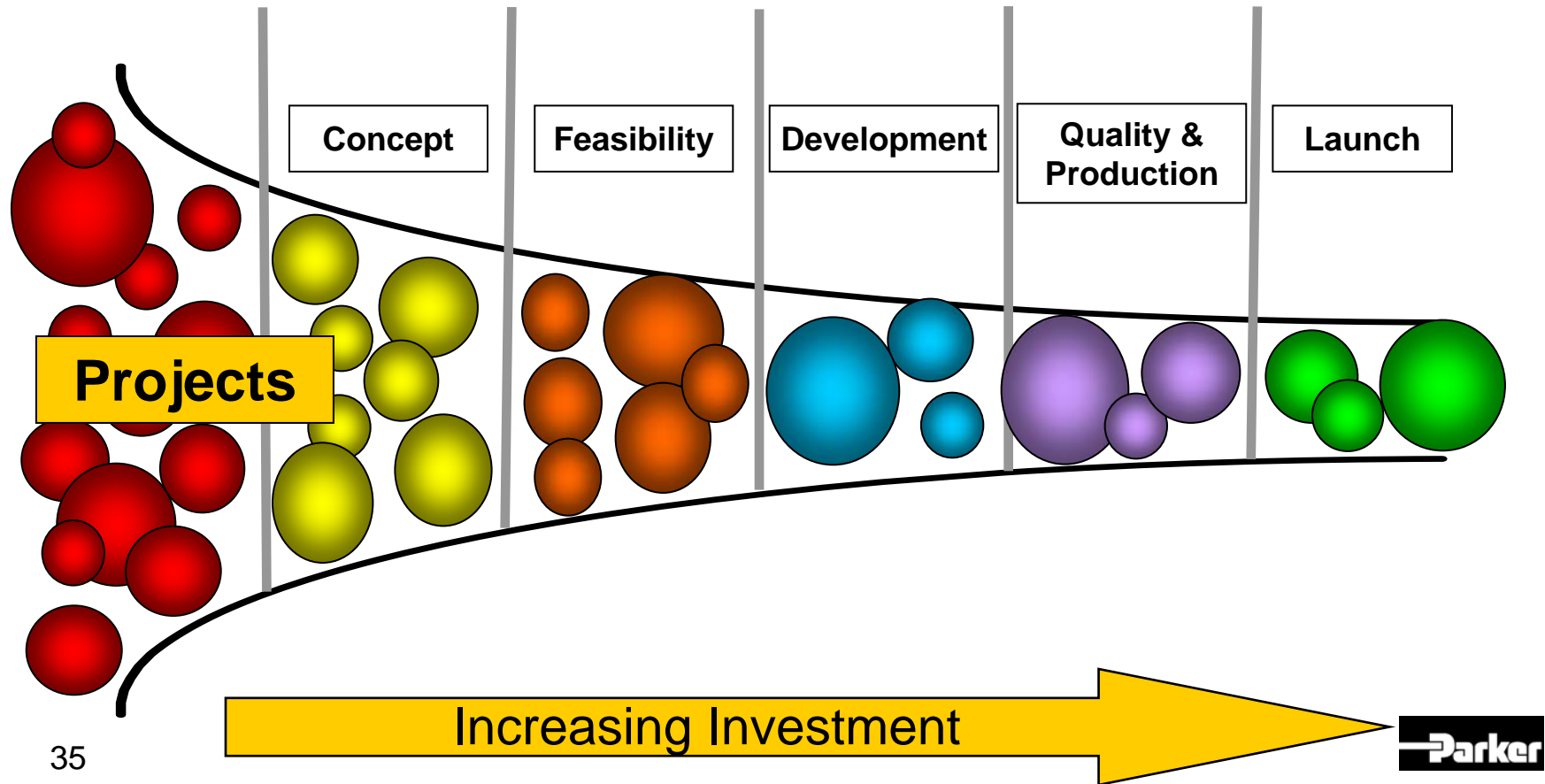
Egypt

USA

# Innovative Products



- Common methodology worldwide
- Focus on high margin, breakthrough products
- Increase speed to market & consistency of success



# The Outlook is Good New Product Wins

## Parker Hydraulic Hybrid Drive System



*Testing & USEPA modeling predicts from 30% - 120% increase in fuel mileage, depending on the route duty cycles, PLUS...*

- Reduced maintenance
- Reduced emissions
- Engine-off capability
- Improved acceleration
- Increased productivity & profitability



Type of vehicle FedEx plans to use for testing

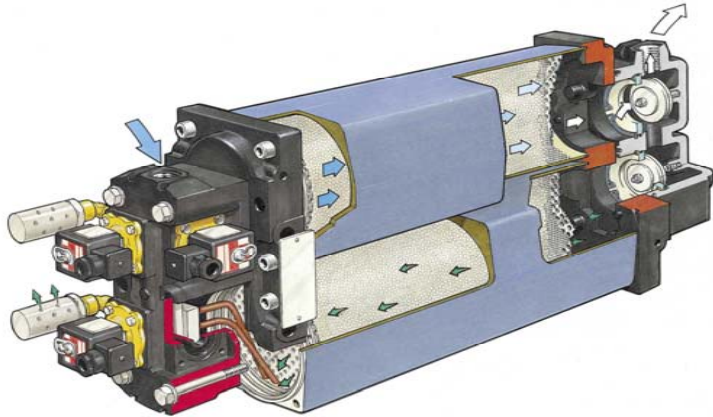
# The Outlook is Good New Product Wins

Power Cables & Steel  
Tube Umbilicals



# The Outlook is Good New Product Wins

## Regenerative Filtration



Prototype for M1A2 Abrams and Expeditionary Fighting Vehicle



In service on the BAE Systems ETS Trojan

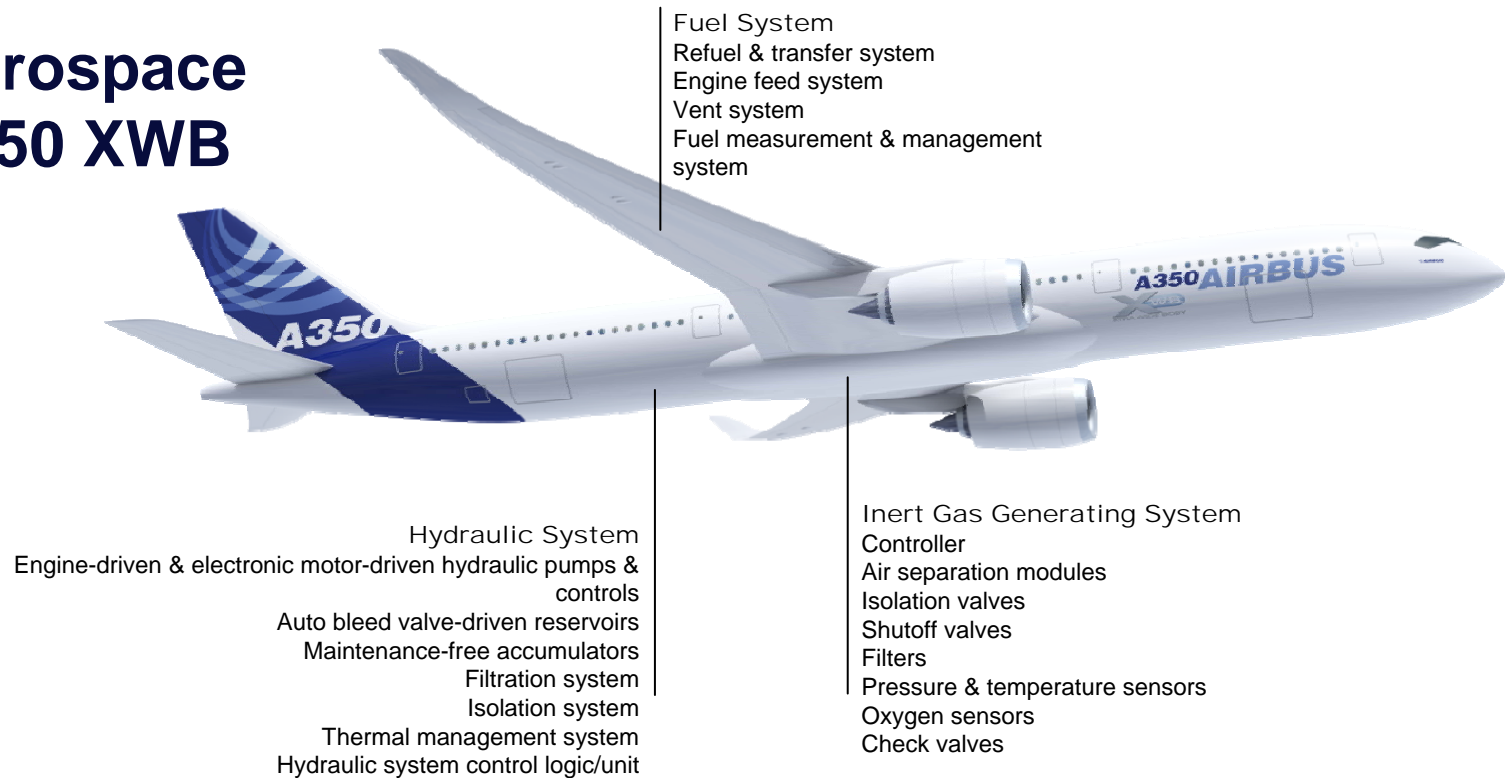
# The Outlook is Good New Product Wins

## Integrated Fuel Tank Inerting Systems



# The Outlook is Good A \$2 Billion Win!

## Parker Aerospace on the A350 XWB



Several new Parker technologies: Some new to Airbus, some new to the industry



# Systems Solutions

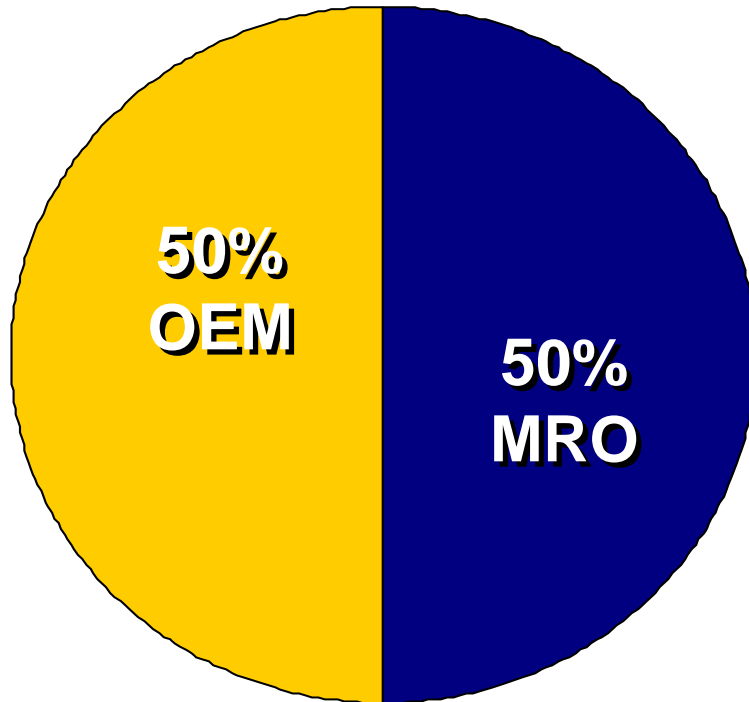
- Provides optimal solution
- Adds real value
- Locks in MRO



## Delight the Customer!!

# Strong Distribution

- Broadest industrial distribution network worldwide



***12,000 Worldwide  
Distributor, Wholesale &  
Retail Outlets***

***A major competitive  
advantage***

# Unrivaled Industrial Distribution Network



USA



Australia



China



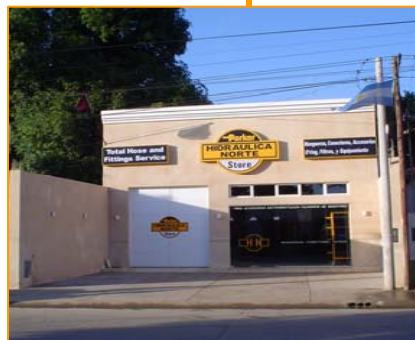
Mexico



India



43 Egypt



Argentina

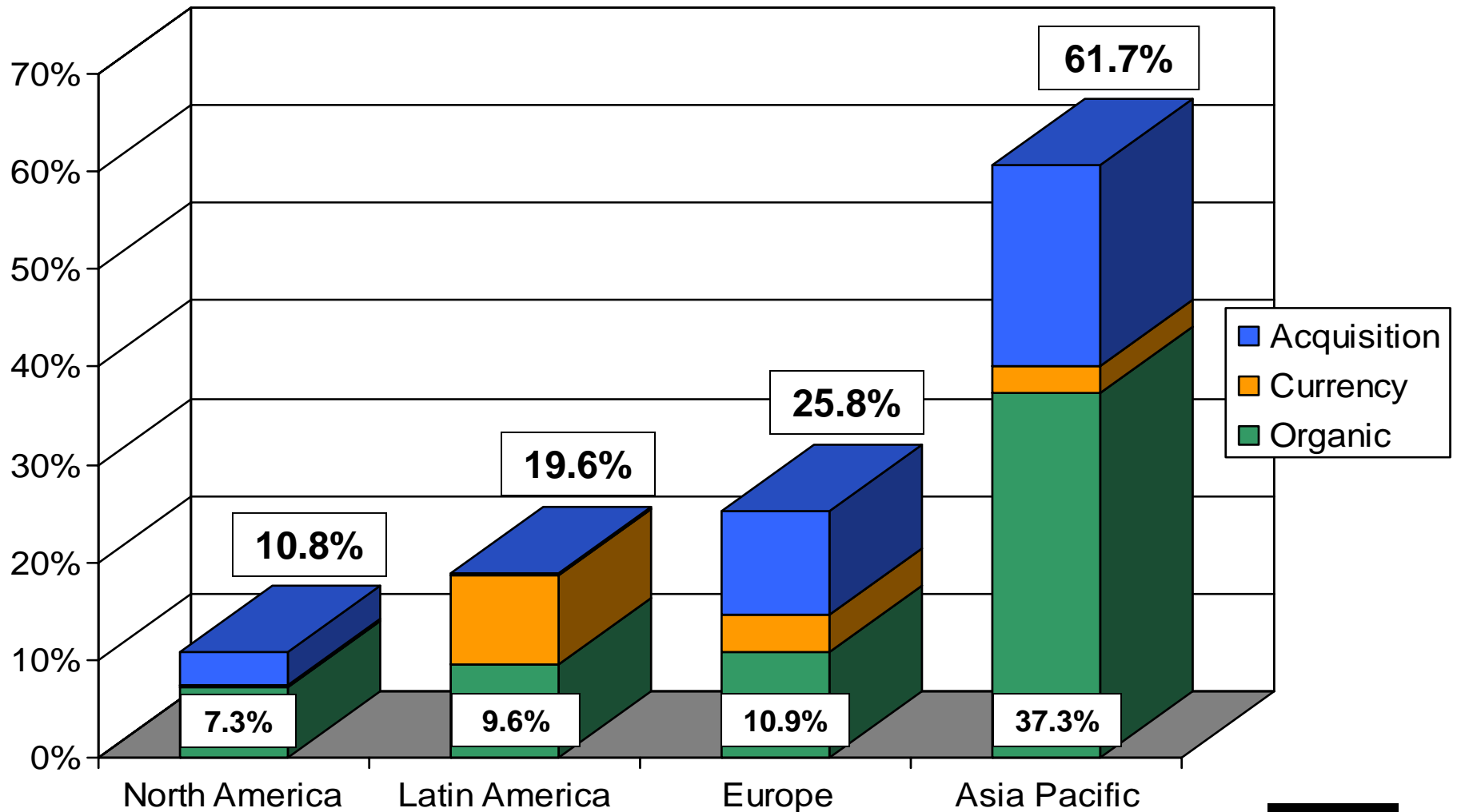


Ireland



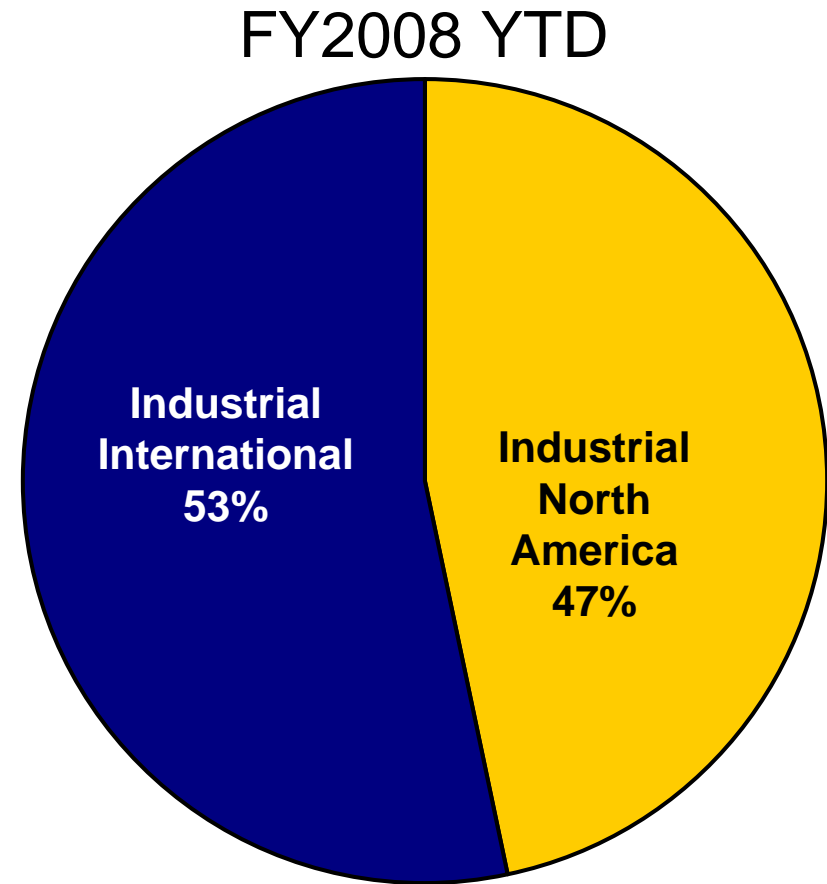
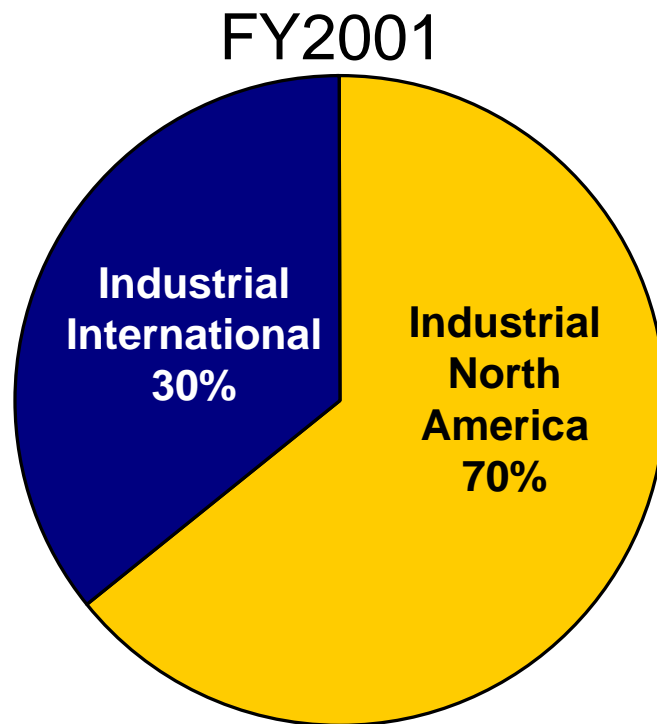
# Sales Growth in Global Markets

## FY07 3-Year CAGR



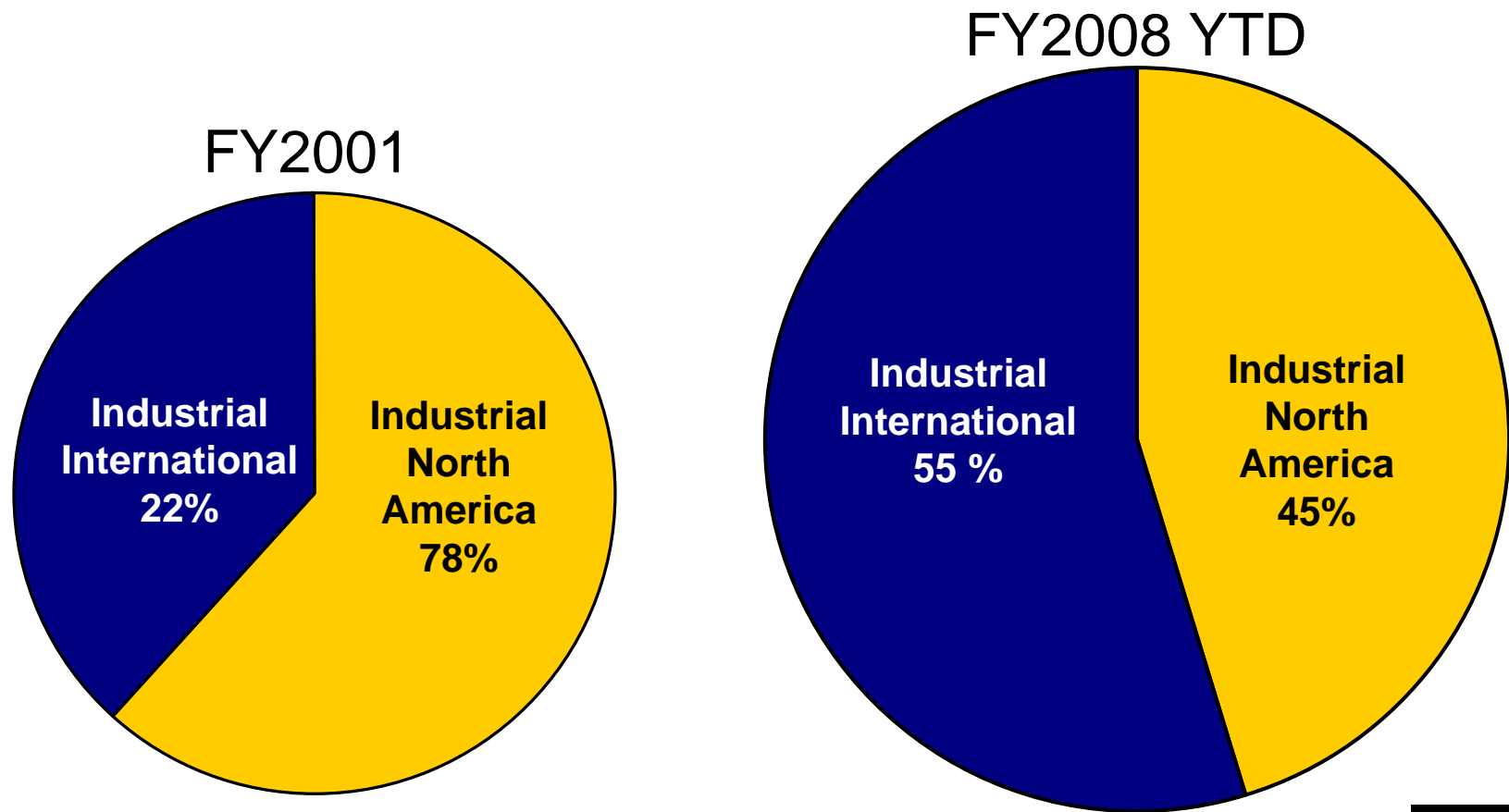
# Major Changes

## Industrial Revenues are More Balanced



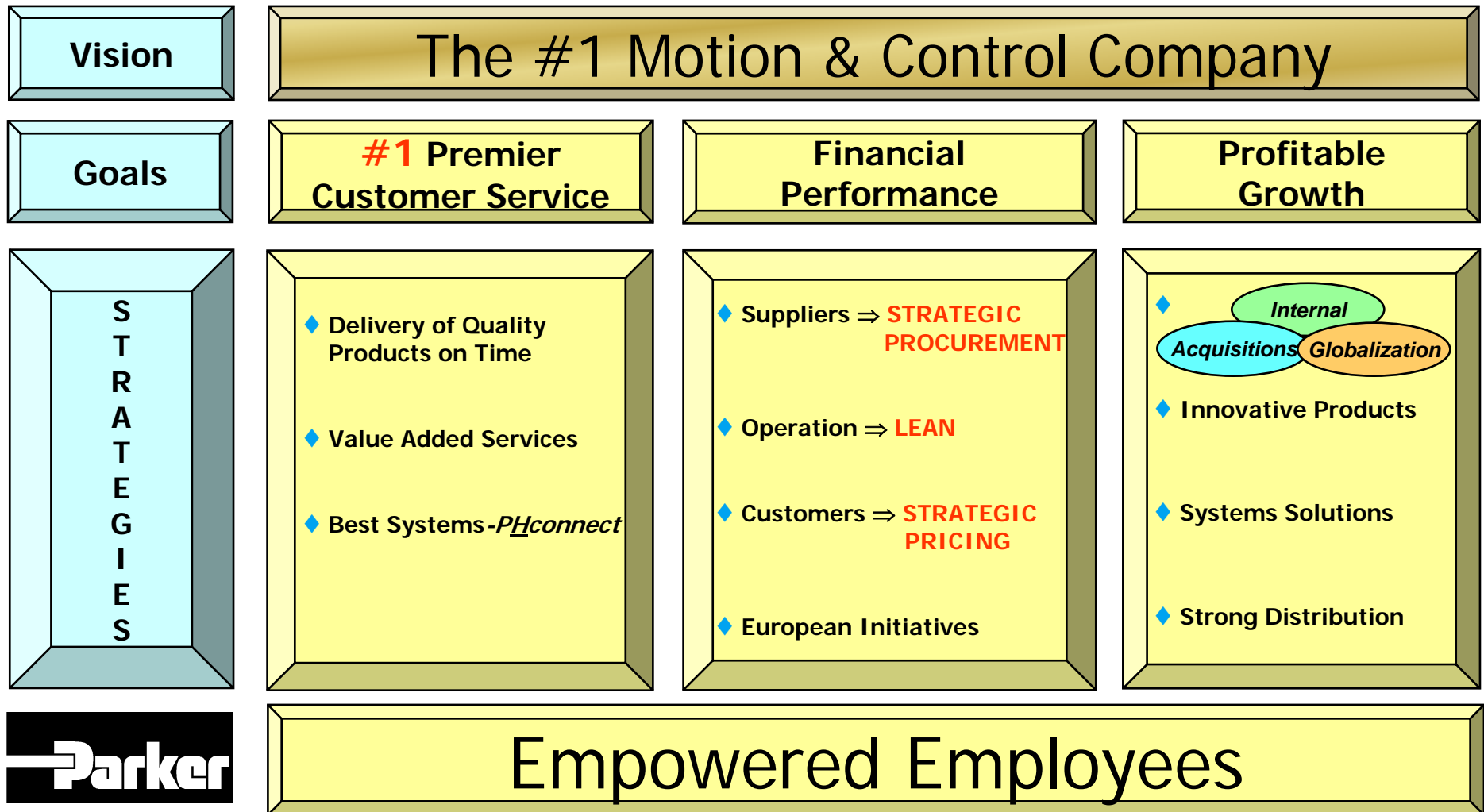
# Major Changes

## Industrial Operating Income is More Balanced



# What next?

# A Clear Roadmap – “Win Strategy”





**Procurement**

**Innovation**



**The Win Strategy  
will never end**

**Lean**

**Pricing**

# What will be Different Next Time?

## Improved Cost Structure & Higher Growth

**#1** Lower Inventory Levels – Higher Absorption

**#2** Manufacturing Optimized Globally

- ◆ Fewer plants – higher utilization
- ◆ Low cost country production up and running

**#3** Cyclical Products Outsourced

# What will be Different Next Time?

## Improved Cost Structure & Higher Growth

**#4** Capped Defined Benefit Pension Plan

**#5** 50% of Workforce on Defined Contribution

**#6** “Win Strategy” Pervasive Globally

**#7** “Winovation” Driving Internal Growth

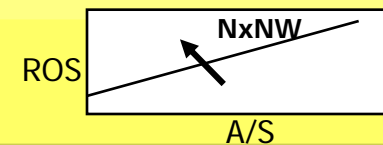
# The Future -- What Does Good Look Like?

10% CAGR

20% Market Share

The Premier Diversified Industrial

- Top Quartile ROIC



- Top Quartile P/E Multiple

# The World Leader in Motion and Control

Aerospace



Hydraulics



Filtration



Automation



Thank  
You

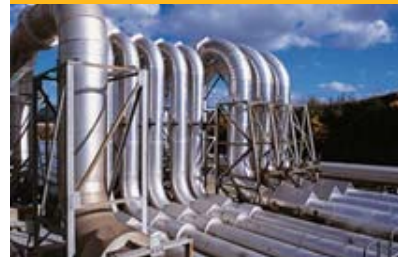
Fluid Connectors



Climate Control



Instrumentation



Seal

