

# Baird 2008 Industrial Conference

**Chicago, Illinois**



**Thomas L. Williams**  
**EVP & Operating Officer**

ENGINEERING YOUR SUCCESS.

**November 11, 2008**

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# Two Topics We Will Cover Today

1. **Parker's current performance**
2. **Are we ready for any further recession?**

# World Leading Technologies

**Aerospace**



**Refrigeration**



**Electromechanical**



**Filtration**



**Fluid Handling**



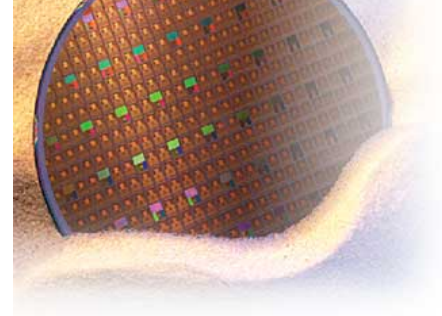
**Hydraulics**



**Pneumatics**



**Process Control**



**Sealing & Shielding**



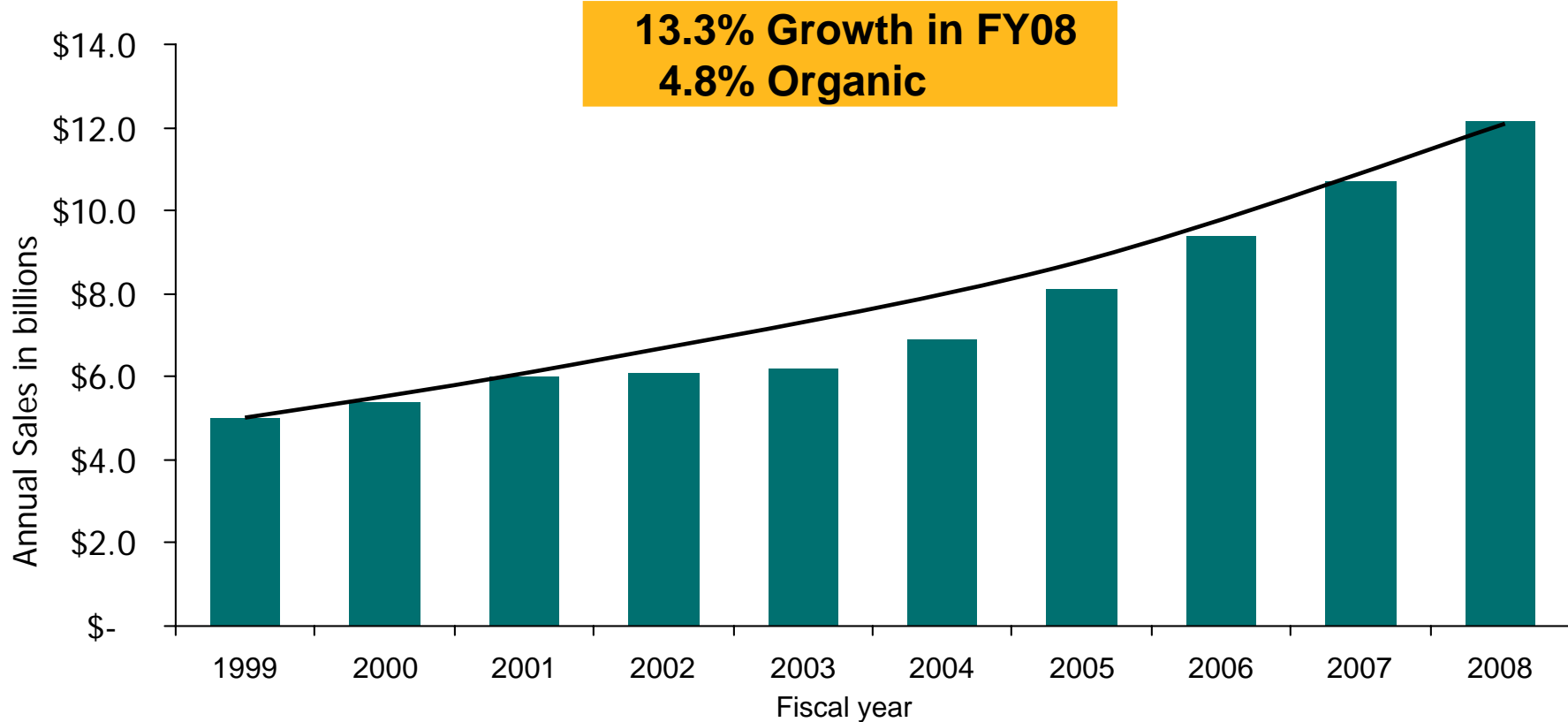
## **FY08 Results**

# **Record Results!**

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

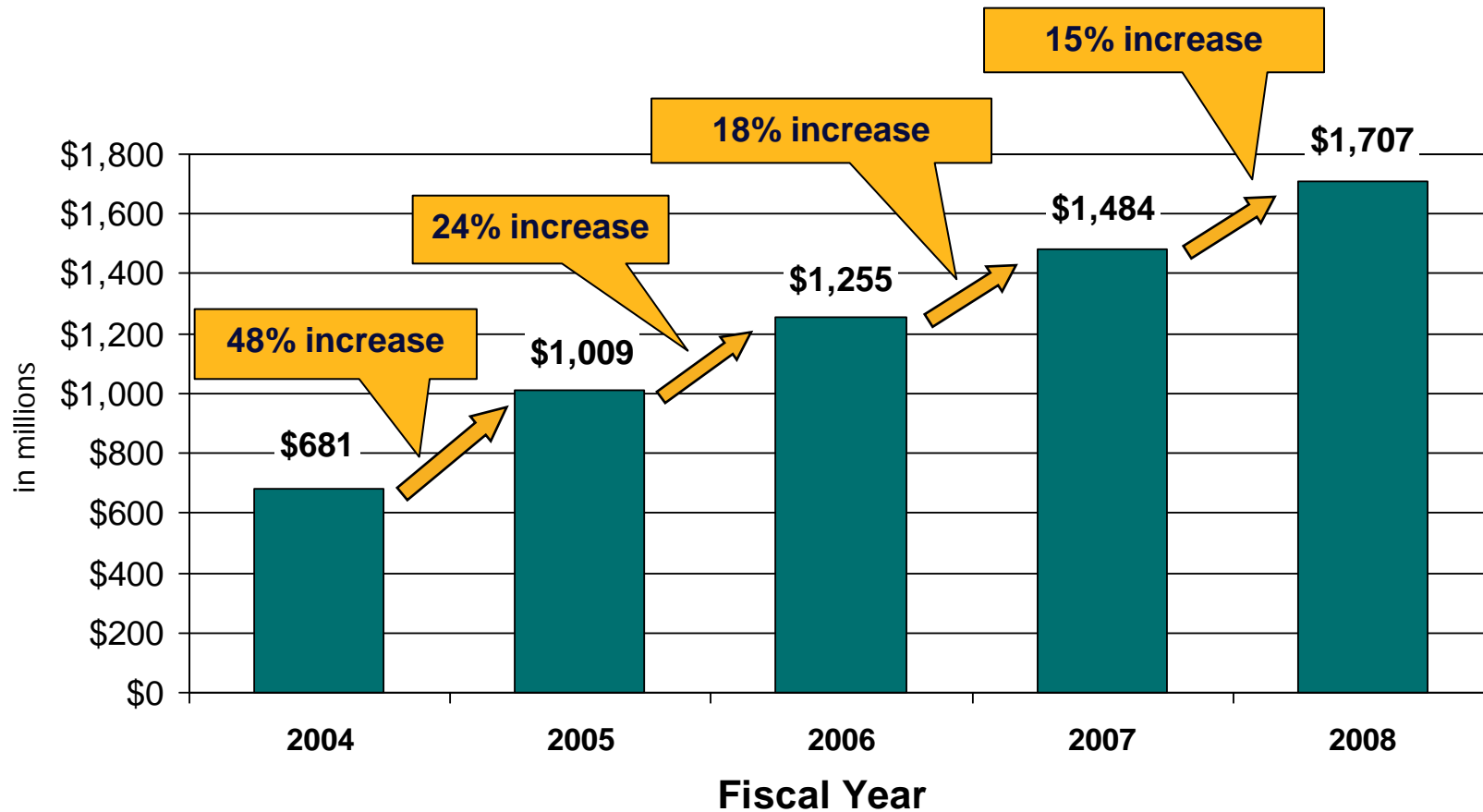
# Consistent Long-term Sales Growth

**10-Year CAGR – 10.1%**



# Strong Operating Income Growth

5-Year CAGR - 29%



# Operating Margins

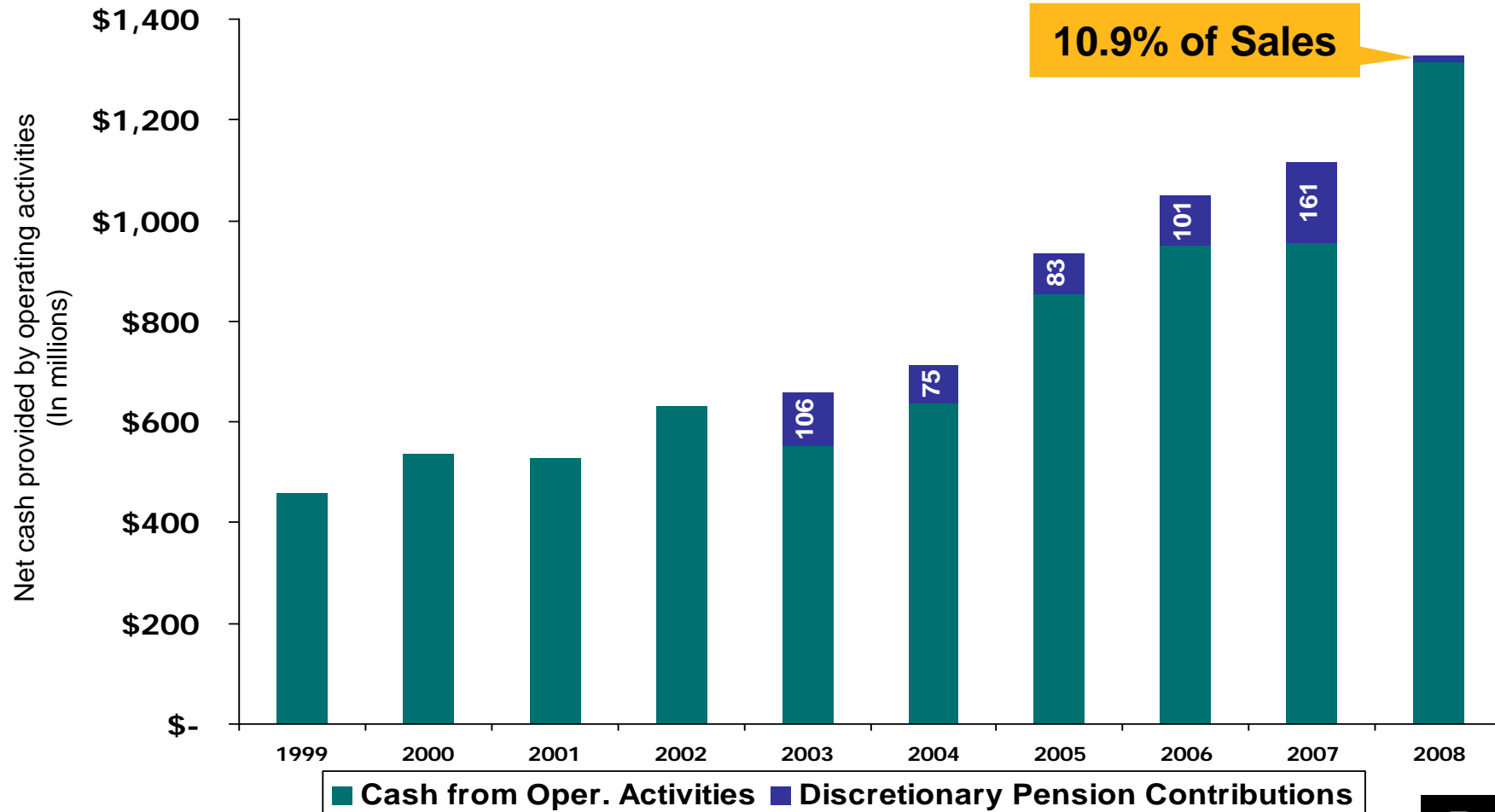
**International Margins > North American Margins**

	Total Year			1st Quarter	
	FY06	FY07	FY08	FY08	FY09
Industrial North America	15.0%	14.7%	14.3%	15.4%	14.5%
Industrial International	12.2%	13.7%	15.8%	16.7%	16.6%
Aerospace	14.7%	16.0%	13.6%	13.4%	14.2%
Climate and Industrial Controls	8.5%	7.7%	5.7%	6.1%	6.1%
<b>Total Parker</b>	<b>13.4%</b>	<b>13.8%</b>	<b>14.1%</b>	<b>14.8%</b>	<b>14.6%</b>

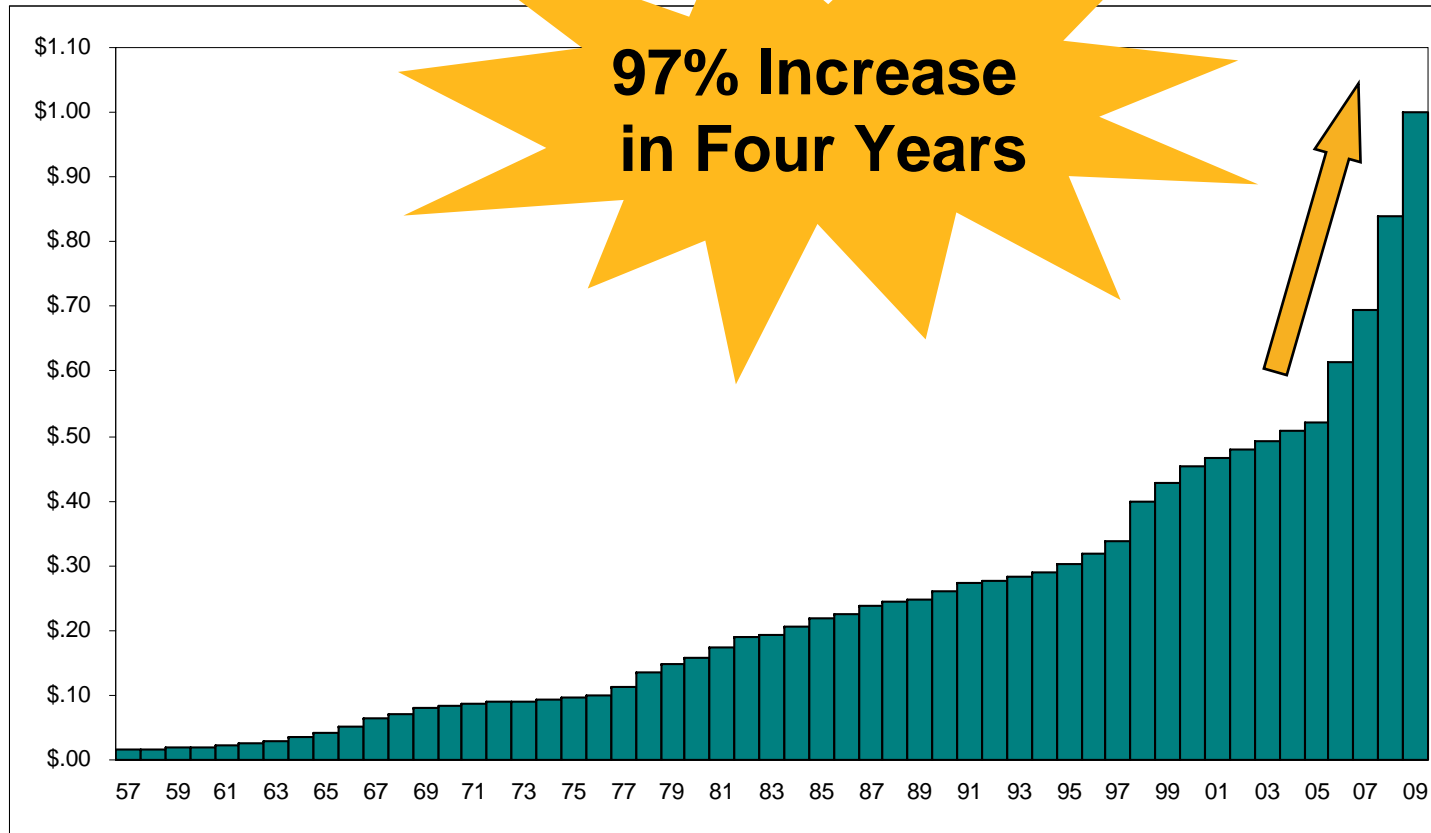
# Cash Flow is Strong

10-Year CAGR - 15%

10.9% of Sales

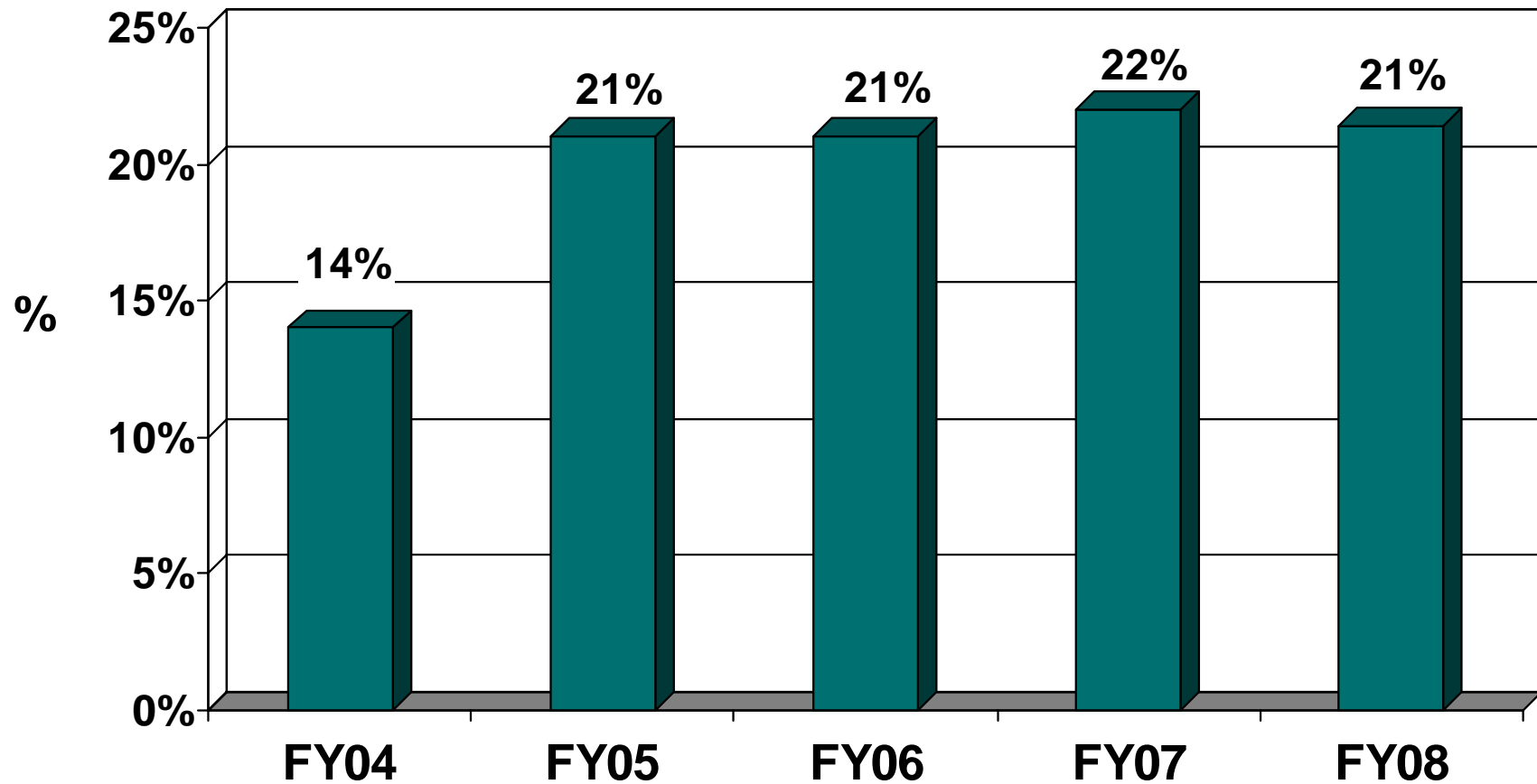


# 52 Consecutive Years of Increased Dividends



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

# Strong ROIC

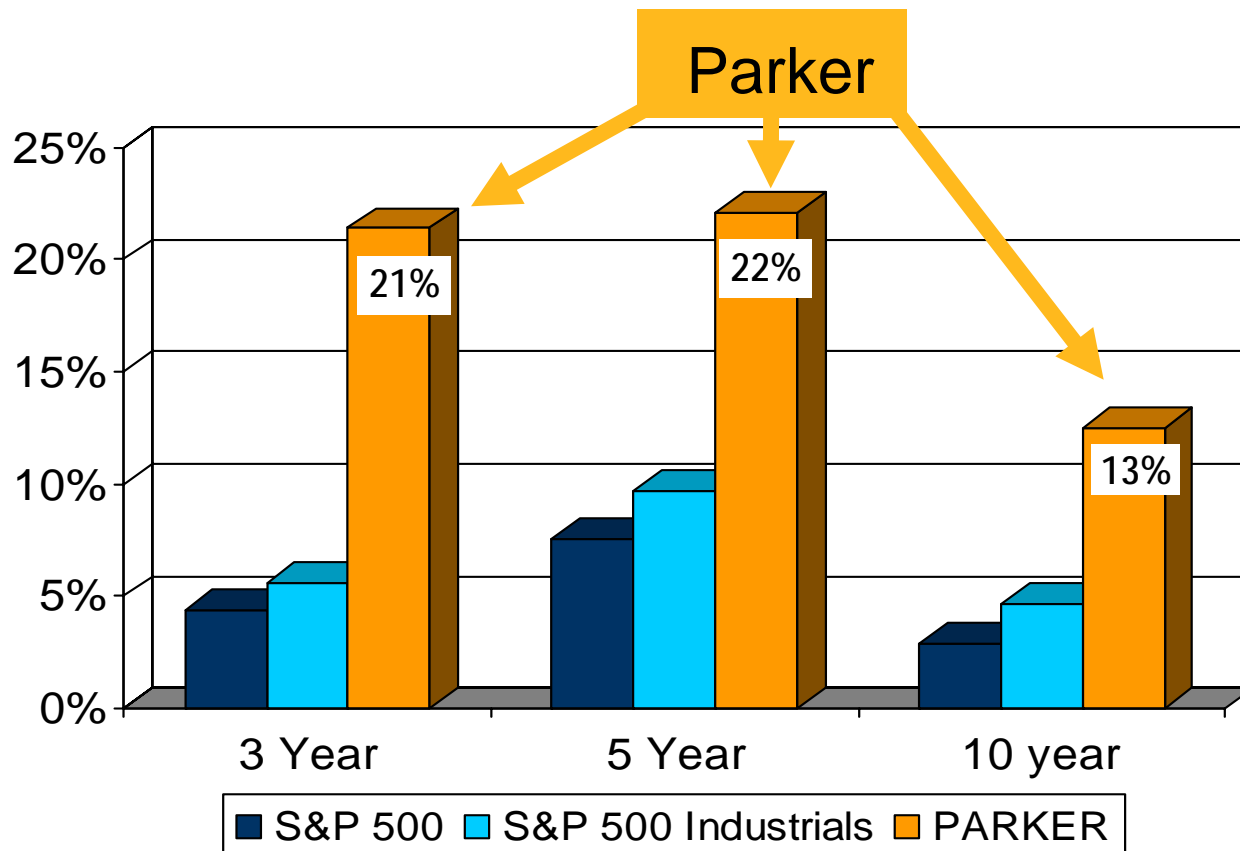


● ROIC is defined as: EBIT from continuing operations divided by average capital

# Parker Delivers Strong Returns

## Total Shareholder Returns

(Annual Equivalent)



Years ending June 30, 2008

# Recent Acquisitions – A Key to Growth

**FY06**     Annualized Sales

         **\$983M**

**FY07**            **\$256M**

**FY08**          **\$546M**

**FY09 YTD**    **\$515M**

    **EmiTherm** **Total \$2.3B**

# Parker's New Order Rates

	ORDER RATE %'S	TOTAL PARKER	INDUSTRIAL NO. AMER	INDUSTRIAL INTERNAT'L	AEROSPACE	CIC
Dec	10	4	16	19	(6)	
Mar	9	2	11	28	(1)	
June	8	4	8	23	(7)	
Sept	1	2	(4)	9	5	

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

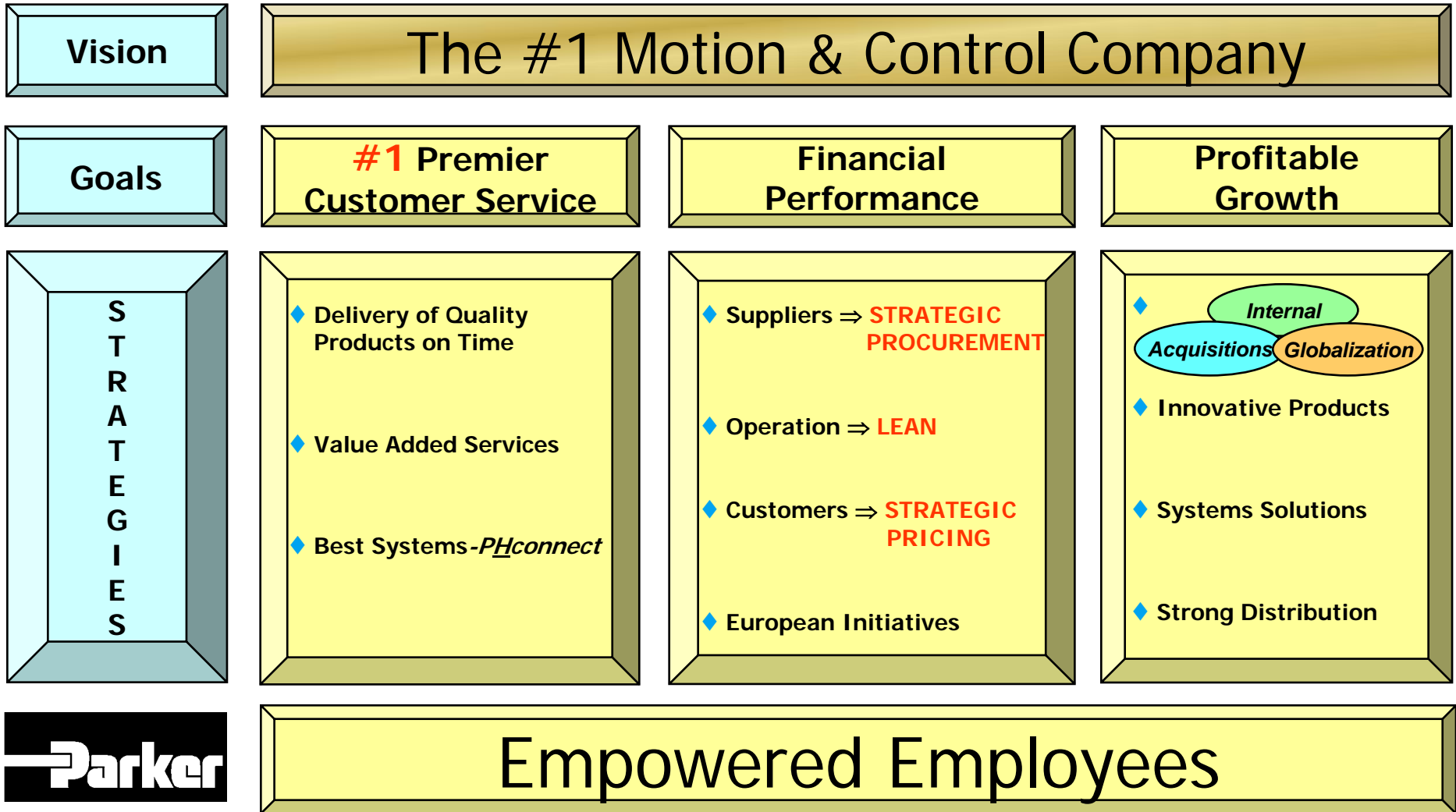
# Recession Planning

Are we ready for a Recession?

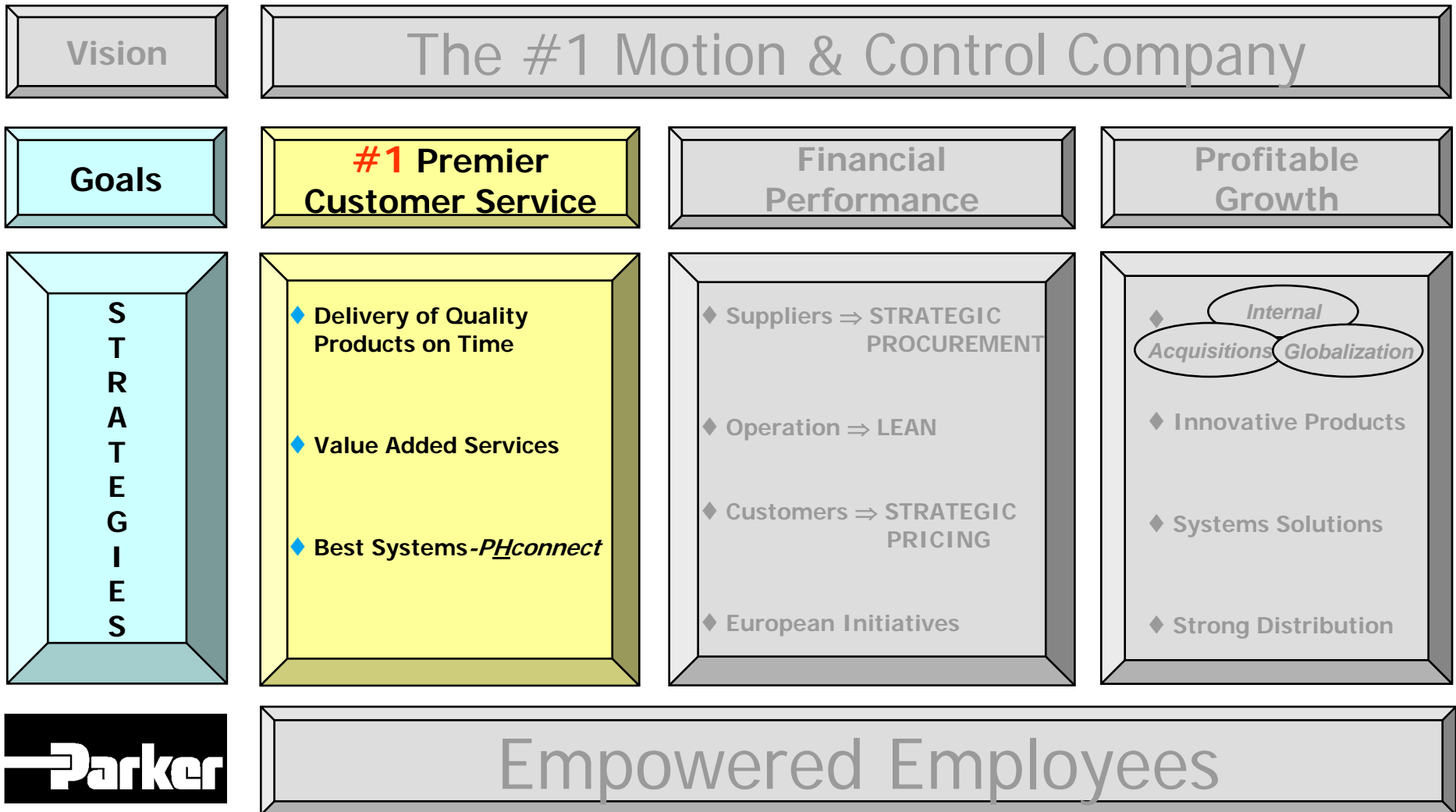


Our readiness started with the Win Strategy Improvements beginning in 2002

# Win Strategy

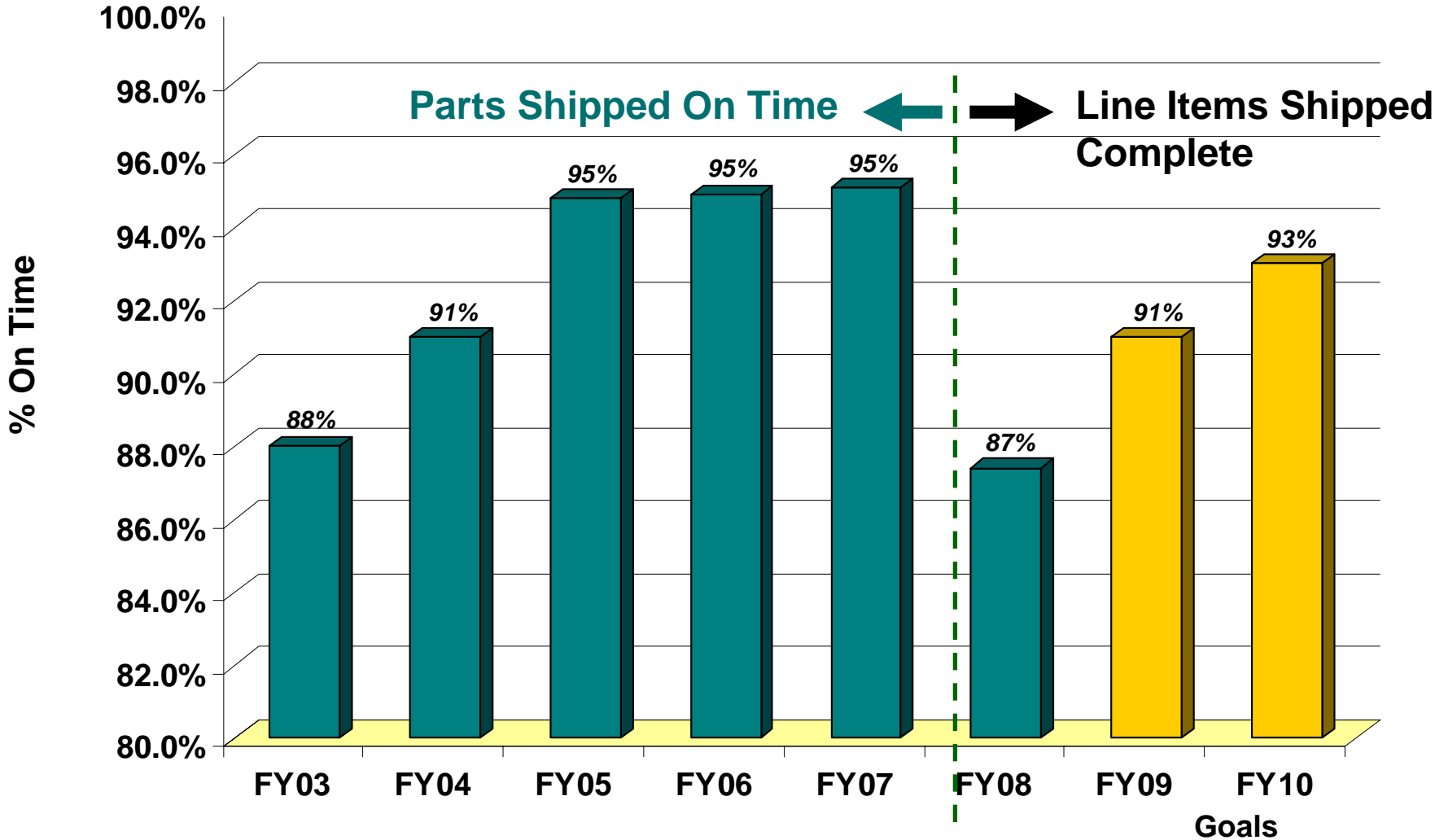


# Still Our #1 Goal



**#1 Premier  
Customer Service**

# On-Time Delivery



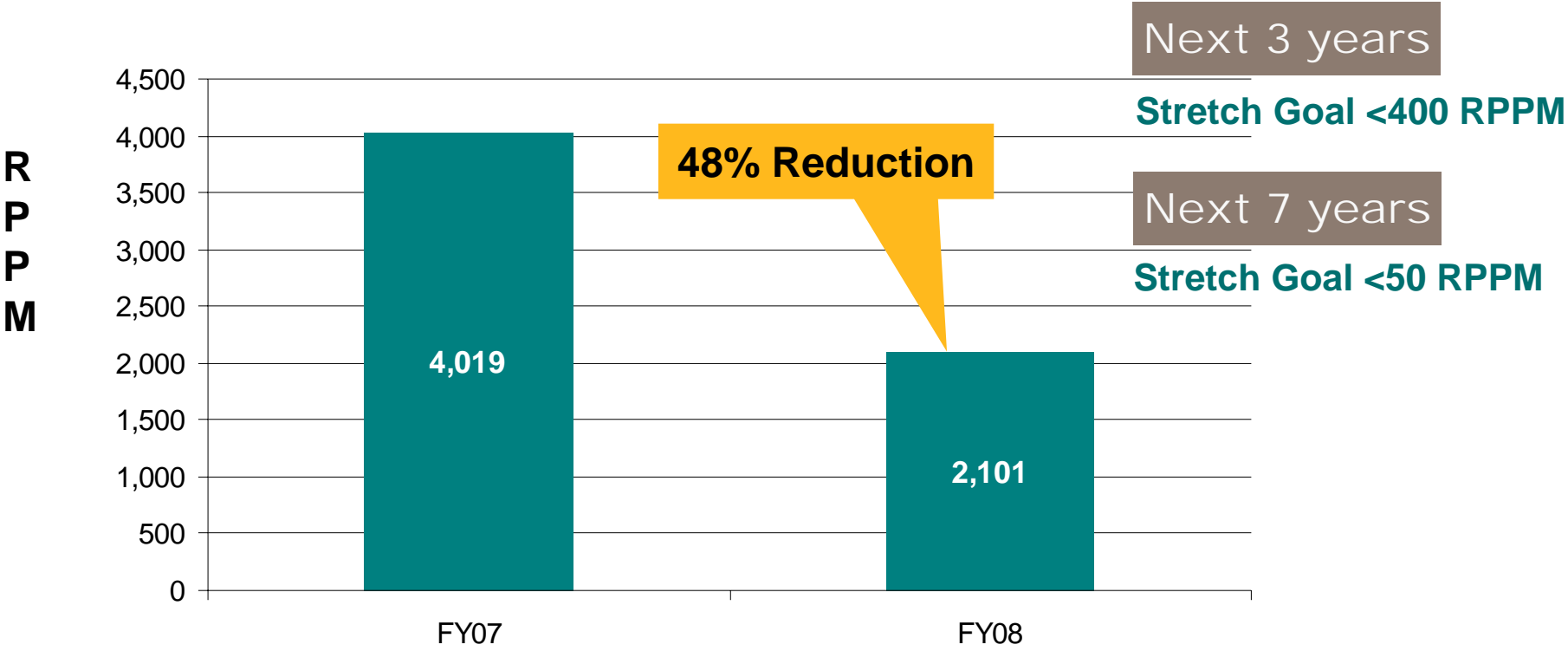
**Raising the bar for on-time delivery**



**#1 Premier  
Customer Service**

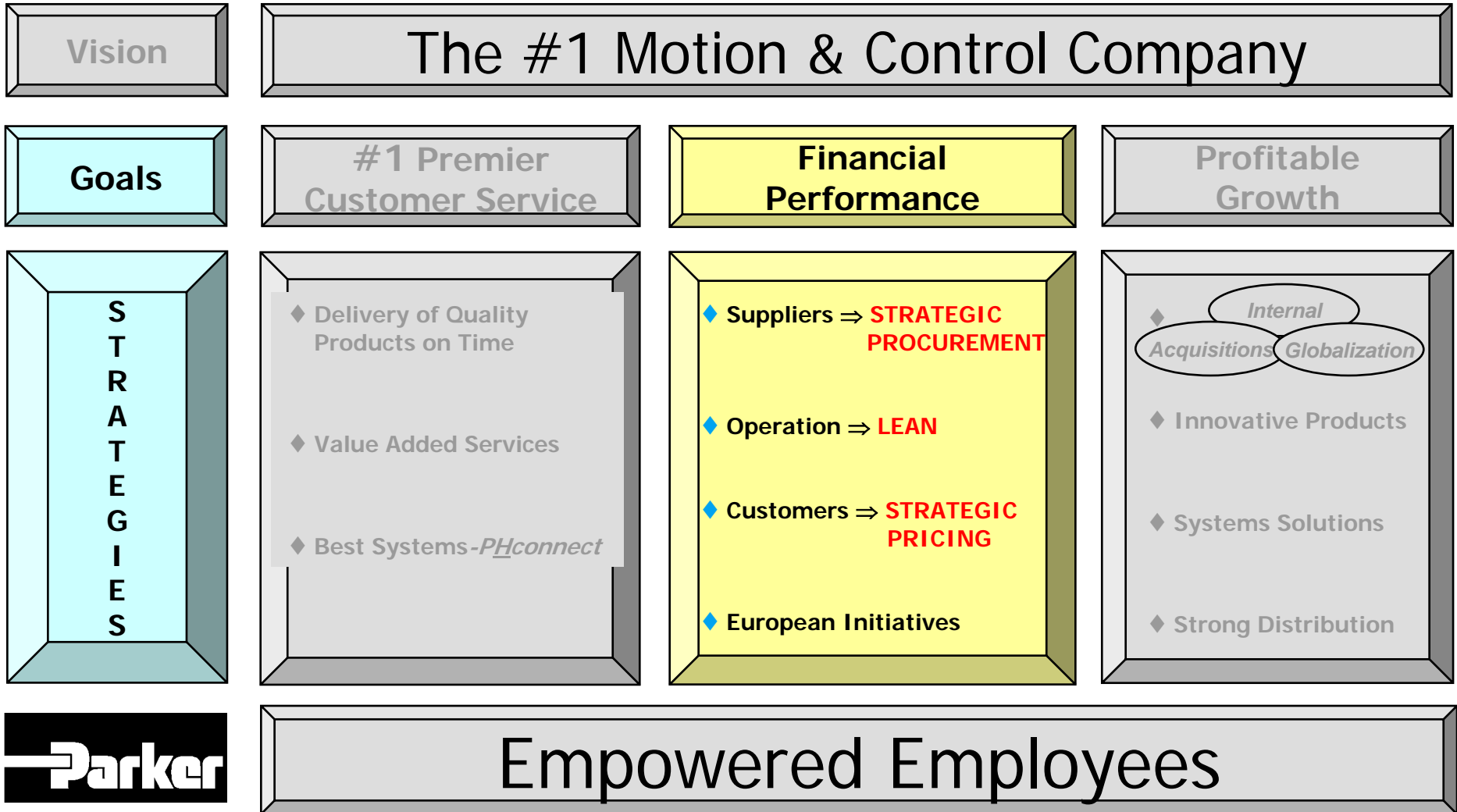
# Customer Quality

Rejected Parts Per Million (RPPM)



**Quality is a huge customer differentiator...significant cost savings**

# Goal #2



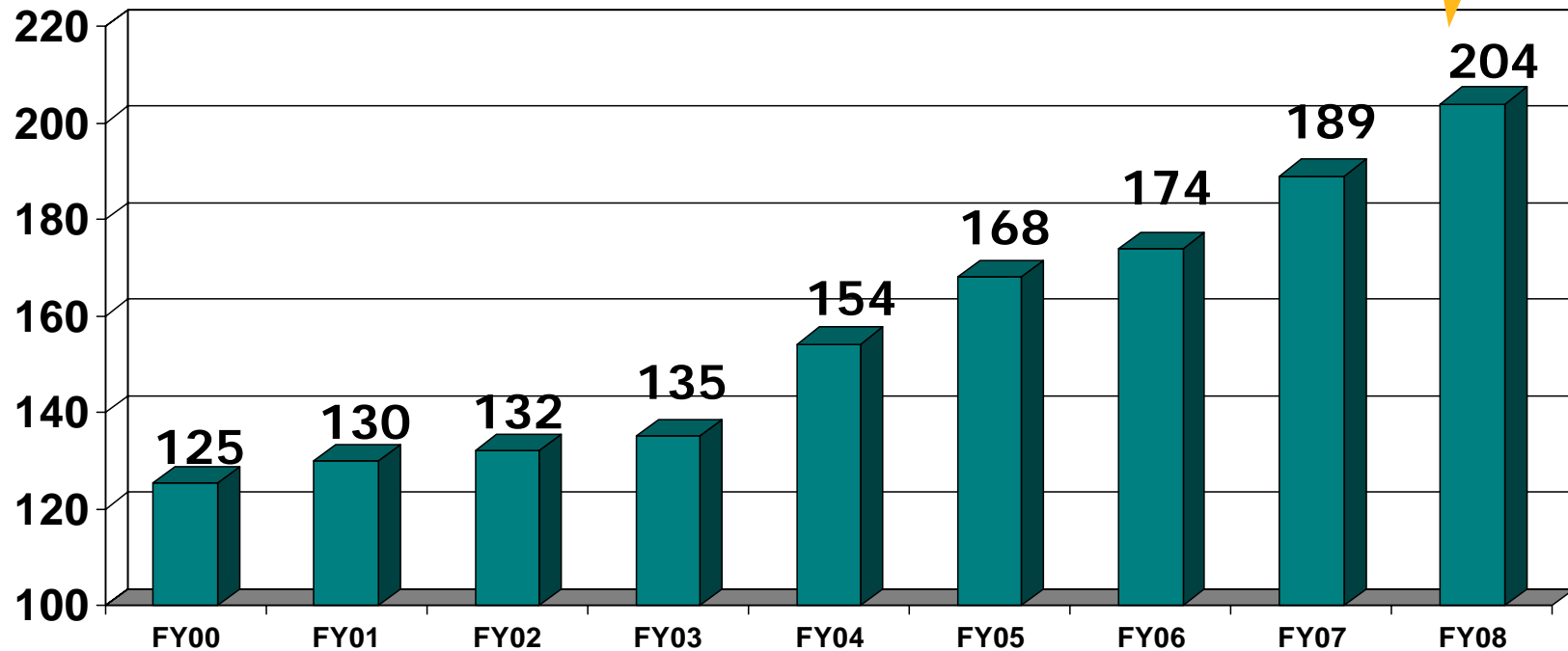
Are Parker's plants ready  
for a Recession?

Financial  
Performance

# Productivity

Sales/Employee  
000's

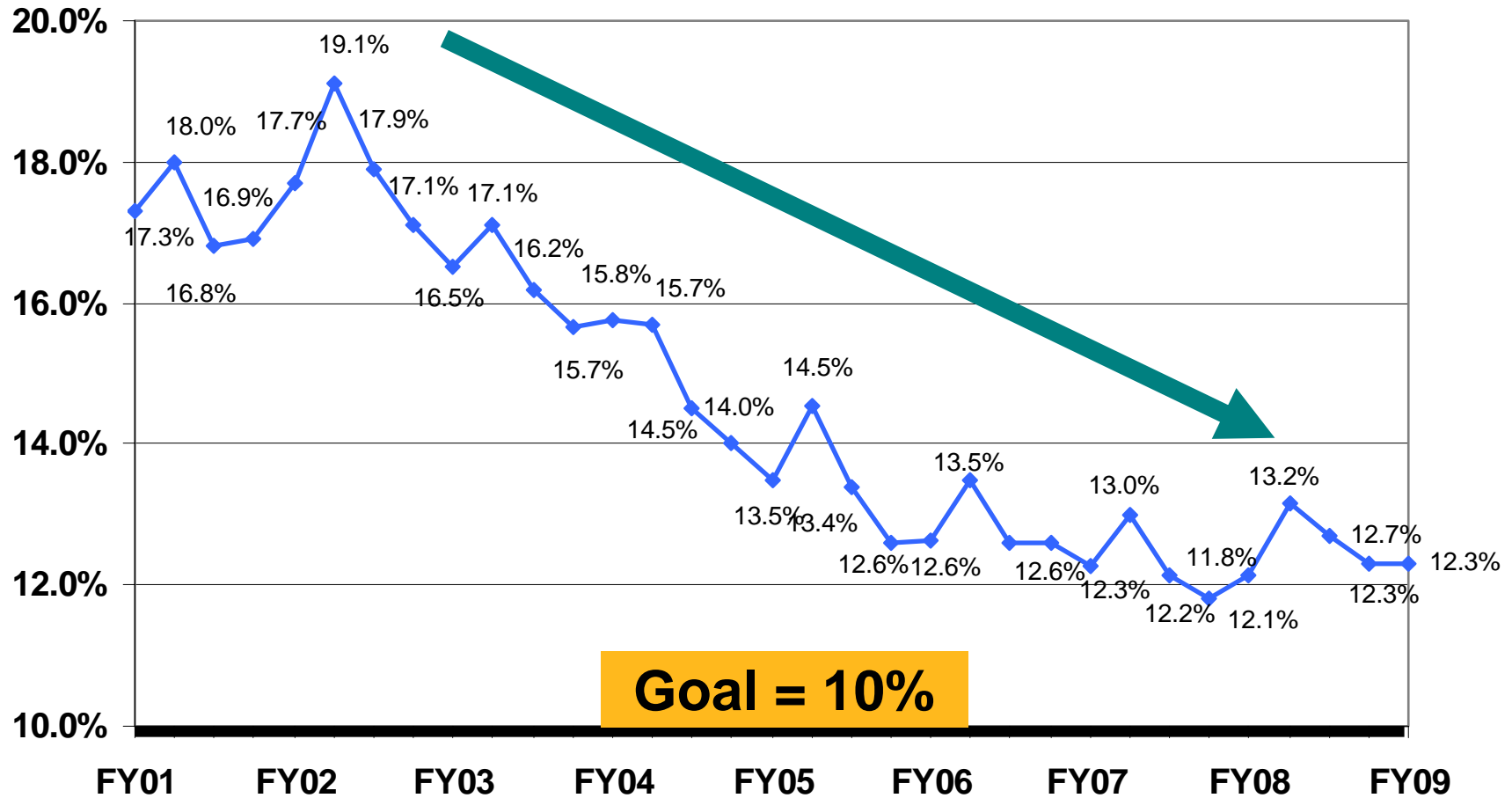
**Record**



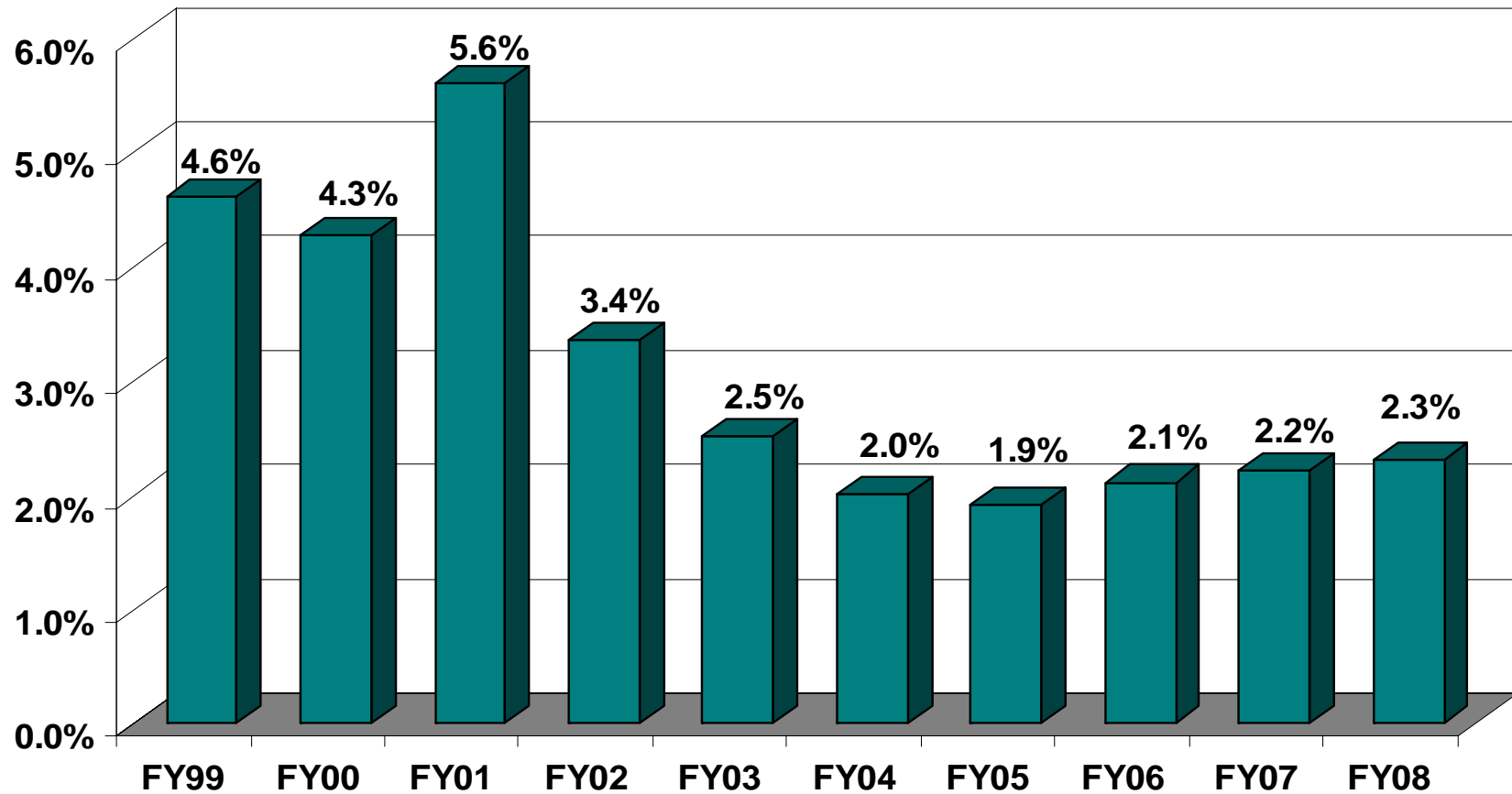
With annualized acquisition volume

**Financial Performance**

# Inventory % to Sales

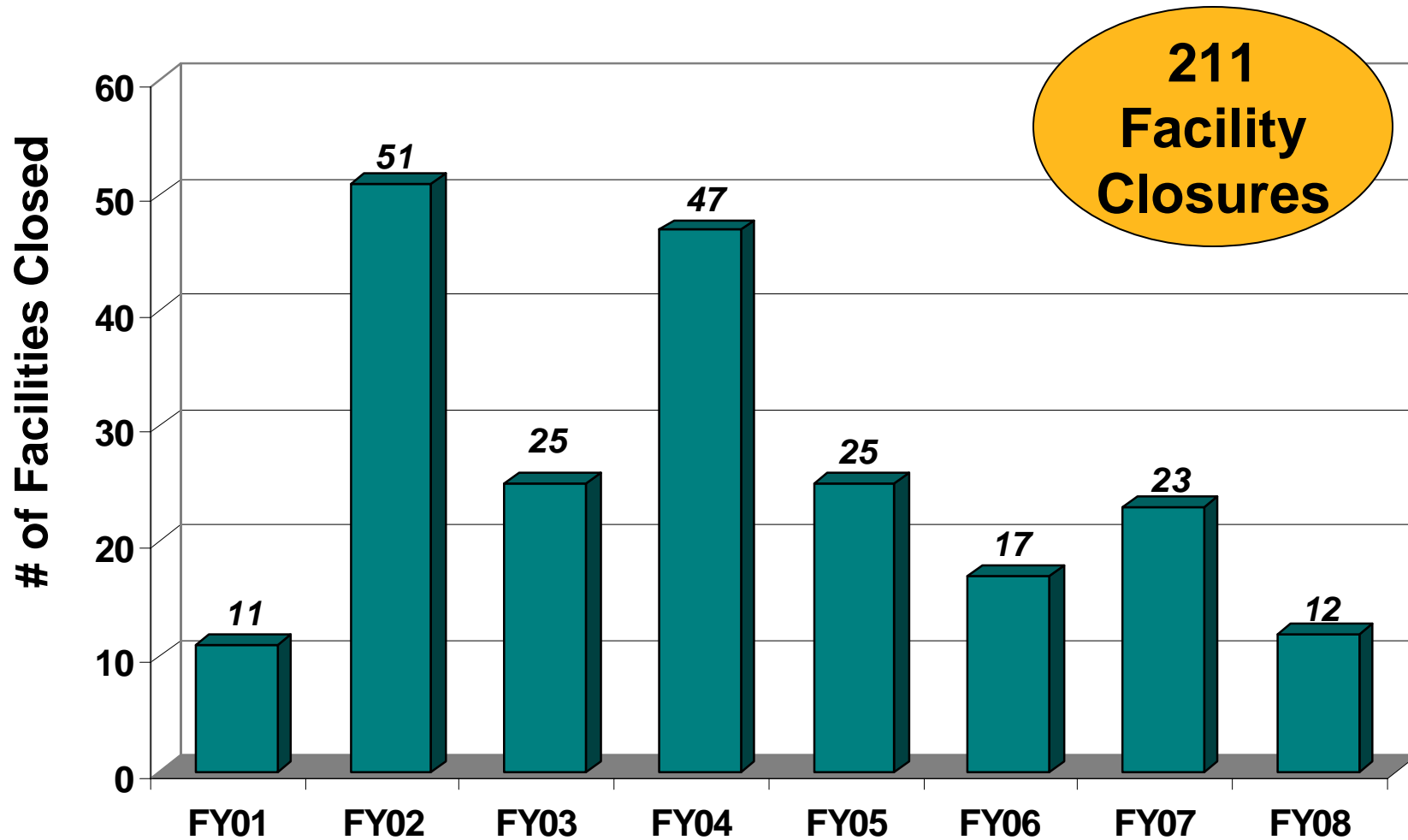


## Capital Expenditures as a % of Sales



**FY08 annual depreciation: 2.1%**

# Capacity Optimization



# Cyclical Analysis

# Cyclicality

P&L Segmentation



Dream Coat Reports

% Outsourced



02      Today  
20%      40-50% range

Workforce & Cost Controls



Sensitivity Action Plans at various Sales Reductions

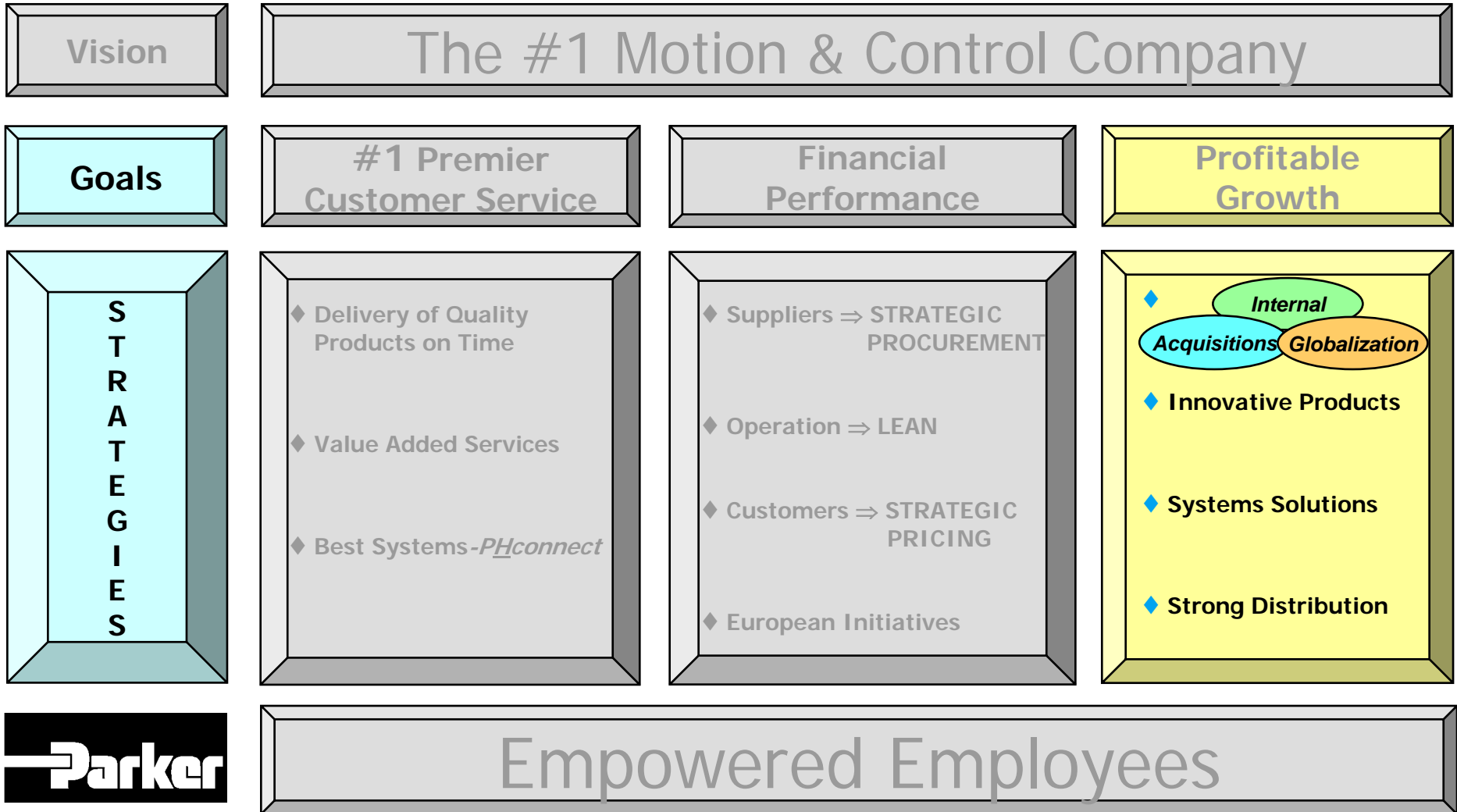
Market Segmentation



Growth into less Cyclical Markets

**North America Margin Performance**

# Goal #3



Profitable  
Growth

Geography & Market Diversification

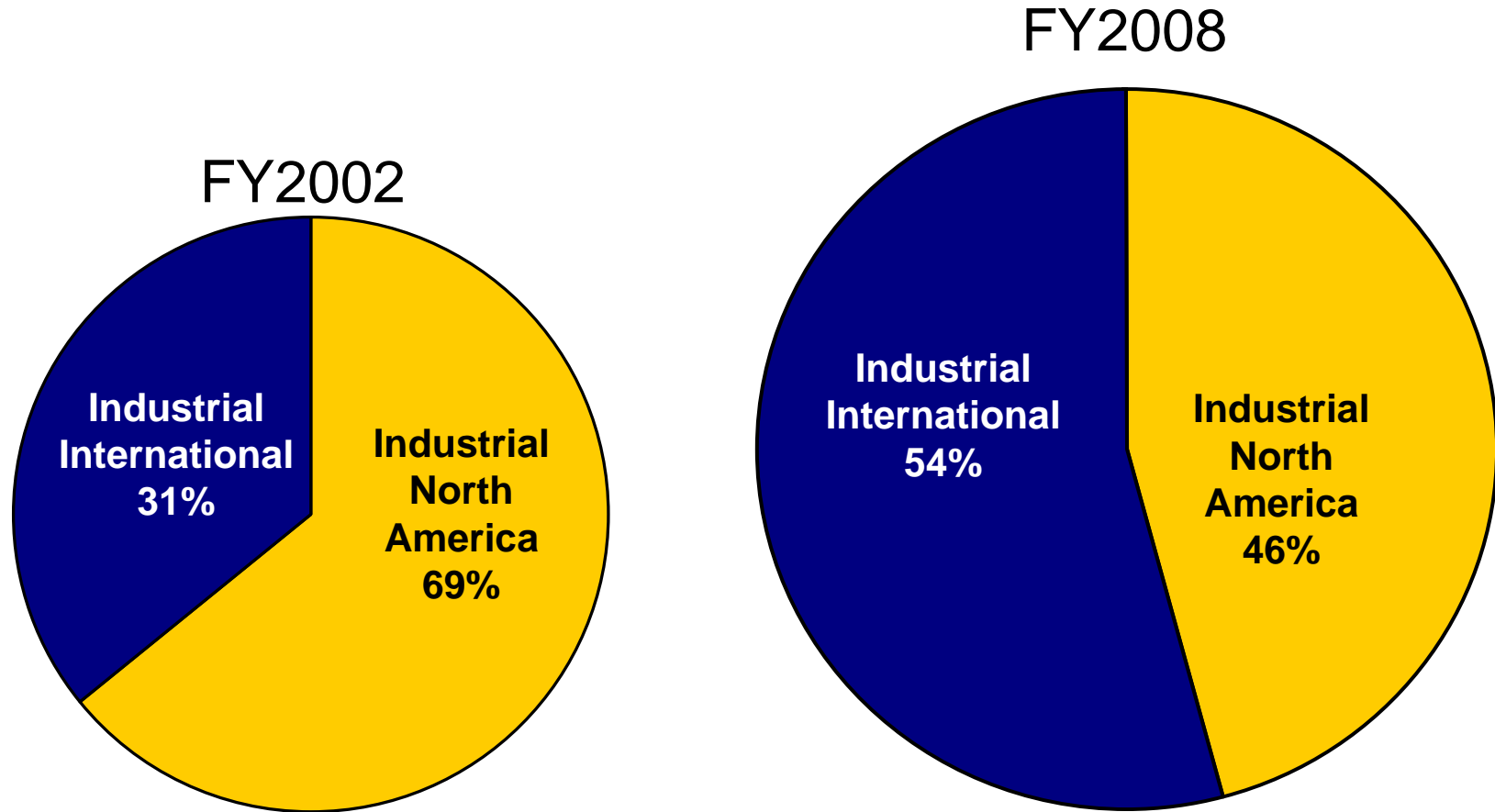


Better prepared for a slowdown

Profitable  
Growth

# Globalization

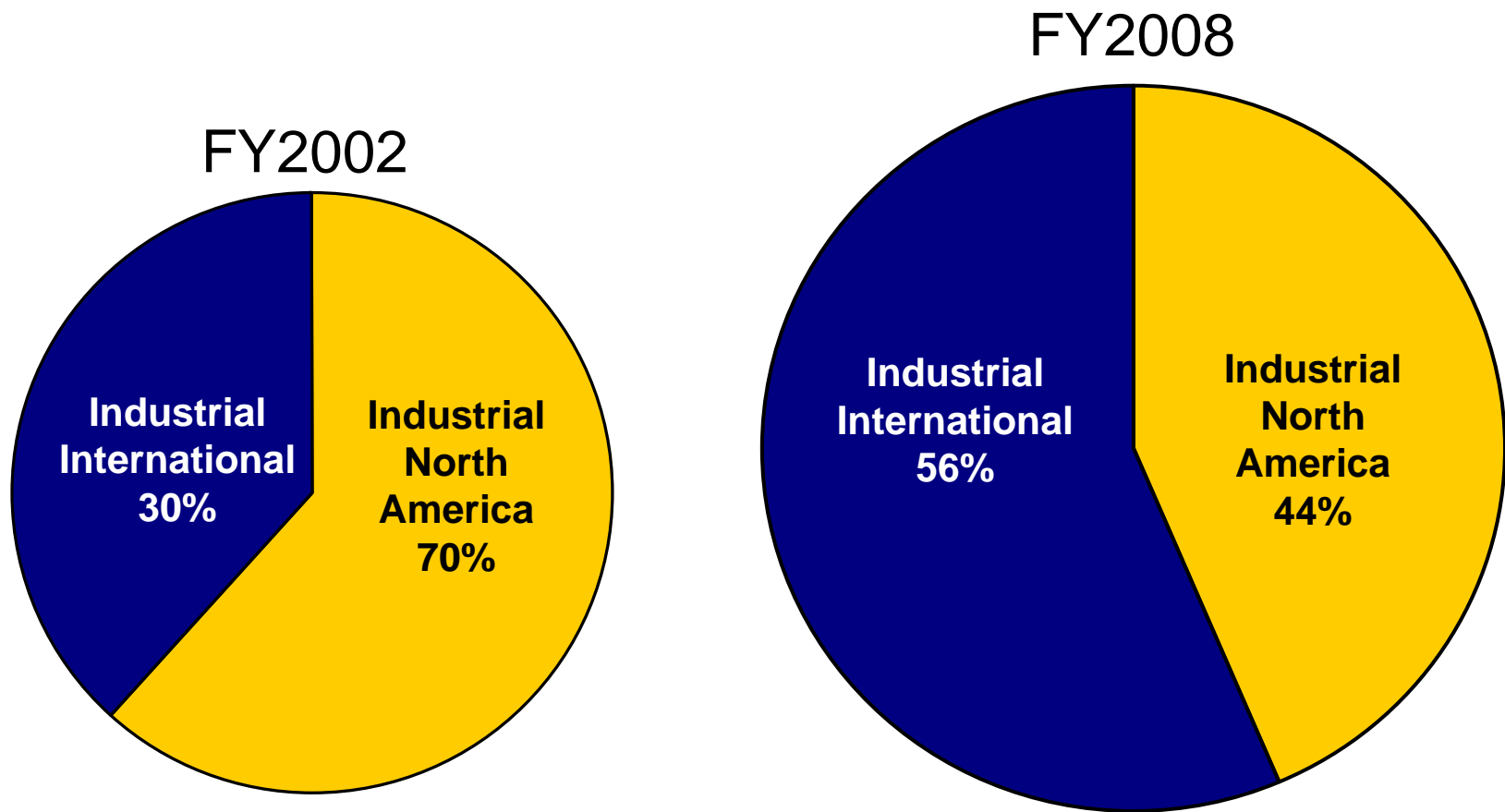
## Industrial Revenues are More Balanced



Profitable  
Growth

# Globalization

## Industrial Operating Income is More Balanced



**Profitable  
Growth**

**- Expanding International Footprint to Service Customers**



Japan

**Expanding Inspection/Testing Capabilities - 2008**



Korea

**2<sup>nd</sup> Incubator & Mobile – 2008  
Systems Engineering Center**



China

**New Hose & Fitting Plants - 2008**



Thailand

**New Filter Plant - 2008**



India

**Expansion of Incubator - 2009**

# Uniquely Positioned to Address Global Challenges



Energy



Food



Water



Environment



Poverty



Terrorism/War



Disease



Education



Democracy



Population

Profitable  
Growth

## Expanding into Less Cyclical Growth Markets

Market

Energy

Organic Growth

- Energy recovery vehicles
- Fuel cells
- Electrohydraulic actuation
- Emission friendly valves
- Emission controls
- Emission sealing
- Gas detection
- Fluid / gas distribution
- Power efficiency
- Power generation
- Nuclear power
- Wind power
- Solar power
- Wave power
- Oil & Gas

Acquisitions

- SSD Drives
- Scan Subsea
- Cabett
- Texas Thermowell

**Profitable  
Growth**

## Parker Hybrid Hydraulic Programs



**Field Trials – Ft Worth, TX**

### **Parker Hybrid Refuse Truck**

**Initial Waste Management Field Test Completed**

**MPG's Increased by 40% – 80%**

**Outstanding Operator Acceptance**

**Launch Planned for Nov 2010**

**Global Market Size \$600 M**

### **Parker Hybrid Delivery Vehicle**

**Initial FedEx Field Test Completed**

**MPG's Increased by 30% – 45%**

**Superior Vehicle Drivability**

**Launch Planned for Aug 2010**

**Global Market Size \$2.70 B**



**Field Trials – Pontiac, MI**

Profitable  
Growth

## Expanding into Less Cyclical Growth Markets

Market

Life  
Sciences

Organic Growth

- Fluidics
- Filtration
- Ventilator pneumatics
- Oxygen generation
- Nitrogen generation
- Drug delivery systems
- Anesthesia systems
- Biomass disposal

Acquisitions

- domnick hunter
- Mitos
- Kay Pneumatics
- HTR Holdings
- Rectus
- Porter Instruments
- Texloc Page
- Hargraves

Profitable  
Growth

## Systems Solutions

- Delights the customer
- Provides optimal solution
- Difficult to copy
- Locks in MRO



Profitable  
Growth

## Strong Distribution

12,000 Worldwide Distributor Locations

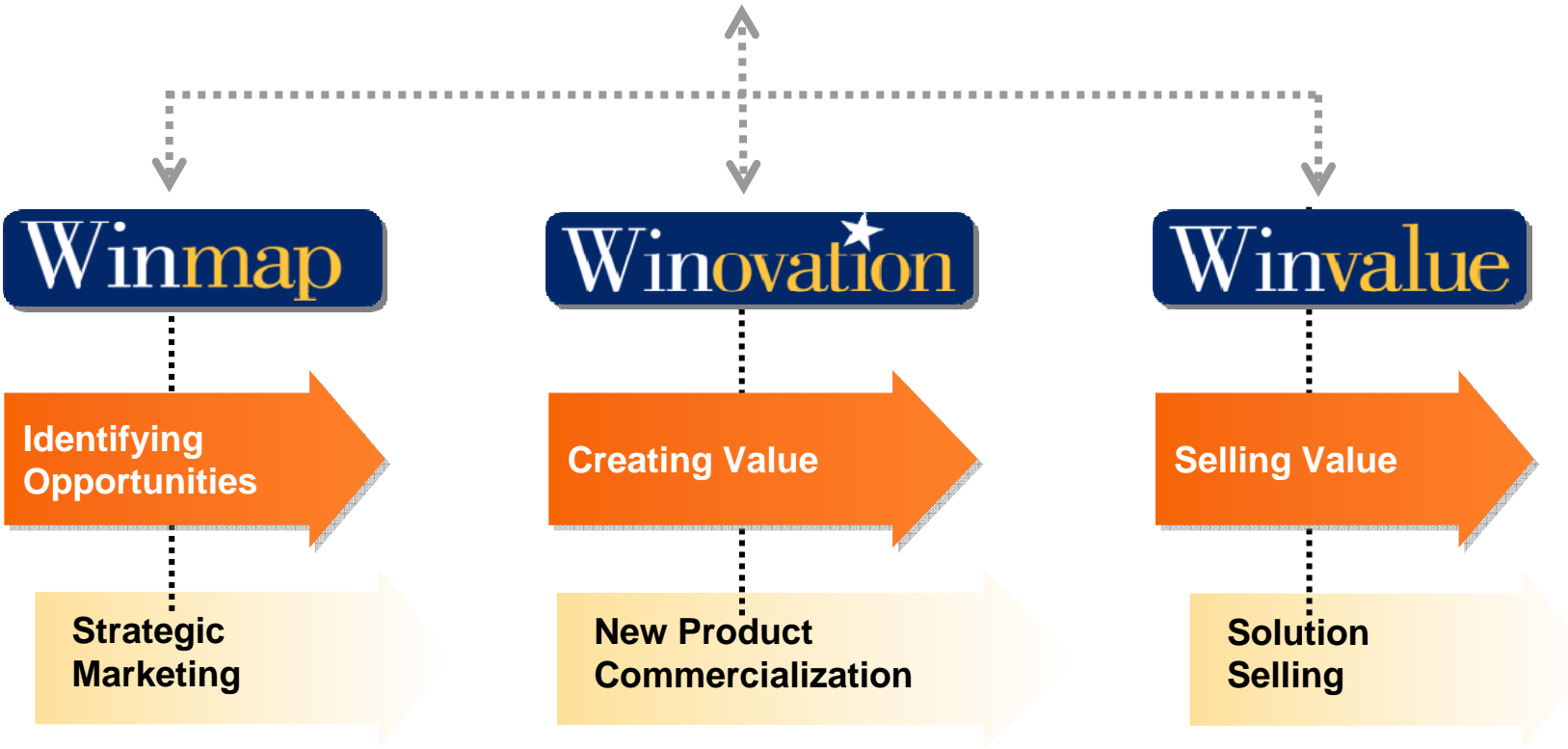
Distribution...

- Parker Distributors - Best in Class
- Less cyclical, higher margins

Profitable Growth

# Disciplined Business Development Process

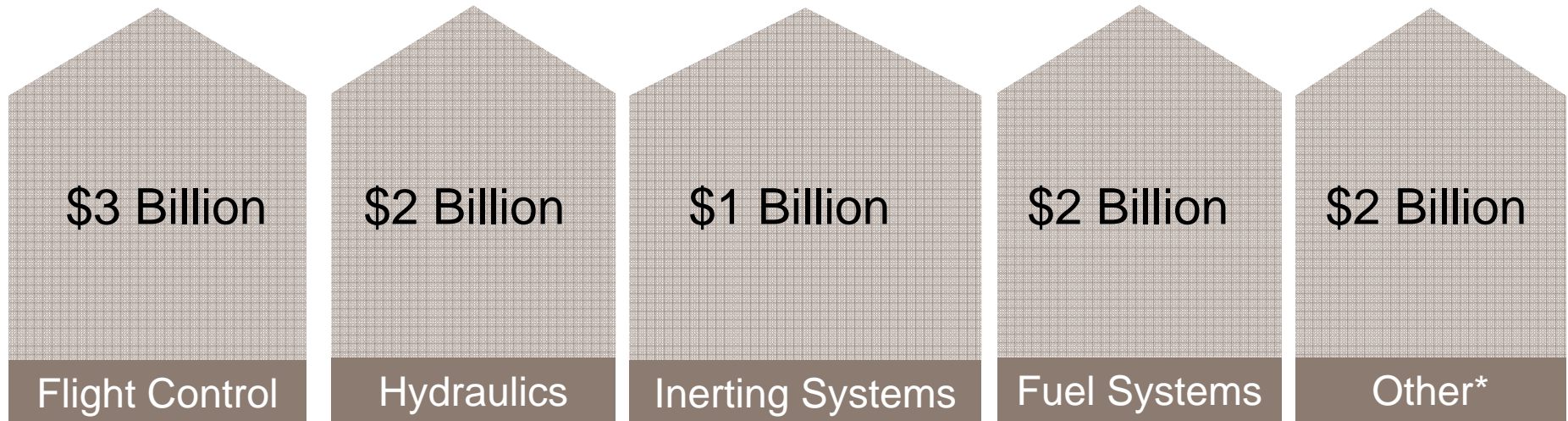
Market (Customers)



Profitable  
Growth

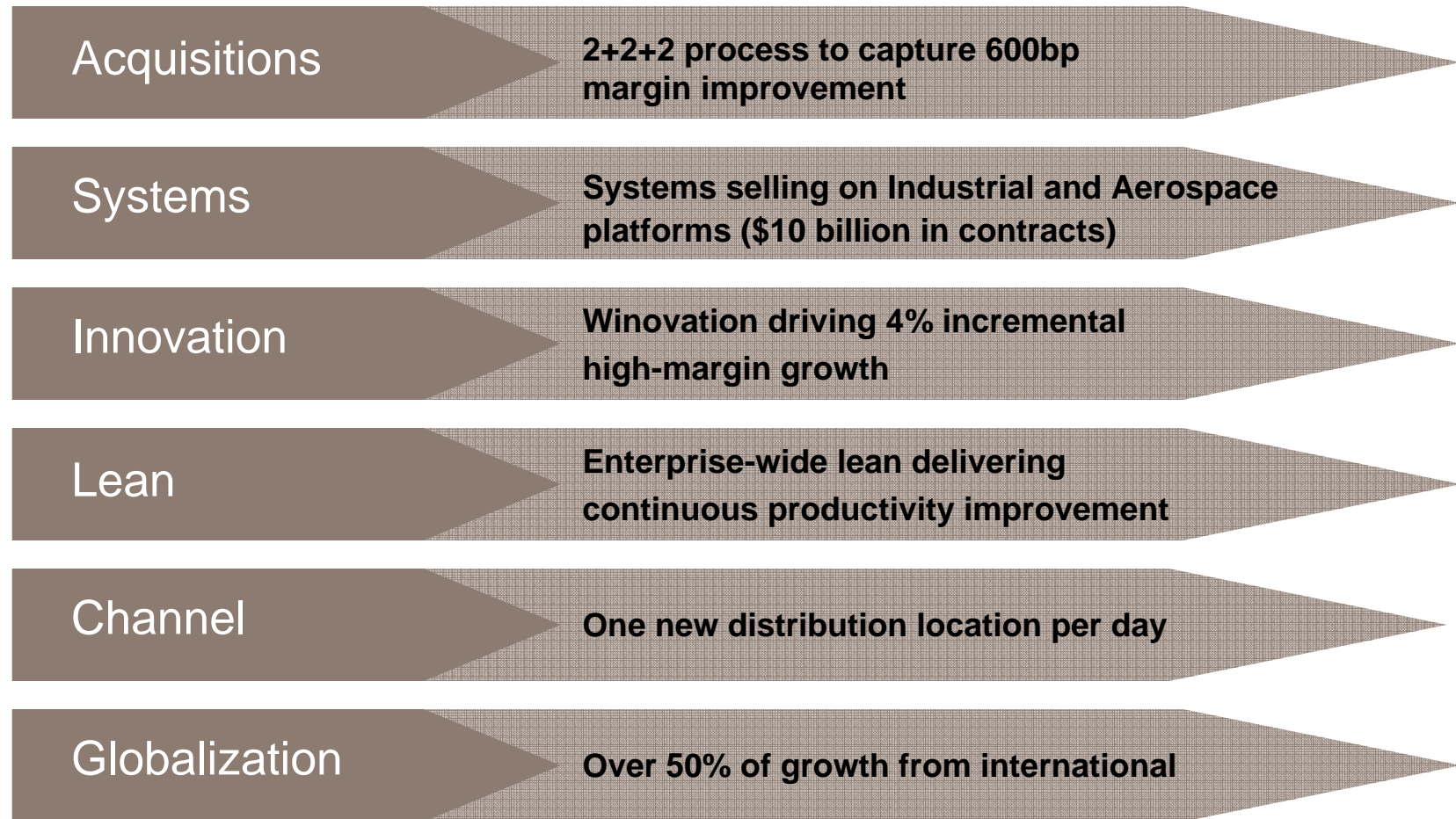
# New Product Wins

## \$10 Billion in Aerospace Contract Wins



\*Includes: Fluid, Pneumatics, MRO, and Wheels & Brakes

# Parker's Value Proposition



# The Key Take-away

***Parker continues to transform itself  
and has the results to prove it.***

# The World Leader in Motion and Control



## Untapped Potential