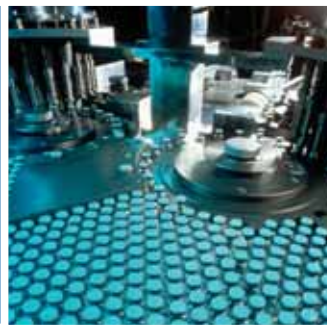


# INVESTOR INFORMATION BOOK



# WHO WE ARE

## Parker's Charter:

To be the world's leading diversified manufacturer of motion and control technologies and systems, providing precision-engineered solutions for a wide variety of commercial, mobile, industrial and aerospace markets.



## Vital Statistics

\$9.4	Billion Sales
8	Product Groups
43	Countries
118	Divisions
292	Manufacturing Plants
1,200	Markets
3,200	Product Lines
12,000	Distributors Locations
57,000	Employees
417,000	Customers
900,000	Products

## Product Groups and Technologies

We are well diversified within our motion and control portfolio.

### Hydraulics

The TECHNOLOGY of controlling pressurized fluids to create force and motion. Parker hydraulics enable and improve machinery performance.

### Automation

Pneumatics: The TECHNOLOGY of controlling pressurized gases to create force and motion. Parker pneumatics enable and improve machinery performance.

### Automation

Electromechanical: The TECHNOLOGY of controlling mechanical devices via electricity. Parker electromechanical systems and components improve precision and increase productivity.

### Seal

The TECHNOLOGY of providing tight and perfect closure. Parker engineered seals and sealing systems provide safety and enhance equipment performance.

### Fluid Connectors

The TECHNOLOGY of directing and containing fluids. Parker connectors and hoses are critical to hundreds of applications.

### Filtration

The TECHNOLOGY of purifying solids, liquids or gases. Parker filtration systems ensure optimal performance for applications in industrial, mobile and marine markets.

### Climate Control

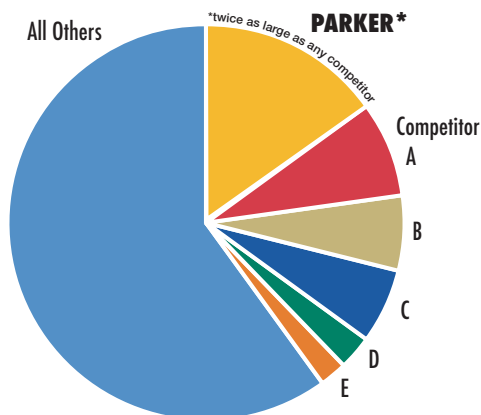
The TECHNOLOGY of controlling fluids and gases to vary temperature. Parker provides comfort, convenience and control through refrigeration and air conditioning.

### Instrumentation

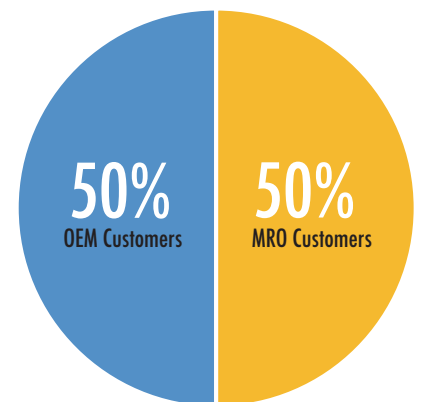
The TECHNOLOGY of regulating processes to provide stable and consistent output. Parker strengths include process instrumentation, semiconductor, power generation, medical and analytical applications.

### Aerospace

The TECHNOLOGY of safely controlling flight. Parker designs, builds and supports systems and components for virtually every aircraft flying today.



Share of Global Motion and Control Market



Parker Customer Profile

# A WINNING INVESTMENT

In 2001, Parker developed and implemented the Win Strategy with a single goal: raise the performance of the company to a higher level. Without exception, this simple yet powerful plan is being executed by every one of Parker's 57,000 + employees every day in every country we operate. As an investor, you will find few companies of Parker's size as consistently focused.



*“Parker’s Win Strategy is about three things that matter most to investors: execution, accountability, and results. Today our company is stronger because the Win Strategy is working”*

— Donald E. Washkewicz  
Chairman and Chief Executive Officer

## Specifically, The Win Strategy focuses on:

### Premier Customer Service

#### Strategies

- Deliver quality products on time
- Value added services
- Best systems - **PHconnect**

#### Goals

- ≥ 95% on time delivery
- Sole source customers
- Partnership accounts
- Selling total Parker

### Financial Performance

#### Strategies

- Suppliers - Strategic procurement
- Operations - Lean
- Customers - Strategic Pricing
- European initiatives

#### Goals

- “Over the line” return on net assets
- 15% segment operating income
- Top peer quartile P/E Multiple
- Premier diversified industrial
- Best cost producer

### Profitable Growth

#### Strategies



- Innovative products
- Systems solutions
- Strong distribution

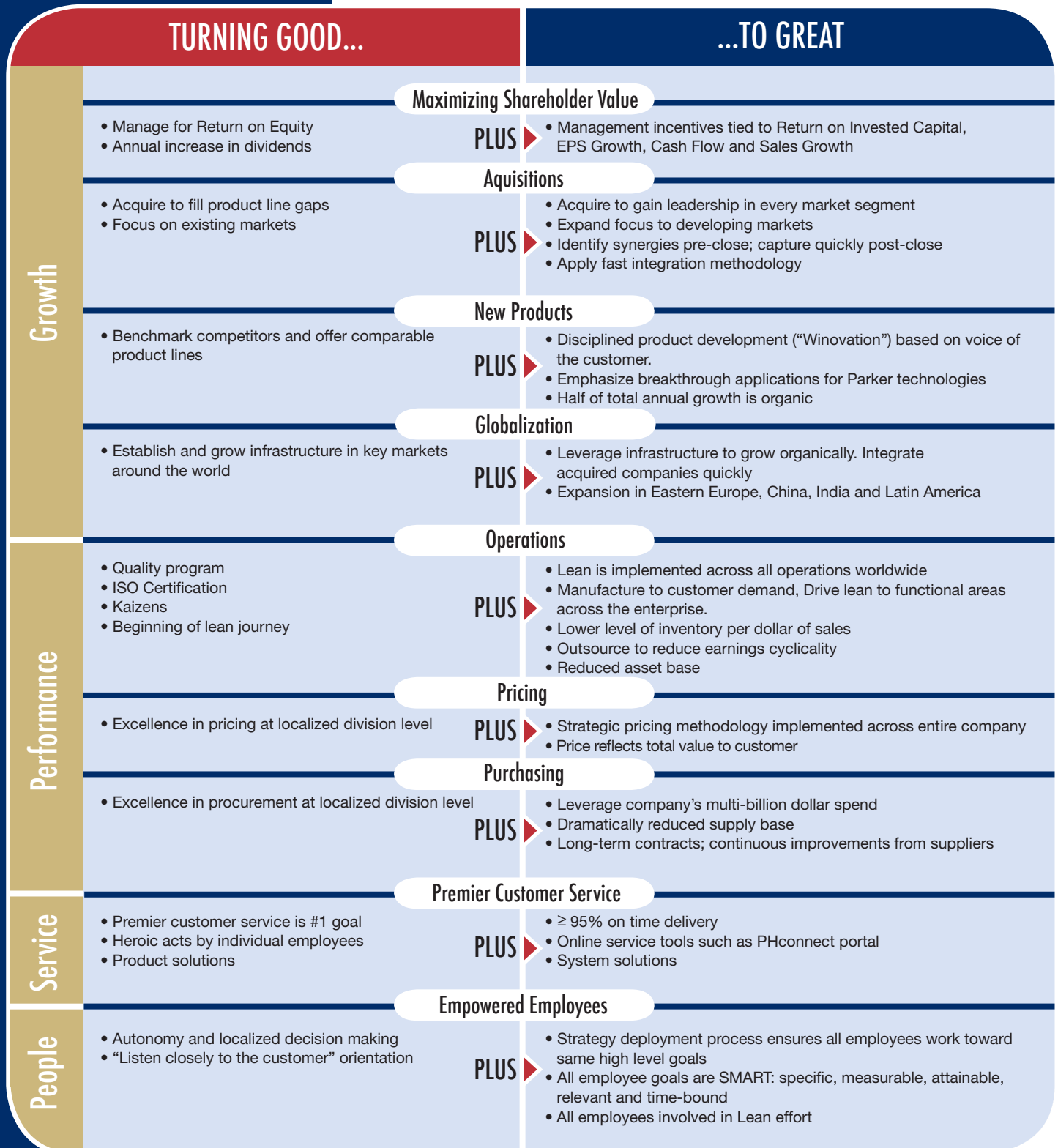
#### Goals

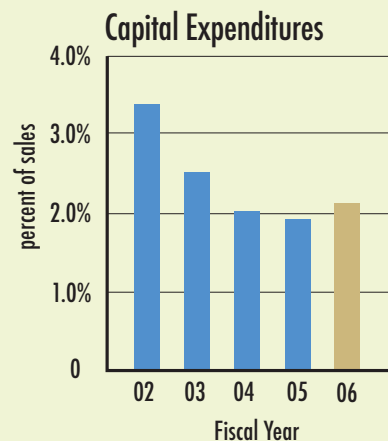
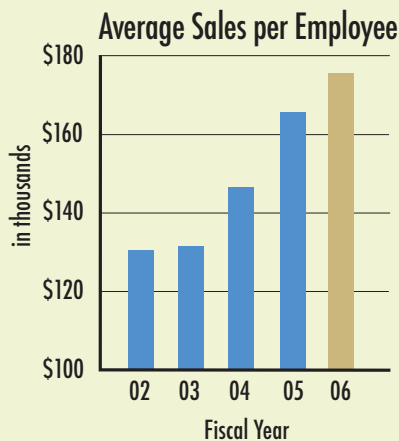
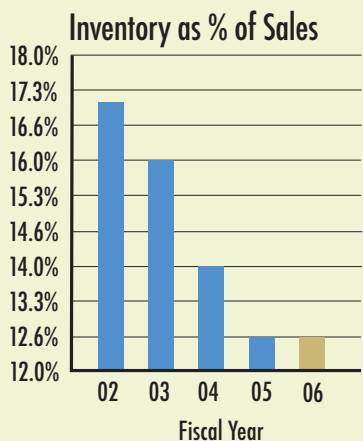
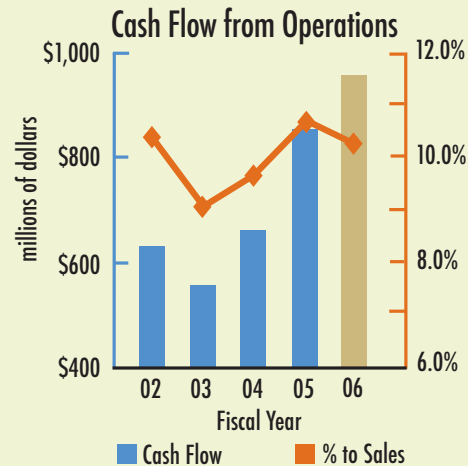
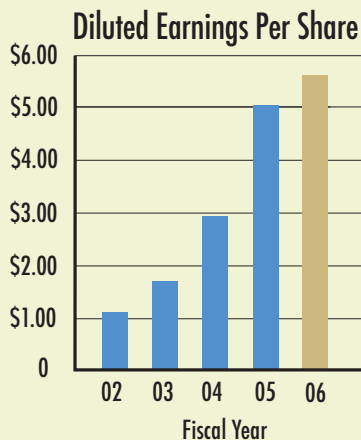
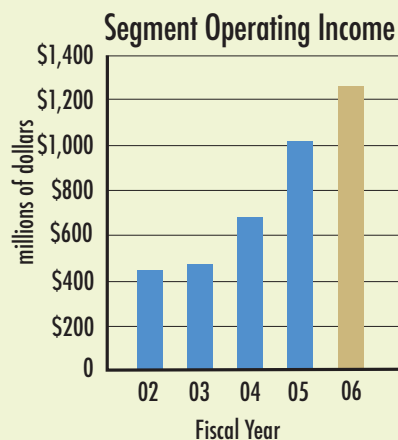
- 10% compound growth
- ≥ 20% market share
- #1 or 2 position for each business
- 50% distribution / 50% OEM mix
- Winovation new product methodology

57,000 Empowered Employees Worldwide

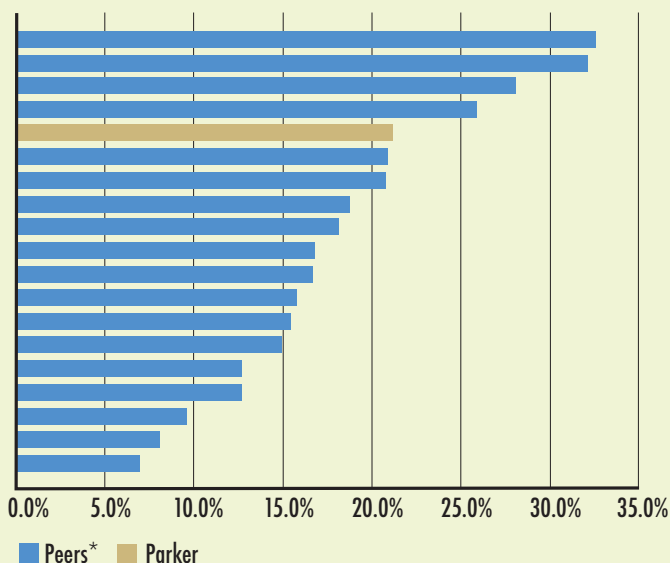
# A RE-ENGINEERED COMPANY

Empowered employees are re-engineering our business by focusing their talents on the Win Strategy. The Win Strategy acknowledges that service, performance and growth have always been goals for Parker. At the same time, it recognizes that uncommon success in attaining them relies on the ability of our company to anticipate change, adjust plans, and execute processes to add value for customers and shareholders alike.

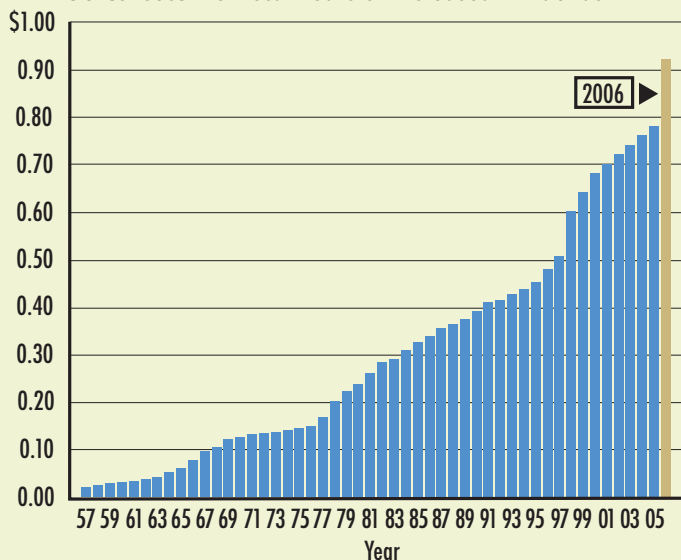




### Return on Invested Capital FY2006



### 50 Consecutive Fiscal Years of Increased Dividends\*



\* Peers include the following diversified industrials: CAT, CBE, CMI, DE, DHR, DOV, EMR, ETN, FLS, GR, HON, IR, ITT, ITN, PLL, ROK, SPW, TXT. Return on Invested Capital (ROIC) is defined as: earnings before interest and taxes (EBIT) divided by average capital (average of debt & equity at beginning and end of fiscal year). The information for Parker and its peers is based on the last completed fiscal year of each company.

\* Among the longest continuing records of increased dividends in the S & P 500.

# PROFITABLE GROWTH

## A HISTORY OF GROWTH

### 1918: An Idea



- Entrepreneur, Arthur L. Parker, founds company
- "Our success is founded on fair dealing, hard work coordination of effort and quality of products."

### 1920s: Determination & Innovation

- Company loses all its inventory in accident
- Leak-free fuel system powers Lindbergh's *Spirit of St. Louis* transatlantic flight

### 1930s: Perseverance

- Parker endures Great Depression
- Grows to 38 employees

### 1940s: Tumult

- 5,000 employees meet need of war effort
- Mrs. Helen Parker guides company through post war period, grooms son Patrick to take over

### 1950s: Prosperity

- Merges with Hannifin Corp.
- Sales reach \$50 million

### 1960s: New Horizons

- International operations formed
- Becomes publicly traded
- Enters Fortune 500
- Parker essential to historic moon landing

### 1970s: Growth

- Sales reach \$500 million
- Dramatic Aerospace growth

### 1980s: Engineering

- Pneumatics and filtration technologies grow
- Sales reach \$2 billion

### 1990s: Globalization

- 50,000 employees, European, Asian and Latin American growth, sales of \$5 billion

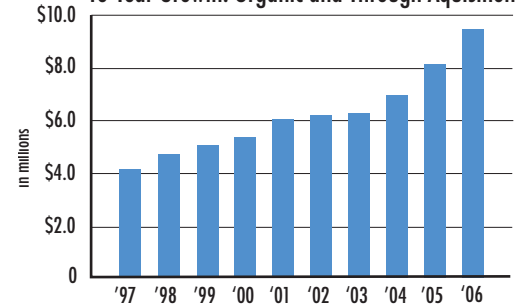
### 2000s: Win Strategy Era

- "Aquirer of choice"
- Performance accelerates
- \$10 billion sales target within reach

## How Parker Grows

Parker grows approximately 10% per year, with a goal of half from acquisitions and half from organic. Our compound annual growth rate over the last 10 years is 10.1%.

10 Year Growth: Organic and Through Acquisition



## Strategic Aquisitions

The acquisition and integration of companies are Parker core competencies. The company has successfully completed some 80 acquisitions over the last ten years. The targeting process is focused and strategic, with only those companies fitting Parker's motion and control technology profile being considered.

### Three Year History by Technology

#### Hydraulics

Denison International  
Denquip  
Hanil Hydraulics  
Kuiken Hytrans  
Sterling Hydraulics  
Tianjin Tejing Hydraulics (JV)  
Taiyo

#### Automation

Bayside Controls  
Kuroda  
Mead Fluid Dynamics  
SSD Drives  
Trilogy  
T Squared Manufacturing

#### Seal

Acadia Elastomer  
Acofab  
Advanced Products  
Filtran  
Txte

#### Climate Control

ACAL  
Herl  
Kenmore International  
Sporlan Valve

#### Aerospace

CBL Systems  
Mechatronic Systems  
Resistoflex Aerospace

#### Fluid Connectors

Markwel Hose Products  
Texloc & Page

#### Filtration

domnick hunter  
Webb Enterprises

#### Instrumentation

Porter Instrument

## Innovative Products

Winovation, a systematic process being implemented across Parker, is increasing the consistency and frequency of innovative, high margin products that deliver customer value. Research and development in the areas of materials, electronics, fluids and hydrids are helping us deliver patentable products that:

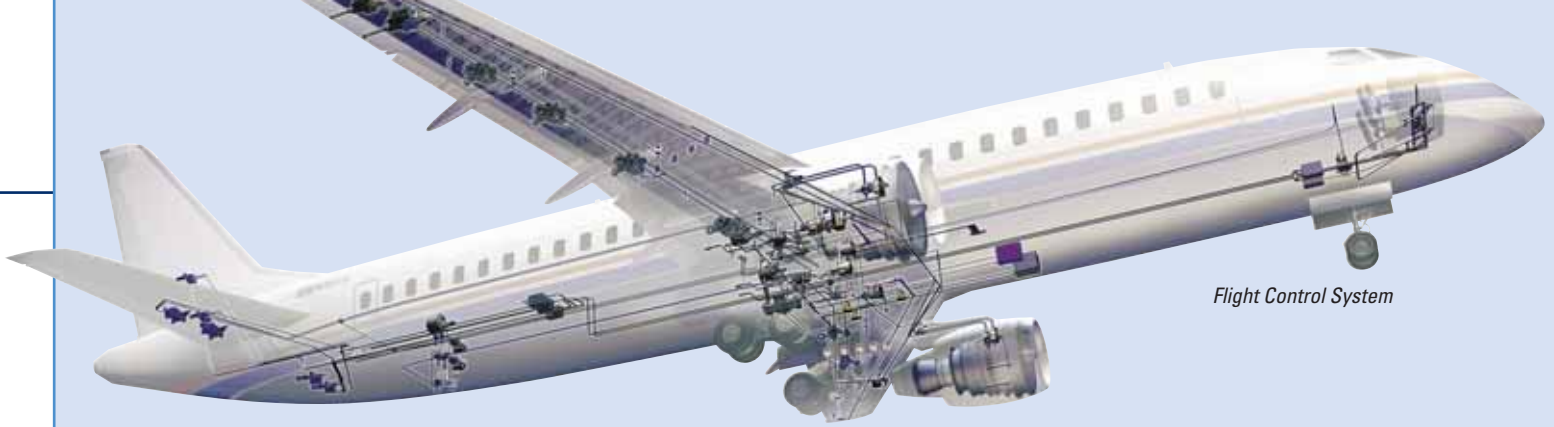
- Save energy
- Preserve the environment
- Lengthen performance life
- Increase efficiency
- Limit downtime
- Reduce size
- Reduce noise
- Command premiums
- Increase customer profitability



Gas & Fluid Change-over System



Sportboat Fuel Cell System



Flight Control System

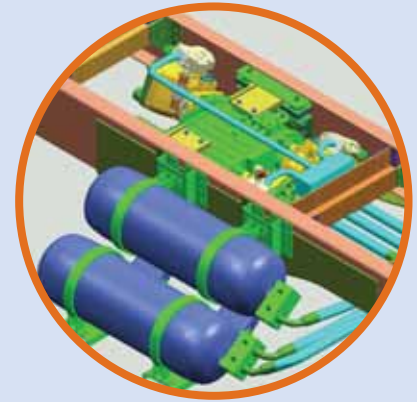
## Systems Solutions

With the broadest single collection of motion and control products, Parker provides customers with comprehensive, highly engineered, 100% Parker system solutions. This capability makes Parker a preferred customer partner and limits competitors' chances of success.

- One supplier, one purchase order
- Reduced maintenance costs
- Easier installation
- Enhanced system design



Hydraulic Power System

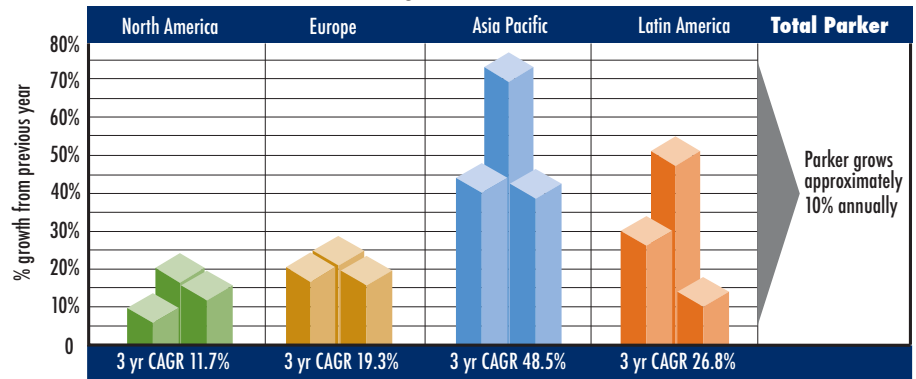


Vehicle Energy Recovery System

## Global Markets

Parker products, technologies and engineers are locally positioned throughout the world to build infrastructure, develop industry, and increase the quality of life. During the last five years, the company has made strong investments in the countries of Poland, Czech Republic, China, Russia, Brazil, India and several others. The result has been overall profitable growth for the company, despite regional fluctuations.

Global Markets: Growth Percentage 2004 - 06



### Around The World:

**NORTH AMERICA**  
259 Facilities  
34,000 Employees

**EUROPE**  
177 Facilities  
15,000 Employees

**ASIA PACIFIC**  
93 Facilities  
6,000 Employees

**LATIN AMERICA**  
26 Facilities  
2,000 Employees

## Distribution and Value Added Services

No competitor comes close to matching Parker's global distribution network of more than **12,000 locations**. Each location is an extension of Parker customer service – helping us to grow our business by providing end users with local inventory, application expertise, and training. A variety of value added services are also provided through distribution, and via Parker directly, including:

- custom kitting
- mobile Hose Doctors vans
- inventory management programs
- EDI & PHconnect
- training and tech tours





## Stock and Investor Information

New York Stock Exchange listed, ticker symbol: PH  
On the Internet at: [www.phstock.com](http://www.phstock.com)

### Analyst Contact

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[phuggins@parker.com](mailto:phuggins@parker.com)

### Media Contact

Christopher M. Farage, Vice President -  
Corporate Communications  
(216) 896-2750  
[cfarage@parker.com](mailto:cfarage@parker.com)

### Form 10-K

Shareholders may request a free copy of Parker Hannifin's Annual Report to the Securities and Exchange Commission on Form 10-K by writing to the Secretary, Parker Hannifin Corporation, 6035 Parkland Blvd., Cleveland, Ohio 44124-4141.

## Transfer Agent & Registrar

National City Bank  
Department 5352, Corporate Trust Operations  
P.O. Box 92301  
Cleveland, Ohio 44193-0900  
Telephone (800) 622-6757

## Dividend Reinvestment Plan

Parker Hannifin provides a Dividend Reinvestment Plan for its shareholders. Under the Plan, Parker pays all bank service charges and brokerage commissions. Supplemental cash payments are also an option. For information, contact:

National City Bank  
Corporate Trust Administration  
P.O. Box 94946  
Cleveland, Ohio 44106-4946  
Telephone (800) 622-6757

[shareholder.inquiries@nationalcity.com](mailto:shareholder.inquiries@nationalcity.com)  
[www.nationalcitystocktransfer.com](http://www.nationalcitystocktransfer.com)

**Parker Hannifin Corporation**  
6035 Parkland Boulevard  
Cleveland, Ohio 44124-4141  
(216) 896-3000  
[www.parker.com](http://www.parker.com)  
[www.phstock.com](http://www.phstock.com)

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

on segment performance. Among other factors which may affect future performance are: changes in business relationships with and purchases by or from major customers or suppliers, including delays or cancellations in shipments, uncertainties surrounding timing, successful completion or integration of acquisitions, threats associated with and efforts to combat terrorism, competitive market conditions and resulting effects on sales and pricing, the Company's ability to manage costs related to insurance and employee retirement and health care benefits, and global economic factors, including manufacturing activity, air travel trends, currency exchange rates, difficulties entering new markets and general economic conditions such as interest rates.

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