



Parker is On





Shareholders' Letter: Parker is **ON**, creating technological breakthroughs, serving diversified markets and aiming for new financial goals.

3



From sealing cell phones to providing premier customer service, Parker is **ON CALL** everywhere around the world.

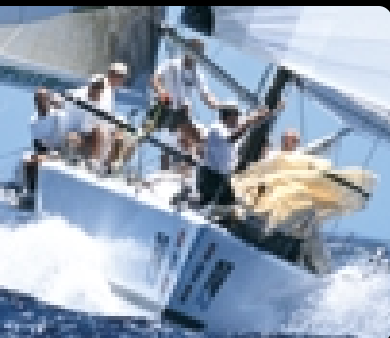
6



Whether it's helping a plane land safely or a fire truck get to the scene quickly, Parker products and systems are hard at work getting the job done **ON TIME**.

8

# No matter where you are, or what you need, Parker keeps your world on the move.



Everyday, Parker systems solutions are keeping the world's goods and services **ON COURSE** to their final destination.

10



Parker makes it possible **ON PURPOSE** with systems that improve the quality of life in a variety of applications at work, at home and at play.

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Parker is **ON STRATEGY** with new systems capabilities, a management team with bench strength and increased financial goals.

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Financial Review

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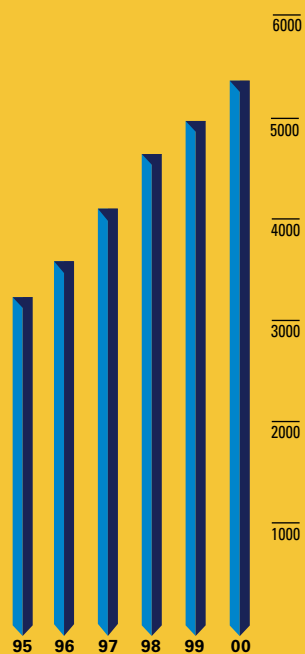
## The Year In Review

For the years ended June 30, <i>(in thousands, except per share data)</i>	2000	1999	1998
<b>OPERATING DATA</b>			
Net sales	<b>\$ 5,355,337</b>	\$ 4,958,800	\$ 4,633,023
Income from operations	<b>622,862</b>	538,749	549,897
Net income	<b>368,232</b>	310,501	319,551
Cash flows from operating activities	<b>538,040</b>	459,097	320,599
<b>PER SHARE DATA</b>			
Diluted earnings per share	<b>\$ 3.31</b>	\$ 2.83	\$ 2.85
Dividends	<b>.68</b>	.64	.60
Book value	<b>21.22</b>	17.03	15.32
<b>RATIOS</b>			
Return on sales	<b>6.9%</b>	6.3%	6.9%
Return on average assets	<b>8.8</b>	8.6	9.8
Return on average equity	<b>17.7</b>	17.6	19.8
Debt to debt-equity	<b>31.0</b>	29.8	31.6
<b>OTHER</b>			
Number of shareholders	<b>47,671</b>	39,380	44,250
Number of employees	<b>43,895</b>	38,928	39,873

*Income from operations and Net income for 1998 include a non-cash, non-recurring pretax charge of \$15.8 million or \$12.0 million after tax (\$.11 per share) for in-process R&D purchased as part of two acquisitions. The 1998 results also include a charge of \$3.7 million (\$.03 per share) for the early retirement of debt.*

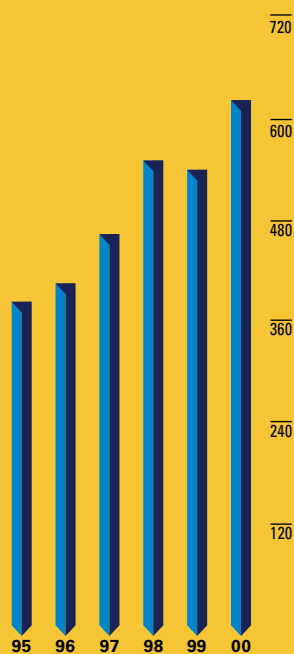
### Net Sales

*Millions of Dollars*



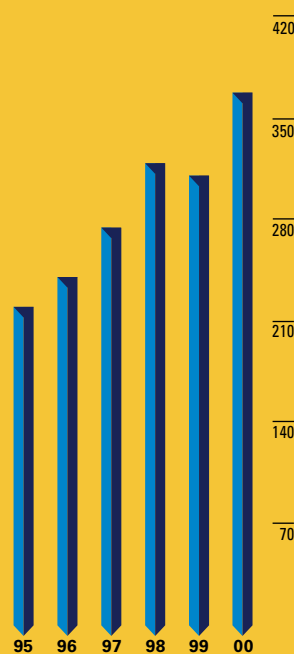
### Income from Operations

*Millions of Dollars*



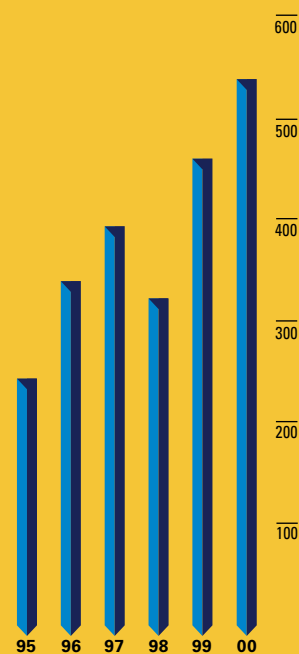
### Net Income

*Millions of Dollars*



### Cash Flows From Operating Activities

*Millions of Dollars*



Your company is *on the move*. On the consolidation front, we are increasing market share among customers who want complete motion and control *systems solutions*, and broadening our product offering with strategic acquisitions and internal development.

We are *performing financially*, expanding margins around the world, achieving returns well above our cost of capital, and raising the bar further with accelerated growth goals. We are *growing globally*, positioned for consistent, double-digit gains in our established core markets, and increasing sales and profits in areas of *great promise for the future*.



Duane Collins (standing) and Don Washkewicz this year accepted new management roles. Collins, chief executive officer, was elected chairman of the board, and Washkewicz was appointed to the new position of president and chief operating officer.

**PARKER IS ALL ABOUT THE FUTURE:** Our technologies are paving the way for new breakthroughs in every aspect of life. Developments in communication, information technology, manufacturing and biomedical science demand well conceived “workhorses” and sophisticated controls to perform consistently: Faster. Smaller. Cleaner. Safer. More efficient. More precise. Parker people advance these causes every day, and our engineers have never had so many opportunities to go to work.



A recent example is a new product developed by our Instrumentation Group's Pneutronics Division: The world's smallest valve (shown here actual size). This valve is used in medical devices to perform diagnostics and treatment for blood and kidney disorders. An engineering marvel, it operates at 30 psi. But the real source of pride in this innovation is that it makes in-home dialysis a reality for kidney patients, so they can receive treatments in the comfort of their own homes, with their families.

**ACQUISITIONS:** This year, we welcomed new members to the Parker family from Commercial Intertech, Gresen, Whatman Industrial, Gummi Metall and Nylaflow. These businesses bring tremendous talent and together add \$728 million in sales. They offer substantial benefits to the customers, shareholders and employees we serve:

► *Commercial Intertech* and *Gresen*, both leaders in hydraulics for the mobile market, bring product lines required to supply complete, engineered hydraulic systems for every kind of mobile machinery. Matched with the full complement of other Parker systems, including fluid connectors, seals, filtration and controls, these additions already are yielding new opportunities for value creation. And because we've moved quickly to integrate these businesses within our Hydraulics Group, we are well positioned to realize the earnings accretion planned for next year.

*With 46 acquisitions in a seven-year period, we've ensured double-digit growth and broadened our playing field to pursue new markets of opportunity.*

► *The Whatman Industrial business*, with products sold under the Balston brand, specializes in high-efficiency depth filtration and gas-separation membrane technology. It positions our Filtration Group with a much broader product offering than other major players in the compressed-air and gas-generation markets.

► *Gummi Metall* of Germany complements our Seal Group in Europe, offering compound sealing products in rubber-metal and rubber-plastic varieties.

► *Nylaflow* of the Netherlands produces thermoplastic pressure hose and tubing that strengthens our line of connector products in Europe.

► In July, we completed our cash tender offer acquiring *Wynn's International*, a leader in sealing systems for mobile markets. Strategically and financially, the addition of Wynn's further strengthens our Seal Group, which consistently achieves superior returns in all of its end markets. Wynn's will add modestly to our fiscal year 2001 earnings, and moreover, presents considerable opportunities for global expansion given our established position. It is another significant step toward total systems capability.

With 46 acquisitions in a seven-year period, we're positioned for double-digit growth and have broadened our playing field to pursue new markets of opportunity. Financially, we remain in an excellent position to invest in product development and acquisition opportunities that fit our business model. You can expect us to continue to be a consolidator, but know that we'll integrate every business we add with a disciplined focus on value creation, always building on our foundation of motion-control technologies. This is our core competency, and in it, we're finding more opportunity yet to be realized.

**OUTLOOK:** So, while we are doing all of the things you'd expect we should to keep driving profitability, the real rationale for your investment in Parker is where we're going from here.

In the near term, with rebounding global economies, semiconductors and telecommunications are momentum markets, and we're seeing across-the-board strength in our industrial and mobile markets. Things are looking up in aerospace as well, since mounting demand for regional jets means bigger system wins for Parker in flight controls, fuel and onboard hydraulics.

On the maintenance, repair and overhaul (MRO) side of our industrial business, there is significant growth potential. Traditionally, a customer's worst predicament is downtime. We have a unique opportunity to take our trademark "premier customer service" to an even higher level, to keep customers in *uptime*, and improve their operating performance with better engineered systems, systems with integrated chips and electronic sensors that flag problems long before they become a point of breakdown.

**E-BUSINESS:** Our strategy to do this takes a nontraditional view of the two most-asked questions in our industry: the role of distributors and the relevance of e-business. On the role of distributors, we don't deny that their value in the supply chain is being challenged. But as we see it, the trend toward preventative maintenance and outsourcing redefines the role of distributors, so the real challenge is the shift from reactive to proactive service, adding value by offering total systems solutions.

E-business, then, is an important catalyst to help our distributors achieve a higher value shift, from servicing orders to managing performance. We already have an extensive electronic enterprise architecture that, when made available to our distributors, provides the means for us to identify ways to optimize customers' motion and control applications with systems designed to work together. This is the means to grow our MRO business, all to the benefit of our customers.

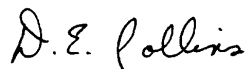
And as much as we can use electronic intelligence to anticipate our customers' needs, they still require technical assistance close to all of their operations. So the true measure of success in our e-business initiative hinges on the availability of engineer-technicians everywhere, and that's the advantage of our distributor force. They extend our enterprise.

On the buy side of our supply chain, we are building on our electronic enterprise capabilities to leverage company-wide purchasing, creating an e-procurement network to further bolster our buying power. While web-enabled processes are improving our cost structure and speed, they also are opening up new avenues to integrate transactions among Parker, our distributors and the many small and mid-size companies we serve, who are the vast majority of our customer base.

When we help our customers win, we earn their trust and loyalty. The reputation of Parker may seem an intangible asset. But for all of us, its value is real — in every measure of success our customers achieve, in every increment of market share we gain, in our ability to remain an employer and partner of choice, and in the consistent performance we demonstrate.

Last year, we said we would continue to grow your company with improved profitability and increasing financial strength. We achieved record results on all these measures. In the coming years, we intend to outperform the record returns of recent years. We've raised our financial goals (see page 16), and we're committed to continue to meet and exceed them through time and the cycles that affect our markets. You may take this as an indication of the state of our business: Financially and operationally, Parker's never been stronger.

For this, we must thank our customers and the Parker employees who are delivering on our commitment to value creation, which, more than anything, underscores our appreciation for your investment in Parker. Please read on...



**DUANE E. COLLINS**  
*Chairman of the Board and  
Chief Executive Officer*



**DONALD E. WASHKEWICZ**  
*President and Chief Operating Officer*

September 11, 2000





# on call.



Crops everywhere in the world are planted, harvested and processed with machinery and equipment relying on Parker systems for precise motion and control.



You can read all about it thanks to the Parker instrumentation & filtration components and systems used in mills producing millions of tons of paper per year.



Fresh fruit and vegetables are increasingly available to consumers the world over thanks to Parker systems used in planting, harvesting, sorting and delivery.





The world is going wireless, and Parker seals are ensuring clearer calls in one out of every five cell phones produced today.

When lives hang in the balance, Parker aerospace systems are on board enabling airborne rescuers to reach remote locations and transport patients for rapid treatment.

Whether in warehouses, distribution centers or cargo holds, Parker components and systems are inside the equipment that is getting goods where they need to go.



Takeoffs, landings and our time in the air are made possible by Parker flight controls, hydraulics and fuel management systems. On the ground, Parker components are busy fueling planes and handling baggage.



Freight is transported safely over highways and byways thanks to Parker components and systems. Our refrigeration and sealing systems keep refrigerated trucks cool for fresher, safer, longer-lasting food.

The U.S. Postal Service delivers for you and Parker does, too. Parker's automation equipment sorts, lifts and moves the mail.

# on time.



Both race cars and transport trucks rely on Parker products for dependable motion control systems. Parker has been on every Indianapolis 500 winner's car for nearly three decades.

When fire trucks and rescue vehicles are called to the scene, precision motion control is paramount. The world's leading emergency equipment manufacturers rely on Parker for hydraulic system design and quality components.

From space walks to shuttle missions to celestial explorations, Parker sealing systems and aerospace components are there helping scientists uncover the secrets of our universe.



The world is being electrified thanks to Parker instrumentation, filtration and gas turbine products used in the oil and gas exploration and power generation industries.



Parker is making sure you don't miss your favorite show. Parker automation systems are used in television production, and our seals are used in high definition TVs and VCRs.



We're helping you bring home the bacon. Parker components and systems are used in food processing, conveyor and packaging applications.





# on course.



Shamu® takes center stage with the help of Parker's rotary actuators used to open the gates between backstage and the performing arena.



Infrastructure projects are booming as the world's population demands an ever-higher standard of living. Parker components and systems are found in equipment turning these improvements into reality.

It's smooth sailing with Parker precision-engineered hydraulic systems used to trim the sails.

# SECTION EMERGEN

# on purpose.

Nothing is more important than your children's health and safety. That's why bus manufacturers choose Parker components for braking systems and Parker alternative fuel handling products for clean operation.



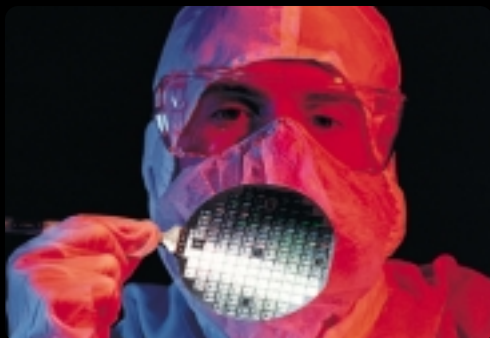
Kids and adults everywhere are using hand-held, portable electronics for both fun and work. Parker sealing systems prevent overheating, and eliminate interference among electronic devices.



When we go off into the wild blue yonder, Parker systems are on board with flight controls, hydraulics, fuel management and sealing systems.

# OLD DOG

## EMERGENCY DOOR



The world is getting smarter, and semiconductors are being imbedded into every device imaginable. Parker instrumentation products and systems are crucial to building the chips that are leading this Information Age revolution.

Parker provides micro-products for a variety of biomedical applications including on-demand oxygen units and in-home kidney dialysis. These are smaller and more portable so patients can enjoy a higher quality of life.

Riding the waves is made possible by Parker products used in the manufacturing and sealing of personal watercraft. In Hollywood, Parker hydraulics created waves on the set of Warner Bros.' blockbuster movie *The Perfect Storm*.



# on strategy.

**TOTAL SYSTEMS – PREMIER CUSTOMER SERVICE GOING FORWARD:** Parker business groups have always sought to answer challenges facing customers by engineering solutions to motion and control problems. We have competed successfully by helping our customers reduce their operating costs, by reducing complexity, speeding assembly, and improving performance of engineered systems for their equipment using our products. Now, we are launching a total systems strategy that raises that standard of service and our competitive advantage higher still. Total systems means just that – we will seek ways to integrate all appropriate products from every Parker business group as a complete, value-added system and make buying that system as easy for the customer as buying a single product. Increasingly, customers are demanding this type of “one stop” service, and Parker has anticipated their demand by developing an unparalleled range of motion and control products. We have the products and the engineering talent to put them to use. Our total systems strategy will fuse the two.

*Parker designs and manufactures optimal systems using hoses, connectors, fittings, hydraulics, pneumatics, instrumentation, filters, electromechanical components, and seals typically required on most industrial machinery.*

**TECHNOLOGY CENTERS:** The concept of total systems centers is similar to the focused mobile and aerospace systems activity already in progress at Parker. Initially, we are targeting the industrial market for motion and control products. Parker’s unequalled range of motion and control products is the foundation of our industrial total systems centers, the first of which will open in North America this year, with others to follow in Europe, Latin America, and the Pacific Rim.

The industrial market offers exceptional opportunity to apply products of more than one Parker group for motion and control solutions in industries including steel and chemical processing, packaging, forestry products such as paper and plywood, and almost any form of automated assembly, transfer, or production line. Parker designs and manufactures optimal systems using hoses, connectors, fittings, hydraulics, pneumatics, instrumentation, filters, electromechanical components, and seals typically required on most industrial machinery. No competitor has as broad a range of products. Systems design engineers at the centers will be chartered to use their expertise to draw from all of Parker’s products and business groups to produce value-added industrial motion and control systems that are entirely Parker. Working with customers to design complete systems will be their only business.

Our experience creating systems vertically, within aerospace, mobile hydraulic, connector, seal and other business groups, demonstrates the value of this approach as both a customer benefit and competitive advantage. The broader based total systems approach, taking products from more than one business group and integrating them to suit a customer’s specific needs, holds even more exciting potential. The industrial technology centers will fully explore that potential by expanding the capabilities we can offer our industrial customers.

Recognizing that our customers are outsourcing their engineering and reducing their supplier lists, this concerted corporate-wide effort to design and sell optimal systems from a single point of contact will further differentiate Parker as the premium motion and control supplier. The strategy will position us better than ever before to reduce our customers’ engineering burden; eliminate time wasted locating and purchasing individual system components; reduce overall costs; and improve operating efficiency with every total systems solution.

Also, the technology centers will serve as system design repositories offering total systems solutions developed for industrial uses as packaged responses adaptable to other markets with similar motion and control system requirements. In addition, these systems will be available through a growing number of technology center-certified Parker distributors, offering systems solutions to customers of all sizes.

## MANAGEMENT APPOINTMENTS:

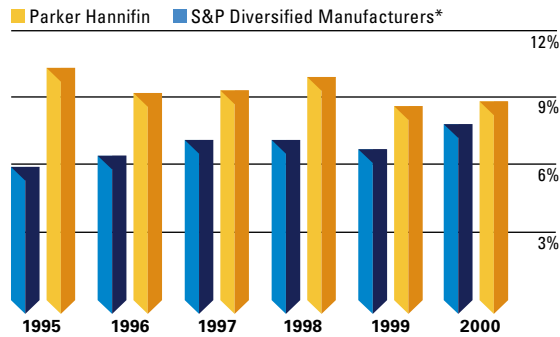
A strategy can only be as good as its execution, and Parker is fortunate to have the management depth needed to successfully achieve accelerated growth objectives adopted this year. In addition to CEO *Duane Collins*' election as chairman of the board, *Don Washkewicz* was promoted to the new position of president and chief operating officer responsible for all of the company's operations. Replacing Don as president of the Hydraulics Group is *Marwan Kashkoush*.

In addition, *Bob Bond* was promoted as president of the Automation Group; *John Oelslager* was appointed president of the Filtration Group; and *A. Ricardo Machado* was named president of the Latin American Group.

**VALUE:** We expect our systems strategy will help us to grow with our customers — providing them with everything they need in motion-control systems everywhere they need value-added solutions. Our growth will include added sales volume for every group drawn into the service of customers who previously may have viewed Parker as the manufacturer of a single product. And, as we add value for our customers derived from design engineering services, reduced costs of order processing, and improved manufacturing speed, we will achieve margins that recognize the value of engineered systems versus “parts” in the markets we serve. We believe that such recognition will result in growing the value of your investment in Parker.

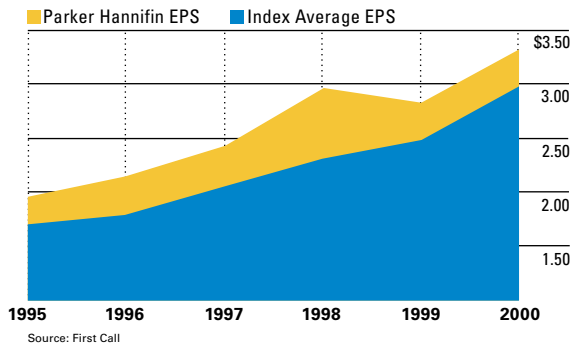
Making the most of our systems strategy is one of the goals of the management team. Several new management appointments were made this year (see sidebar at right). Their experience, skills, and leadership will foster the company-wide teamwork to advance this strategy, keeping Parker on the move.

### PARKER'S RETURN ON AVERAGE ASSETS EXCEEDS PEER GROUP



As a measure of management discipline, Parker's return on assets consistently outpaces its peers in the S&P index of diversified manufacturers.

### PARKER'S EPS GROWTH LEADS PEER GROUP



Since July 1, 1995, Parker has outperformed the S&P index of diversified manufacturers in earnings growth, shown here in a rolling comparison plotted to coincide with Parker's fiscal year.

\* Given differences among the indexed companies' fiscal closing dates, returns were calculated using the most recent SEC filings and annualized for 2000, while average assets reflect the average reported at year end and most recent SEC filings.

## Accelerating Growth



Michael J. Hiemstra,  
Vice President -  
Finance & Administration  
and Chief Financial Officer

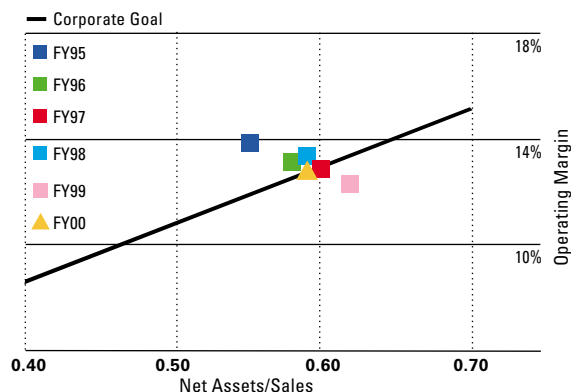
**PARKER'S BEST IS YET TO COME:** Building on years of consistent, solid performance, we recently committed to take the company's growth higher, targeting double-digit sales and earnings growth as a sustainable measure for the coming years:

- ▶ We raised our five-year compound-sales-growth goal from 7.5 percent to 10 percent, with about two-thirds of that generated internally, and one-third from acquisitions.
- ▶ With rising sales, we'll continue to drive profitability to a premium, focusing on achieving an economic profit well exceeding our cost of capital; a return on sales of six percent or better; return on average assets of at least 7.2 percent; and return on average equity at or above 14 percent.
- ▶ To make better use of our financial strength, we increased our target debt to debt-equity ratio from a range of 30 to 33 percent to a new target between 34 and 37 percent.

Worldwide demand is at an all-time high in our markets, which are worth more than \$48 billion, and still highly fragmented. In every part of our business, we are outpacing the growth of our markets, with plenty of room for improvement. Our charter is to drive for the number-one position in all of our core markets, progressing from a top-three position to market leadership in motion and control technologies. We see significant opportunities to gain further competitive market share on our product breadth, service strength, new product development and global presence.

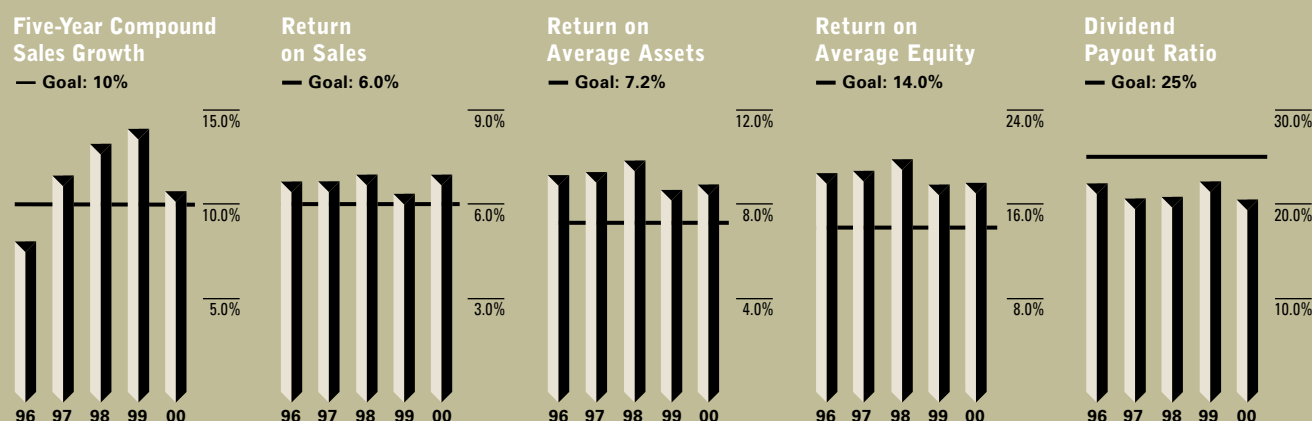
Geographic and product-line expansion remain ripe for development, and acquisitions will continue to be an important part of our growth strategy. We have both the cash generation capacity and the discipline to manage it conservatively — always — to achieve superior returns that offer near- and long-term value creation.

### PERFORMANCE METRIC ASSURES VALUE CREATION



Our return-minded economic profit measure ensures every division of Parker is managing for value creation, with common controls for effective asset utilization and margin realization.

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## 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 accounting principles generally accepted in the United States. 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.

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

The Audit Committee of the Board of Directors is composed entirely of independent outside directors. The Committee meets periodically with management, internal auditors and the independent 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.

*D. E. Collins*      *M. J. Hiemstra*

**DUANE E. COLLINS,**  
Chairman of the Board  
and Chief Executive Officer

**MICHAEL J. HIEMSTRA,**  
Vice President –  
Finance and Administration  
and Chief Financial Officer

## Discussion of Statement of Income

**The Consolidated Statement of Income** summarizes the Company's operating performance over the last three fiscal years. All year references are to fiscal years.

**Net Sales** of \$5.36 billion for 2000 were 8.0 percent higher than the \$4.96 billion for 1999. Acquisitions completed in 2000 accounted for approximately two-fifths of this increase. The North American Industrial operations experienced higher demand within most of its markets, particularly in semiconductor manufacturing and telecommunications. The Aerospace operations experienced a slowdown in commercial aircraft build rates which was mitigated by an increase in demand for regional jets. The Industrial International operations were adversely affected by a struggling economy in Europe and Latin America in the first half of the year while higher volume was achieved in the Asia Pacific region. Currency rate changes reduced volume increases within the International operations by \$104.9 million.

Net Sales of \$4.96 billion for 1999 were 7.0 percent higher than the \$4.63 billion for 1998. Acquisitions completed in 1999 accounted for approximately one-half of this increase. The Aerospace operations experienced continued strong demand in commercial aircraft build rates while the Industrial operations experienced reduced order demand within most of its markets. Within the Industrial operations, the European markets weakened in the latter part of 1999 while the Latin American markets operated in a weak economy throughout most of 1999. The Company continued to penetrate markets in the Asia Pacific region. Volume increases within International operations were partially offset by currency rate changes.

The Company expects the North American Industrial operations to continue to improve as record orders received in 2000 are converted to sales and recent acquisitions are integrated. The European and Latin American markets are anticipated to continue to improve while the Company expects to carry on its efforts to expand its infrastructure in the Asia Pacific region. The Aerospace operations expect the regional jet market to continue to improve while the commercial aviation OEM business is expected to decline. The defense business is projected to remain relatively constant.

**Gross profit margin** was 22.4 percent in 2000 compared to 22.0 percent in 1999 and 23.4 percent in 1998. Cost of sales for 1998 included a non-cash, non-recurring charge of \$15.8 million for in-process R&D purchased as part of two acquisitions. The increased margins in 2000 reflect higher volume experienced in the North American Industrial operations, offset by weakness experienced in the International Industrial operations as well as the effect of business realignment charges (see page 24 for further discussion).

The margin decline in 1999 is primarily the result of the underabsorption of overhead costs and pricing pressure. In addition, gross margins were affected by recently acquired operations contributing lower margins.

**Selling, general and administrative expenses** as a percent of sales decreased to 10.8 percent, from 11.1 percent in 1999, and 11.5 percent in 1998. This decrease is the result of continuing a concerted effort to control the level of these expenses.

**Interest expense** decreased by \$4.5 million in 2000 after an increase of \$10.9 million in 1999. The decline in 2000 was due to a lower average level of debt outstanding throughout the year as compared to 1999. The increase in 1999 was due to increased borrowings to complete acquisitions.

**Interest and other (income), net** was \$4.1 million in 2000 compared to \$5.1 million in 1999 and \$6.8 million in 1998. Fiscal 1999 included \$1.7 million in interest income related to an IRS refund and fiscal 1998 included \$3.8 million of interest income from a settlement with the IRS.

**Loss (gain) on disposal of assets** was a \$5.6 million loss in 2000, a \$2.4 million loss in 1999 and a \$1 million gain in 1998. The loss in 2000 includes \$8.4 million of business realignment charges offset by \$6.4 million of income realized on the sale of real property.

**Income taxes** decreased to an effective rate of 34.5 percent in 2000, compared to 35.0 percent in 1999 and 35.9 percent in 1998. The decrease in the rate from 1999 to 2000 was primarily the result of the utilization of foreign operating loss carryforwards and lower foreign taxes. The decrease in the rate from 1998 to 1999 was the result of increased tax benefits based on the export of products manufactured in the U.S.

**Extraordinary item - extinguishment of debt** - On June 30, 1998 the Company called for redemption all of its outstanding \$100 million, 10.375 percent debentures due 1999-2018.

**Net Income** of \$368.2 million for 2000 was 18.6 percent higher than 1999. Net income of \$310.5 million for 1999 was 2.8 percent lower than 1998. Net income as a percentage of sales was 6.9 percent in 2000, compared to 6.3 percent in 1999 and 6.9 percent in 1998.

## Consolidated Statement of Income

(Dollars in thousands, except per share amounts)

For the years ended June 30,	2000	1999	1998
<b>Net Sales</b>	<b>\$ 5,355,337</b>	\$ 4,958,800	\$ 4,633,023
Cost of sales	<b>4,156,569</b>	3,869,370	3,550,992
Gross profit	<b>1,198,768</b>	1,089,430	1,082,031
Selling, general and administrative expenses	<b>575,906</b>	550,681	532,134
Interest expense	<b>59,183</b>	63,697	52,787
Interest and other (income), net	<b>(4,112)</b>	(5,056)	(6,783)
Loss (gain) on disposal of assets	<b>5,604</b>	2,414	(95)
Income before income taxes	<b>562,187</b>	477,694	503,988
Income taxes (Note 4)	<b>193,955</b>	167,193	180,762
Income before extraordinary item	<b>368,232</b>	310,501	323,226
Extraordinary item - extinguishment of debt (Note 8)			(3,675)
<b>Net Income</b>	<b>\$ 368,232</b>	\$ 310,501	\$ 319,551
<b>Earnings per Share</b> (Note 5)			
Basic earnings per share before extraordinary item	<b>\$ 3.34</b>	\$ 2.85	\$ 2.91
Extraordinary item — extinguishment of debt			(.03)
Basic earnings per share	<b>\$ 3.34</b>	\$ 2.85	\$ 2.88
Diluted earnings per share before extraordinary item	<b>\$ 3.31</b>	\$ 2.83	\$ 2.88
Extraordinary item — extinguishment of debt			(.03)
Diluted earnings per share	<b>\$ 3.31</b>	\$ 2.83	\$ 2.85

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

## Consolidated Statement of Comprehensive Income

(Dollars in thousands)

For the years ended June 30,	2000	1999	1998
<b>Net Income</b>	<b>\$ 368,232</b>	\$ 310,501	\$ 319,551
Other comprehensive income (loss), net of taxes:			
Foreign currency translation adjustment	<b>(32,600)</b>	(32,832)	(32,681)
<b>Comprehensive Income</b>	<b>\$ 335,632</b>	\$ 277,669	\$ 286,870

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

## 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. All year references are to fiscal years.

The effect of currency rate changes during the year caused a \$32.6 million decrease in Shareholders' Equity. These rate changes also caused significant decreases in accounts receivable, inventories, goodwill, plant and equipment, accounts payable and various accrual accounts.

Working capital and the current ratio were as follows:

Working Capital (millions)	2000	1999
Current Assets	\$ 2,153	\$ 1,775
Current Liabilities	1,186	755
Working Capital	967	1,020
Current Ratio	1.8	2.4

**Accounts receivable** are primarily receivables due from customers for sales of product (\$777.1 million at June 30, 2000, compared to \$684.2 million at June 30, 1999). The current year increase in accounts receivable is primarily due to acquisitions and increased volume. Days sales outstanding for the Company decreased to 45 days in 2000 from 47 days in 1999. An increase in the allowance for doubtful accounts in 2000 is primarily due to receivables obtained through acquisitions.

**Inventories** increased to \$974.2 million at June 30, 2000, compared to \$915.1 million a year ago. The increase was primarily due to acquisitions partially offset by a decrease in inventory in the Aerospace operations where management focused on aligning inventory levels with current customer demand. Months supply of inventory on hand at June 30, 2000 decreased to 3.2 months from 3.5 months at June 30, 1999.

**Net assets held for sale** represents the estimated net cash proceeds and estimated net earnings during the holding period of the metal forming and building systems businesses, which were acquired as part of the Commercial Intertech transaction. These businesses are expected to be sold in the first half of 2001.

**Plant and equipment**, net of accumulated depreciation, increased \$140.0 million in 2000 as a result of acquisitions and capital expenditures which exceeded annual depreciation.

**Investments and other assets** increased \$313.7 million in 2000 primarily as a result of increases in qualified benefit plan assets including those from acquisitions.

**Excess cost of investments over net assets acquired** increased \$129.3 million in 2000 as a result of acquisitions, partially offset by current year amortization. The additional excess cost of investments in 2000 is being amortized over 20 years.

**Notes payable and long-term debt payable within one year** increased \$274.7 million primarily due to an increase in commercial paper borrowings used to fund acquisitions.

**Accounts payable, trade** increased \$59.5 million in 2000 primarily due to acquisitions as well as higher balances in the North American Industrial operations due to higher production levels.

**Accrued payrolls and other compensation** increased \$24.1 million in 2000 primarily as a result of increased headcount from acquisitions and incentive plans which are based on sales and earnings.

**Accrued domestic and foreign taxes** increased to \$84.2 million in 2000 from \$52.6 million in 1999 primarily due to acquisitions, as well as higher taxable income in 2000.

**Long-term debt** decreased \$23.0 million in 2000 compared to 1999. See the Cash Flows From Financing Activities section on page 22 for further discussion.

The Company's goal is to maintain no less than an "A" rating on senior debt to ensure availability and reasonable cost of external funds. To meet this objective, the Company has established a financial goal of maintaining a ratio of debt to debt-equity of 34 to 37 percent.

Debt to Debt-Equity Ratio (millions)	2000	1999
Debt	\$ 1,037	\$ 785
Debt & Equity	3,347	2,639
Ratio	31.0%	29.8%

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, 2000 was 28.0 percent.

In fiscal 2001 additional borrowings are not anticipated for the stock repurchase program, capital investments, or for working capital purposes. However, additional borrowings were utilized to fund the Wynn's International acquisition. See the Subsequent Event footnote on page 35 for further discussion. These additional borrowings are expected to cause a temporary increase in the debt to debt-equity ratio above the financial goal noted above but the ratio is expected to return to the target range once proceeds from the sale of certain net assets held for sale are realized.

**Pensions and other postretirement benefits** increased 8.4 percent in 2000. These costs are explained further in Note 9 to the Consolidated Financial Statements.

**Other liabilities** increased to \$71.1 million in 2000 from \$65.3 million in 1999 primarily due to increases in deferred compensation plans.

**Common stock in treasury** increased to \$8.4 million in 2000 from \$1.8 million in 1999 due to the repurchase of Company common shares in 2000.

**Quantitative and Qualitative Disclosures About Market Risk** - The Company enters into forward exchange contracts, costless collar contracts and cross-currency swap agreements to reduce its exposure to fluctuations in related foreign currencies. The total value of open contracts and any risk to the Company as a result of these arrangements is not material to the Company's financial position, liquidity or results of operations. See the Significant Accounting Policies footnote on page 27 for further discussion.



# Consolidated Balance Sheet

(Dollars in thousands)

June 30,	2000	1999
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 68,460	\$ 33,277
Accounts receivable, less allowance for doubtful accounts (2000 - \$10,420; 1999 - \$9,397)	840,040	738,773
Inventories (Notes 1 and 6):		
Finished products	483,017	442,361
Work in process	344,804	347,376
Raw materials	146,375	125,393
	974,196	915,130
Prepaid expenses	32,706	22,928
Deferred income taxes (Notes 1 and 4)	73,711	64,576
Net assets held for sale (Note 2)	164,000	
<b>Total Current Assets</b>	<b>2,153,113</b>	<b>1,774,684</b>
Plant and equipment (Note 1):		
Land and land improvements	138,394	125,990
Buildings and building equipment	642,770	592,086
Machinery and equipment	1,825,889	1,678,956
Construction in progress	107,197	109,780
	2,714,250	2,506,812
Less accumulated depreciation	1,373,335	1,305,943
	1,340,915	1,200,869
Investments and other assets (Note 1)	574,241	260,495
Excess cost of investments over net assets acquired (Note 1)	570,740	441,489
Deferred income taxes (Notes 1 and 4)	7,290	28,351
<b>Total Assets</b>	<b>\$ 4,646,299</b>	<b>\$ 3,705,888</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Notes payable and long-term debt payable within one year (Notes 7 and 8)	\$ 335,298	\$ 60,609
Accounts payable, trade	372,666	313,173
Accrued payrolls and other compensation	169,837	145,745
Accrued domestic and foreign taxes	84,208	52,584
Other accrued liabilities	224,294	182,402
<b>Total Current Liabilities</b>	<b>1,186,303</b>	<b>754,513</b>
Long-term debt (Note 8)	701,762	724,757
Pensions and other postretirement benefits (Notes 1 and 9)	299,741	276,637
Deferred income taxes (Notes 1 and 4)	77,939	30,800
Other liabilities	71,096	65,319
<b>Total Liabilities</b>	<b>2,336,841</b>	<b>1,852,026</b>
<b>Shareholders' Equity</b> (Note 10)		
Serial preferred stock, \$.50 par value, authorized 3,000,000 shares; none issued		
Common stock, \$.50 par value, authorized 600,000,000 shares; issued 116,602,195 shares in 2000 and 111,945,179 shares in 1999 at par value	58,301	55,973
Additional capital	328,938	132,227
Retained earnings	2,165,625	1,872,356
Unearned compensation related to ESOP (Note 8)	(110,818)	(112,000)
Deferred compensation related to stock options	1,304	
Accumulated other comprehensive income (loss)	(125,458)	(92,858)
	2,317,892	1,855,698
Common stock in treasury at cost; 214,487 shares in 2000 and 43,836 shares in 1999	(8,434)	(1,836)
<b>Total Shareholders' Equity</b>	<b>2,309,458</b>	<b>1,853,862</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 4,646,299</b>	<b>\$ 3,705,888</b>

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

## Discussion of Cash Flows

**The Consolidated Statement of Cash Flows** reflects cash inflows and outflows from the Company's operating, investing and financing activities. All year references are to fiscal years.

Cash and cash equivalents increased \$35.2 million in 2000 after increasing \$2.8 million in 1999.

**Cash Flows From Operating Activities** — The Company's largest source of cash continues to be net cash provided by operating activities. Net cash provided by operating activities in 2000 was a record \$538.0 million compared to \$459.1 million in 1999. Net income in 2000 increased \$57.7 million over 1999. Accounts payable provided cash of \$21.8 million in 2000 compared to using cash of \$33.1 million in 1999 and Accrued payrolls and other compensation provided cash of \$8.0 million in 2000 after using cash of \$21.9 million in 1999. These providers of cash in 2000 were partially offset by Deferred income taxes, which decreased \$11.9 million in 2000 as opposed to increasing \$5.7 million in 1999. Other liabilities provided cash of \$5.6 million in 2000 after providing cash of \$20.7 million in 1999. Inventories provided cash of \$17.2 million in 2000 compared to providing cash of \$30.6 million in 1999 and Accounts receivable used cash of \$42.4 million in 2000 after using cash of \$31.4 million in 1999.

The net cash provided by operating activities in 1999 increased \$138.5 million compared to 1998. This increase was principally due to Inventories providing cash of \$30.6 million in 1999 compared to using cash of \$185.6 million in 1998. Accrued domestic and foreign taxes provided cash of \$22.1 million in 1999 after using cash of \$15.3 million in 1998. Accounts receivable used cash of \$31.4 million in 1999 after using cash of \$71.0 million in 1998 and Other liabilities provided cash of \$20.7 million compared to providing cash of \$8.6 million in 1998. These providers of cash in 1999 were partially offset with cash used by Other assets of \$57.0 million in 1999 after using cash of \$31.6 million in 1998. Accounts payable used cash of \$33.1 million in 1999 after providing cash of \$52.9 million in 1998. Accrued payrolls and other compensation used cash of \$21.9 million in 1999 after providing cash of \$27.5 million in 1998.

**Cash Flows From Investing Activities** — Net cash used in investing activities was \$266.7 million higher in 2000 than 1999, primarily due to Acquisitions using \$261.1 million more cash in 2000, partially offset by an increase of \$25.7 million in proceeds received from the sale of plant and equipment in 2000. Included in Other is an increase in cash used for equity investments in 2000.

Net cash used in investing activities was \$146.1 million lower in 1999 than 1998, primarily due to Acquisitions using \$143.1 million less cash in 1999. Also, Capital expenditures decreased by \$6.8 million in 1999.

To complete Acquisitions the Company utilized cash of \$351.0 million and the issuance of common stock valued at \$184.3 million in 2000; cash of \$89.9 million in 1999; and cash of \$233.0 million and treasury shares valued at \$11.9 million in 1998. The net assets of the acquired companies at their respective acquisition dates consisted of the following:

(in thousands)	2000	1999	1998
<b>Assets acquired:</b>			
Accounts receivable	\$ 72,651	\$ 16,529	\$ 39,286
Inventories	90,319	16,173	43,847
Prepaid expenses	2,329	2,509	1,393
Assets held for sale	164,000		
Deferred income taxes	27,814		1,643
Plant & equipment	119,889	17,686	54,718
Other assets	246,915	3,783	3,762
Excess cost of investments over net assets acquired	158,230	84,589	162,680
	<b>882,147</b>	<b>141,269</b>	<b>307,329</b>
<b>Liabilities and equity assumed:</b>			
Notes payable	2,433	10,433	8,690
Accounts payable	41,315	10,105	21,841
Accrued payrolls	18,345	6,828	4,418
Accrued taxes	102,473	(646)	2,840
Other accrued liabilities	56,432	3,535	11,421
Long-term debt	107,195	20,090	9,706
Pensions and other postretirement benefits	22,964	471	477
Other liabilities		588	3,033
Unearned compensation	(4,285)		
	<b>346,872</b>	<b>51,404</b>	<b>62,426</b>
Net assets acquired	<b>\$ 535,275</b>	<b>\$ 89,865</b>	<b>\$ 244,903</b>

**Cash Flows From Financing Activities** — In 2000 the Company increased its outstanding borrowings by a net total of \$154.6 million primarily to fund acquisitions. The majority of the funding occurred in the second half of 2000 and was accomplished through the issuance of commercial paper.

In 1999 the Company decreased its outstanding borrowings by a net total of \$148.4 million. This amount does not include the Company's issuance of the ESOP debt guarantee of \$112.0 million, which is reflected as a non-cash financing activity. The Company issued \$225.0 million in medium-term notes during 1999. As of June 30, 1999, the Company paid down the majority of its commercial paper borrowings and selected notes payable attributable to the International operations with the major source of funding for the repayment coming from the proceeds received from the sale of treasury shares to the ESOP.

Common share activity in 2000 includes the exercise of stock options and the repurchase of stock. During 2000 the Company purchased 267,200 shares for treasury.

Dividends have been paid for 200 consecutive quarters, including a yearly increase in dividends for the last 44 fiscal years. The current annual dividend rate is \$.68 per share.

In summary, based upon the Company's past performance and current expectations, management believes the cash flows generated from future operating activities should provide adequate funds to support internal growth and continued improvements in the Company's manufacturing facilities and equipment. The Company's worldwide financial capabilities may be used to support planned growth as needed.

# Consolidated Statement of Cash Flows

(Dollars in thousands)

For the years ended June 30,	2000	1999	1998
<b>Cash Flows From Operating Activities</b>			
Net income	\$ 368,232	\$ 310,501	\$ 319,551
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	167,356	164,577	153,633
Amortization	39,052	37,469	29,046
Deferred income taxes	(11,867)	5,718	7,680
Foreign currency transaction loss (gain)	5,082	(2,495)	3,697
(Gain) loss on sale of plant and equipment	(5,288)	1,886	291
Write-off of purchased in-process research and development			15,800
Net effect of extraordinary loss			3,675
Changes in assets and liabilities, net of effects from acquisitions and dispositions:			
Accounts receivable	(42,386)	(31,396)	(71,034)
Inventories	17,248	30,606	(185,569)
Prepaid expenses	(7,881)	2,069	(3,473)
Other assets	(53,105)	(56,957)	(31,620)
Accounts payable, trade	21,792	(33,075)	52,947
Accrued payrolls and other compensation	8,021	(21,892)	27,531
Accrued domestic and foreign taxes	30,124	22,091	(15,282)
Other accrued liabilities	(7,533)	(3,935)	(9,129)
Pensions and other postretirement benefits	3,642	13,258	14,276
Other liabilities	5,551	20,672	8,579
Net cash provided by operating activities	538,040	459,097	320,599
<b>Cash Flows From Investing Activities</b>			
Acquisitions (less cash acquired of \$1,158 in 2000, \$2,609 in 1999 and \$4,260 in 1998)	(351,011)	(89,865)	(232,953)
Capital expenditures	(230,482)	(230,122)	(236,945)
Proceeds from sale of plant and equipment	32,051	6,382	7,151
Other	(30,267)	548	3,630
Net cash (used in) investing activities	(579,709)	(313,057)	(459,117)
<b>Cash Flows From Financing Activities</b>			
Proceeds from (payments for) common share activity	1,202	74,076	(96,887)
Proceeds from (payments of) notes payable, net	272,440	(228,896)	190,865
Proceeds from long-term borrowings	12,600	232,886	87,085
(Payments of) long-term borrowings	(130,419)	(152,397)	(13,054)
Dividends paid, net of tax benefit of ESOP shares	(74,963)	(69,461)	(66,501)
Net cash provided by (used in) financing activities	80,860	(143,792)	101,508
Effect of exchange rate changes on cash	(4,008)	541	(1,499)
Net increase (decrease) in cash and cash equivalents	35,183	2,789	(38,509)
Cash and cash equivalents at beginning of year	33,277	30,488	68,997
Cash and cash equivalents at end of year	\$ 68,460	\$ 33,277	\$ 30,488
Supplemental Data:			
Cash paid during the year for:			
Interest, net of capitalized interest	\$ 56,341	\$ 62,997	\$ 48,105
Income taxes	167,211	129,893	175,546
Non-cash investing activities:			
Stock issued for acquisitions	184,263		11,950
Non-cash financing activities:			
Capital lease obligations		7,346	
ESOP debt guarantee		112,000	

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

## Discussion of Business Segment Information

**The Business Segment Information** presents sales, operating income and assets on a basis that is consistent with the manner in which the Company's various businesses are managed for internal review and decision-making. All year references are to fiscal years.

### Industrial Segment

	2000	1999	1998
Operating income as a percent of sales	<b>12.1%</b>	11.0%	12.6%
Return on average assets	<b>17.4%</b>	16.0%	19.1%

Sales for the Industrial North American operations increased to a record \$2.94 billion in 2000, 14.7 percent over 1999, following 1999's increase of 4.5 percent over 1998. Acquisitions accounted for one-third of the increase in 2000 and four-fifths of the increase in 1999. The increase in Industrial North American sales is attributable to higher volume across all businesses, particularly in the semiconductor manufacturing and telecommunications markets. Sales in 1999 reflected lower demand within most of the Industrial North American markets.

International Industrial sales increased to \$1.27 billion, 2.7 percent over 1999. Acquisitions accounted for all of the 2000 increase. Without the impact of changes in currency rates, sales for 2000 increased 11.1 percent, mostly attributable to higher volume in the Asia Pacific region as well as higher market demand in Europe and Latin America in the latter part of 2000. International Industrial sales in 1999 increased to \$1.24 billion, 4.7 percent over 1998. Without the impact of changes in currency rates, volume for 1999 increased 5.8 percent. Acquisitions accounted for all of the 1999 increase.

Industrial North American operating income increased 27.3 percent in 2000 after a decline of 8.4 percent in 1999. Income from operations as a percent of sales was 14.5 percent in 2000 compared to 13.1 percent in 1999 and 14.9 percent in 1998. The increased margins in 2000 reflect better capacity utilization as market demand improved. Recent acquisitions, not yet fully integrated, contributed slightly lower margins. Raw material prices decreased during the year.

International operating income increased 2.2 percent in 2000 after a 1999 decrease of 11.4 percent. Operating income in 2000 includes \$9.0 million in business realignment charges that were taken to appropriately structure the European operations to operate in their current economic environment. Excluding this charge, income as a percent of sales in 2000 was 7.3 percent compared to 6.6 percent in 1999 and 7.8 percent in 1998. The increased margins reflect higher volume in the Asia Pacific region and improved market conditions in Latin America. Margins also benefited from the improved European market demand in the second half of 2000 with the increased volume improving capacity utilization. The lower margins in 1999 resulted primarily from struggling European and Latin American economies.

A significant upward trend in order rates was experienced in 2000 with orders in virtually all markets continuing on the upswing heading into fiscal 2001. It is unclear whether the sequential improvement in order rates can be sustained in 2001 as economic indicators for some North American markets are beginning to signal a slowdown in production. The Industrial European and Latin

American operations are expected to experience modestly improving economies in 2001. Focused efforts will be made in 2001 to integrate acquisitions completed in 2000 as well as the recently completed Wynn's International acquisition. The Company will also continue to monitor the European operations and take, where necessary, actions to manage these operations to ensure they are appropriately structured to operate in their current economic environment.

Backlog for the Industrial Segment was \$751.0 million at June 30, 2000, compared to \$546.9 million at the end of 1999 and \$585.2 million at the end of 1998. The higher backlog reflects the strong order rates experienced across all markets during the year as well as acquisitions. The decline in backlog in 1999 was due to the weakened demand experienced by the Industrial markets.

Assets for the Industrial Segment increased 20.7 percent in 2000 after an increase of 3.4 percent in 1999. The increase in 2000 is primarily due to acquisitions. In 1999 an increase from acquisitions was partially offset by decreases in inventories and net goodwill as well as the effect of currency fluctuations. In both years net plant and equipment increased due to capital expenditures exceeding depreciation.

### Aerospace Segment

	2000	1999	1998
Operating income as a percent of sales	<b>15.4%</b>	15.4%	16.1%
Return on average assets	<b>23.4%</b>	23.1%	22.8%

Sales declined 1.2 percent in 2000 after an increase of 16.1 percent in 1999. The lower sales resulted from the expected reduction in commercial aircraft builds partially offset by an increase in regional jet build rates and maintenance, repair and overhaul business. An increase in commercial aircraft build rates contributed to the higher volume in 1999.

Operating income was \$175.7 million in 2000, \$177.2 million in 1999 and \$159.6 million in 1998. Operating income in 2000 includes \$4.4 million in business realignment charges that were taken in response to a decline in commercial aircraft orders. Excluding this charge, as a percent of sales, 2000 income was 15.8 percent compared to 15.4 percent in 1999 and 16.1 percent in 1998. An increase in margins from a higher mix of aftermarket business offset reduced margins from the lower volume, which resulted in lower capacity utilization. The 1999 decline in margins reflected a change in mix of sales from aftermarket to OEM.

Backlog at June 30, 2000 was \$1.05 billion compared to \$1.08 billion in 1999 and \$1.06 billion in 1998. The lower backlog reflects the decline in commercial aircraft build rates partially offset by an increase in orders in the regional jet market. This trend in order rates is expected to continue in 2001.

Assets declined 10.0 percent in 2000 after a 6.0 percent increase in 1999. The decline in 2000 was primarily due to a reduction in inventory. In 1999, increases in customer receivables and property, plant and equipment were partially offset by a decrease in net goodwill.

## Business Segment Information

(Dollars in thousands)

### By Industry

	2000	1999	1998
<b>Net Sales:</b>			
Industrial:			
North America	\$ 2,942,419	\$ 2,565,154	\$ 2,454,558
International	1,274,590	1,241,256	1,185,584
Aerospace	1,138,328	1,152,390	992,881
	<b>\$ 5,355,337</b>	<b>\$ 4,958,800</b>	<b>\$ 4,633,023</b>

### Segment Operating Income:

Industrial:			
North America	\$ 426,630	\$ 335,259	\$ 365,880
International	84,022	82,245	92,783
Aerospace	175,710	177,213	159,580
Total segment operating income	686,362	594,717	618,243
Corporate administration	58,210	54,176	61,829
Income before interest expense and other	628,152	540,541	556,414
Interest expense	59,183	63,697	52,787
Other	6,782	(850)	(361)
Income before income taxes	\$ 562,187	\$ 477,694	\$ 503,988

### Identifiable Assets:

Industrial	\$ 3,207,357	\$ 2,657,146	\$ 2,570,273
Aerospace	709,731	789,174	744,335
	<b>3,917,088</b>	<b>3,446,320</b>	<b>3,314,608</b>
Corporate (a)	729,211	259,568	210,213
	<b>\$ 4,646,299</b>	<b>\$ 3,705,888</b>	<b>\$ 3,524,821</b>

### Property Additions: (b)

Industrial	\$ 329,651	\$ 209,230	\$ 245,995
Aerospace	20,720	36,993	33,733
Corporate		1,585	11,935
	<b>\$ 350,371</b>	<b>\$ 247,808</b>	<b>\$ 291,663</b>

### Depreciation:

Industrial	\$ 142,078	\$ 140,914	\$ 130,888
Aerospace	21,342	19,523	19,011
Corporate	3,936	4,140	3,734
	<b>\$ 167,356</b>	<b>\$ 164,577</b>	<b>\$ 153,633</b>

### By Geographic Area (c)

	2000	1999	1998
<b>Net Sales:</b>			
North America	\$ 4,054,367	\$ 3,684,786	\$ 3,425,704
International	1,300,970	1,274,014	1,207,319
	<b>\$ 5,355,337</b>	<b>\$ 4,958,800</b>	<b>\$ 4,633,023</b>

### Long-lived Assets:

North America	\$ 969,788	\$ 873,222	\$ 790,162
International	371,127	327,647	345,063
	<b>\$ 1,340,915</b>	<b>\$ 1,200,869</b>	<b>\$ 1,135,225</b>

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

- Corporate assets are principally cash and cash equivalents, domestic deferred income taxes, investments, benefit plan assets, headquarters facilities, assets held for sale and the major portion of the Company's domestic data processing equipment. Corporate assets increased 180.9 percent in 2000 and 23.5 percent in 1999. The 2000 amount includes assets held for sale as separately identified on the Consolidated Balance Sheet. The increase in both years is due to increases in qualified and non-qualified benefit plan assets including those from acquisitions in 2000.
- Includes value of net plant and equipment at the date of acquisition of acquired companies accounted for by the purchase method (2000 - \$119,889; 1999 - \$17,686; 1998 - \$54,718).
- Net sales are attributed to countries based on the location of the selling unit. North America includes the United States, Canada and Mexico. No country other than the United States represents greater than 10% of consolidated sales. Long-lived assets are comprised of property, plant and equipment based on physical location.



**Note 1****Significant Accounting Policies**

The significant accounting policies followed in the preparation of the accompanying consolidated financial statements are summarized below.

**Nature of Operations** — The Company is a leading worldwide producer of motion control products, including fluid power systems, electromechanical controls and related components. The Company evaluates performance based on segment operating income before Corporate general and administrative expenses, Interest expense and Income taxes.

The Company operates in two principal business segments: Industrial and Aerospace. The Industrial Segment is an aggregation of several business units which produce motion-control and fluid power system components for builders and users of various types of manufacturing, packaging, processing, transportation, agricultural, construction, and military machinery, vehicles and equipment. Industrial Segment products are marketed primarily through field sales employees and independent distributors. The North American Industrial business represents the largest portion of the Company's manufacturing plants and distribution networks and primarily services North America. The International Industrial operations bring Parker products and services to countries throughout Europe, Asia Pacific and Latin America.

The Aerospace Segment produces hydraulic, pneumatic and fuel systems and components which are utilized on virtually every domestic commercial, military and general aviation aircraft. 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. Its products are marketed by field sales employees and are sold directly to the manufacturer and to the end user.

There are no individual customers to whom sales are five percent or more of the Company's consolidated sales. Due to the diverse group of customers throughout the world the Company does not consider itself exposed to any concentration of credit risks.

The Company manufactures and markets its products throughout the world. Although certain risks and uncertainties exist, the diversity and breadth of the Company's products and geographic operations mitigate significantly the risk that adverse changes would materially affect the Company's operating results.

**Use of Estimates** — The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Basis of Consolidation** — The consolidated financial statements include the accounts of all domestic and foreign subsidiaries. All material intercompany transactions and profits have been eliminated in the consolidated

financial statements. Within the Business Segment Information, intersegment and interarea sales are recorded at fair market value and are immaterial in amount.

**Revenue Recognition** — Revenue is generally recognized when products are shipped.

**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, generally 40 years for buildings; 15 years for land improvements and building equipment; 10 years for machinery; and seven years for equipment. Improvements which extend the useful life of property are capitalized, and maintenance and repairs are expensed. When property is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the appropriate accounts and any gain or loss is included in current income.

**Investments and Other Assets** — Investments in joint-venture companies in which ownership is 50% or less and in which the Company does not have operating control are stated at cost plus the Company's equity in undistributed earnings. These investments and the related earnings are not material to the consolidated financial statements.

**Excess Cost of Investments** — The excess cost of investments over net assets acquired is being amortized, on a straight-line basis, over periods ranging from 15 years to 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.

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

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

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

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

Cross-currency swap agreements are recorded in Long-term debt as dollar-denominated receivables with offsetting foreign-currency payables. If the receivables more than offset the payables, the net difference is reclassified to an asset. Gains or losses are accrued monthly as an adjustment to Net Income, offsetting the underlying foreign currency gains or losses. The differential between interest to be received and interest to be paid is accrued monthly as an adjustment to Interest expense.

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

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

**Stock Options** — The Company applies the intrinsic-value based method to account for stock options granted to employees or outside Directors to purchase common shares. The option price equals the market price of the underlying common shares on the date of grant, therefore no compensation expense is recognized.

**Recently Issued Accounting Pronouncements** — The Financial Accounting Standards Board (FASB) has issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This standard establishes a new model for accounting for derivatives and hedging activities. Due to the immaterial amount of derivative and hedging activity within the Company, application of this standard, required in the first quarter of 2001 as a result of the issuance of SFAS No. 137, is not expected to have a material impact on the results and financial position of the Company.

## Note 2

### Acquisitions and Net Assets Held for Sale

On February 3, 2000 the Company acquired the assets of Dana Corporation's Gresen Hydraulics business, located in Minneapolis, Minnesota and Sarasota, Florida, a manufacturer of a wide range of hydraulic pumps, motors, cylinders, control valves, filters and electronic controls for on- and off-highway vehicles. On April 11, 2000 the Company completed its merger with Commercial Intertech Corp. of Youngstown, Ohio with the Company being the surviving corporation. Commercial Intertech's hydraulics business manufactures gear pumps and motors, control valves and telescopic cylinders for use on heavy-duty mobile equipment. On May 30, 2000 the Company acquired the equity of Whatman's Industrial Filtration Business, based in Haverill, Massachusetts and Maidstone, United Kingdom, a manufacturer of high quality purification products and gas generators for a variety of industrial applications. Combined annual sales for these operations, for their most recent fiscal year prior to acquisition, were approximately \$716 million. Total purchase price for these businesses was approximately \$339 million in cash, 4.3 million shares of common stock valued at \$184 million and assumed debt of \$104 million.

The Company is currently soliciting offers for the purchase of Commercial Intertech's building systems and metal forming businesses. These businesses are valued at the estimated net cash proceeds from their sale plus estimated net earnings during the holding period and are reflected as Net assets held for sale on the Consolidated Balance Sheet.

On July 14, 1998 the Company acquired the equity of B.A.G. Acquisition Ltd., the parent company of Veriflo Corporation, a manufacturer of high-purity regulators and valves based in Richmond, California. On August 27, 1998 the Company acquired the equity of Fluid Power Systems, a manufacturer of hydraulic valves and electrohydraulic systems and controls located in Lincolnshire, Illinois. Combined annual sales for these operations, for their most recent fiscal year prior to acquisition, were approximately \$107 million. Total purchase price for these businesses was approximately \$85.2 million cash.

On May 1, 1998 the Company acquired the equity of Extrudite Ltd., a tubing manufacturer located in Buxton, England. On April 30, 1998 the Company purchased the equity of UCC Securities Limited of Thetford, Norfolk, England, a manufacturer of technology-based hydraulic filtration products. On April 1, 1998 the Company acquired the equity of Sempres Pneumatics, a manufacturer of pneumatic cylinders and valves located near Rotterdam, the Netherlands. On March 31, 1998 the Company acquired the assets of Temeto AB located in Flen, Sweden, a distributor of hydraulic components. On March 26,



1998 the Company purchased the remaining 51% of two Korean joint ventures - HS Parker Company Ltd., in Yangsan, and the HS Parker Air Conditioning Components Company Ltd., in Chonan, manufacturers of hydraulic hose, fittings, hose assemblies and accumulators. On February 27, 1998 Computer Technology Corporation of Milford, Ohio, a manufacturer of man-machine interface solutions, was merged into the Company. On September 26, 1997 the Company acquired the assets of the Skinner solenoid valve division of Honeywell Inc. and the equity of Honeywell Lucifer, S.A. Skinner is headquartered in New Britain, Connecticut, and Lucifer is headquartered in Geneva, Switzerland. On August 4, 1997 the Company acquired the assets of EWAL Manufacturing of Belleville, New Jersey, a leading producer of precision fittings and valves. Combined annual sales for operations acquired in fiscal 1998, for their most recent fiscal year prior to acquisition, were approximately \$243 million. Total purchase price for these businesses was approximately \$236.5 million cash and 263,279 shares of common stock valued at \$11.9 million.

The purchase price allocations of Computer Technology Corporation and UCC Securities Limited, as determined by independent appraisal, included a \$15.8 million asset for purchased in-process research and development. Generally accepted accounting principles do not allow the capitalization of R&D of this nature, therefore, a write-off of \$15.8 million (\$12.0 million after-tax or \$.11 per share) is included in Cost of sales in 1998.

These acquisitions were accounted for by the purchase method, and results are included as of the respective dates of acquisition.

### Note 3 Charges Related to Business Realignment

In 2000 the Company recorded a \$8,555 charge (\$5,560 after-tax or \$.05 per share) related to the costs of appropriately structuring its businesses to operate in their current economic environment. The charge primarily related to severance costs attributable to approximately 250 employees principally associated with the Industrial International operations. As of June 30, 2000, the Company has made substantially all severance payments.

A change in the future utilization of long-lived assets at certain locations triggered an impairment review of these long-lived assets during 2000. The Company evaluated the recoverability of the long-lived assets and determined that the estimated future undiscounted cash flows were below the carrying value of these assets. Accordingly, the Company recorded a non-cash impairment loss of \$4,875 (\$3,169 after-tax or \$.03 per share). Of the pre-tax amount, \$3,499 relates to the Aerospace Segment and \$1,376 relates to the Industrial Segment.

The severance and impairment loss are presented in the income statement for 2000 in the following captions: \$2,552 in Cost of sales; \$2,476 in Selling, general and administrative expenses; and \$8,402 in Loss (gain) on disposal of assets.

### Note 4 Income Taxes

Income taxes include the following:

	2000	1999	1998
Federal	<b>\$140,663</b>	\$113,011	\$129,462
Foreign	<b>29,393</b>	34,309	27,847
State and local	<b>11,099</b>	11,236	16,928
Deferred	<b>12,800</b>	8,637	6,525
	<b>\$193,955</b>	\$167,193	\$180,762

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

	2000	1999	1998
Statutory Federal income tax rate	<b>35.0%</b>	35.0%	35.0%
State and local income taxes	<b>1.5</b>	1.8	2.1
FSC income not taxed	<b>(1.7)</b>	(2.3)	(1.7)
Foreign tax rate difference	<b>(.6)</b>	1.4	.2
Other	<b>.3</b>	(.9)	.3
Effective income tax rate	<b>34.5%</b>	35.0%	35.9%

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:

	2000	1999
Postretirement benefits	<b>\$ 1,710</b>	\$ 74,238
Other liabilities and reserves	<b>58,077</b>	38,530
Long-term contracts	<b>5,347</b>	16,344
Operating loss carryforwards	<b>45,182</b>	4,719
Foreign tax credit carryforwards	<b>3,356</b>	2,264
Valuation allowance	<b>(26,887)</b>	(4,700)
Depreciation	<b>(95,138)</b>	(77,871)
Inventory	<b>10,532</b>	10,567
Net deferred tax asset	<b>\$ 2,179</b>	\$ 64,091

Change in net deferred tax asset (liability):

Provision for deferred tax	<b>\$(12,800)</b>	\$ (8,637)
Translation adjustment	<b>320</b>	1,710
Acquisitions	<b>(49,432)</b>	(1,707)
Total change in net deferred tax	<b>\$(61,912)</b>	\$ (8,634)

At June 30, 2000, the Company has operating loss carryforwards of \$45,182 for tax purposes, some of which can be carried forward indefinitely and others which can be carried forward from three to 20 years. A valuation allowance has been established due to the uncertainty of realizing certain foreign operating loss

carryforwards. The increase in the valuation allowance in 2000 was attributable to the Commercial Intertech acquisition. The recognition of any future tax benefit resulting from the reduction of \$24,703 of the valuation allowance will reduce any goodwill related to the Commercial Intertech acquisition remaining at the time of the reduction.

Provision has not been made for additional U.S. or foreign taxes on undistributed earnings of certain international operations as those earnings will continue to be reinvested. It is not practicable to estimate the additional taxes, including applicable foreign withholding taxes, that might be payable on the eventual remittance of such earnings.

Accumulated undistributed earnings of foreign operations reinvested in their operations amounted to \$276,481, \$205,756 and \$153,831, at June 30, 2000, 1999 and 1998, respectively.

## Note 5 Earnings Per Share

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

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

	2000	1999	1998
Numerator:			
Net income applicable to common shares	\$ 368,232	\$ 310,501	\$ 319,551
Denominator:			
Basic – weighted average common shares	110,330,711	108,799,974	110,868,834
Increase in weighted average from dilutive effect of exercise of stock options	913,921	878,985	1,090,437
Diluted – weighted average common shares, assuming exercise of stock options	111,244,632	109,678,959	111,959,271
Basic earnings per share	\$ 3.34	\$ 2.85	\$ 2.88
Diluted earnings per share	\$ 3.31	\$ 2.83	\$ 2.85

## Note 6 Inventories

Inventories valued on the last-in, first-out cost method are approximately 43% in 2000 and 34% in 1999 of total inventories. The current cost of these inventories exceeds their valuation determined on the LIFO basis by \$141,187 in 2000 and \$138,197 in 1999. Progress payments of \$20,279 in 2000 and \$22,593 in 1999 are netted against inventories.

## Note 7 Financing Arrangements

The Company has committed lines of credit totaling \$650,865 through several multi-currency unsecured revolving credit agreements with a group of banks, of which \$362,759 was available at June 30, 2000. The majority of these agreements expire October 2003. The interest on borrowings is based upon the terms of each specific borrowing and is subject to market conditions. The agreements also require facility fees of up to 8/100ths of one percent of the commitment per annum. Covenants in some of the agreements include a limitation on the Company's ratio of debt to tangible net worth.

The Company has other lines of credit, primarily short-term, aggregating \$89,439 from various foreign banks, of which \$73,430 was available at June 30, 2000. Most of these agreements are renewed annually.

During fiscal 2000 the Company did not issue any medium-term notes leaving \$530,000 available for issuance at June 30, 2000.

The Company is authorized to sell up to \$600,000 of short-term commercial paper notes, rated A-1 by Standard & Poor's, P-1 by Moody's and F-1 by Fitch, Inc. At June 30, 2000 there were \$235,800 of commercial paper notes outstanding which were supported by the available domestic lines of credit.

Commercial paper, along with short-term borrowings from foreign banks, primarily make up the balance of Notes payable. The balance and weighted average interest rate of the Notes payable at June 30, 2000 and 1999 were \$314,365 and 5.6% and \$37,305 and 6.4%, respectively.

## Note 8 Debt

June 30,	2000	1999
Domestic:		
Debentures		
9.75%, due 2002-2021	\$100,000	\$ 100,000
7.3%, due 2011	100,000	100,000
Medium-term notes		
5.65% to 7.39%, due 2004-2019	370,000	370,000
ESOP loan guarantee		
6.34%, due 2009	99,741	112,000
Variable rate demand bonds		
4.8% to 4.9%, due 2010-2025	20,035	20,035
Foreign:		
Bank loans, including revolving credit		
1.5% to 12.0%, due 2001-2018	24,764	37,206
Other long-term debt, including capitalized leases	8,155	8,820
Total long-term debt	722,695	748,061
Less long-term debt payable within one year	20,933	23,304
Long-term debt, net	\$ 701,762	\$ 724,757

On June 30, 1998, the Company called for redemption its outstanding \$100,000, 10.375 percent debentures due 1999-2018. The after-tax extraordinary loss for this transaction, including an early-redemption premium and the write-off of deferred issuance costs, was \$3,675 or \$.03 per share. The retirement of the debt was financed on July 15, 1998, through the issuance of \$100,000 of medium-term notes, due 2019, at an annual interest rate of 6.55 percent.

Principal amounts of Long-term debt payable in the five years ending June 30, 2001 through 2005 are \$20,933, \$24,580, \$22,781, \$199,176 and \$16,943, respectively. The carrying value of the Company's Long-term debt (excluding leases and cross-currency swaps) was \$714,540 and \$739,241 at June 30, 2000 and 1999, respectively, and was estimated to have a fair value of \$668,864 and \$711,505, at June 30, 2000 and 1999, respectively. The estimated fair value of the Long-term debt was estimated using discounted cash flow analyses based on the Company's current incremental borrowing rate for similar types of borrowing arrangements.

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

**Lease Commitments** — Future minimum rental commitments as of June 30, 2000, under noncancelable operating leases, which expire at various dates, are as follows: 2001-\$43,732; 2002-\$31,663; 2003-\$21,462; 2004-\$12,726; 2005-\$12,585 and after 2005-\$30,832.

Rental expense in 2000, 1999 and 1998 was \$40,371, \$42,280 and \$37,065, respectively.

## Note 9 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 \$9,304, \$23,644 and \$19,989 for 2000, 1999 and 1998, respectively. Pension costs for all defined benefit plans accounted for using SFAS No. 87, "Employers' Accounting for Pensions," are as follows:

	2000	1999	1998
Service cost	\$ 38,179	\$ 34,890	\$ 28,190
Interest cost	68,807	63,257	57,892
Expected return on plan assets	(102,346)	(83,798)	(68,463)
Net amortization and deferral and other	(375)	4,081	445
Net periodic benefit cost	\$ 4,265	\$ 18,430	\$ 18,064

<i>Change in benefit obligation</i>	2000	1999
Benefit obligation at beginning of year	\$ 962,663	\$ 877,752
Service cost	38,179	34,890
Interest cost	68,807	63,257
Actuarial (gain) loss	(11,812)	30,288
Benefits paid	(42,659)	(40,028)
Acquisitions	157,189	
Other	(4,753)	(3,496)
Benefit obligation at end of year	\$ 1,167,614	\$ 962,663

<i>Change in plan assets</i>		
Fair value of plan assets at beginning of year	\$ 1,099,989	\$ 997,913
Actual return on plan assets	123,997	131,872
Employer contributions	14,295	12,255
Benefits paid	(38,543)	(36,253)
Acquisitions	393,134	
Other	(10,787)	(5,798)
Fair value of plan assets at end of year	\$ 1,582,085	\$ 1,099,989

<i>Funded status</i>		
Plan assets in excess of benefit obligation	\$ 414,471	\$ 137,326
Unrecognized net actuarial (gain)	(175,644)	(144,706)
Unrecognized prior service cost	27,683	23,259
Unrecognized initial net (asset)	(7,173)	(9,587)
Net amount recognized	\$ 259,337	\$ 6,292

<i>Amounts recognized on the Consolidated Balance Sheet</i>		
Prepaid benefit cost	\$ 355,922	\$ 104,135
Accrued benefit liability	(96,585)	(97,843)
Net amount recognized	\$ 259,337	\$ 6,292

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were \$147,286, \$124,354 and \$37,208, respectively, at June 30, 2000, and \$143,177, \$122,411 and \$28,331, respectively, at June 30, 1999.

The plans' assets consist primarily of listed common stocks, corporate and government bonds, and real estate investments. At June 30, 2000 and 1999, the plans' assets included Company stock with market values of \$18,203 and \$24,314, respectively.

The assumptions used to measure the benefit obligations and to compute the expected long-term return on assets for the Company's significant defined benefit plans are:

	2000	1999	1998
U.S. defined benefit plans			
Discount rate	<b>7.5%</b>	7.5%	7.5%
Average increase in compensation	<b>4.9%</b>	4.9%	4.9%
Expected long-term return on assets	<b>10%</b>	10%	9.5%
Non-U.S. defined benefit plans			
Discount rate	<b>4.75 to 7%</b>	4.5 to 6.5%	4.5 to 7%
Average increase in compensation	<b>3 to 4%</b>	1.5 to 4%	3 to 4.5%
Expected long-term return on assets	<b>6 to 8.5%</b>	6 to 9%	5.5 to 9%

**Employee Savings Plan** — The Company sponsors an employee stock ownership plan (ESOP) as part of its existing savings and investment 401(k) plan (the "Parker ESOP"), and as of April 11, 2000, assumed sponsorship of the Commercial Intertech ESOP (both plans collectively referred to as "ESOP's"). The ESOP's are available to eligible domestic employees. Parker Hannifin common stock is used to match contributions made by employees to the ESOP's up to a maximum of 3.5 percent of an employee's annual compensation. A breakdown of shares held by the ESOP's is as follows:

	2000	1999	1998
Allocated shares	<b>8,660,550</b>	7,866,152	7,631,677
Committed-to-be-released shares	<b>77,038</b>		
Suspense shares	<b>3,373,734</b>	3,055,413	
Total shares held by the ESOP's	<b>12,111,322</b>	10,921,565	7,631,677
Fair value of suspense shares	<b>\$ 115,550</b>	\$ 139,785	

In 1999 the Parker ESOP was leveraged and the loan was unconditionally guaranteed by the Company. The Company's matching contribution and dividends on the shares held by the Parker ESOP are used to repay the loan, and shares are released from the suspense account as the principal and interest are paid. Shares in the Parker ESOP suspense account are not considered outstanding for purposes of earnings per share computations until they are released. Company contributions to the ESOP's, recorded as compensation and interest expense, were \$26,984 in 2000, \$24,319 in 1999 and \$23,093 in 1998. Dividends earned by the suspense shares and interest income within the ESOP's totaled \$1,214 in 2000 and \$519 in 1999.

In addition to shares within the ESOP's, as of June 30, 2000 employees have elected to invest in 3,614,913 shares of common stock within the Company Stock Fund of the Parker Retirement Savings Plan.

**Other Postretirement Benefits** — The Company provides postretirement medical and life insurance benefits to certain retirees and eligible dependents. Most plans are contributory, with retiree contributions adjusted annually. The plans are unfunded and pay stated percentages of covered medically necessary expenses incurred by retirees, after subtracting payments by Medicare or other providers and after stated deductibles have been met. For most plans, the Company has established cost maximums to more effectively control future medical costs. The Company has reserved the right to change or eliminate these benefit plans. Postretirement benefit costs included the following components:

	2000	1999	1998
Service cost	<b>\$ 4,499</b>	\$ 4,301	\$ 4,021
Interest cost	<b>10,762</b>	11,158	11,077
Net amortization and deferral	<b>(2,758)</b>	(1,683)	(1,815)
Net periodic benefit cost	<b>\$ 12,503</b>	\$ 13,776	\$ 13,283

	2000	1999
Benefit obligation at beginning of year	<b>\$ 155,282</b>	\$ 155,933
Service cost	<b>4,499</b>	4,301
Interest cost	<b>10,762</b>	11,158
Actuarial (gain)	<b>(13,838)</b>	(8,093)
Benefits paid	<b>(7,923)</b>	(8,017)
Acquisitions and other	<b>21,805</b>	
Benefit obligation at end of year	<b>\$ 170,587</b>	\$ 155,282

	2000	1999
Benefit obligation in excess of plan assets	<b>\$ (170,587)</b>	\$ (155,282)
Unrecognized net actuarial (gain)	<b>(22,472)</b>	(10,029)
Unrecognized prior service cost	<b>(12,224)</b>	(13,679)
Net amount recognized	<b>\$ (205,283)</b>	\$ (178,990)

#### Amounts recognized on the Consolidated Balance Sheet

Accrued benefit liability	<b>\$ (205,283)</b>	\$ (178,990)
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The assumptions used to measure the postretirement benefit obligations are:

	2000	1999	1998
Discount rate	<b>7.5%</b>	7.5%	7.5%
Current medical cost trend rate	<b>9%</b>	9.5%	10.25%
Ultimate medical cost trend rate	<b>5.5%</b>	5.5%	6%
Medical cost trend rate decreases to ultimate in year	<b>2007</b>	2007	2007

A one percentage point change in assumed health care cost trend rates would have the following effects:

	1% Increase	1% Decrease
Effect on total of service and interest cost components	\$ 1,811	\$ (1,476)
Effect on postretirement benefit obligation	\$ 15,201	\$ (12,590)

**Other** — The Company has established nonqualified deferred compensation programs which permit officers, directors and certain management employees to annually elect to defer a portion of their compensation, on a pre-tax basis, until their retirement. The retirement benefit to be provided is based on the amount of compensation deferred, Company match, and earnings on the deferrals. Deferred compensation expense was \$17,157, \$17,849 and \$20,426 in 2000, 1999 and 1998, respectively.

The Company has invested in corporate-owned life insurance policies to assist in funding these programs. The cash surrender values of these policies are in a rabbi trust and are recorded as assets of the Company.

#### Note 10 Shareholders' Equity

Common Shares	2000	1999	1998
Balance July 1	\$ 55,973	\$ 55,906	\$ 55,905
Shares issued under stock option plans (2000 - 331,421; 1999 - 133,514; 1998 - 3,650)	164	67	1
Shares issued for purchase acquisition	2,164		
Balance June 30	\$ 58,301	\$ 55,973	\$ 55,906

#### Additional Capital

Balance July 1	\$ 132,227	\$ 139,726	\$ 150,702
Net increase (decrease) for Treasury or common shares issued under stock option plans	3,760	(2,194)	(11,481)
Shares issued for purchase acquisition	190,379	35	478
Restricted stock (surrendered) issued		(24)	27
Shares related to ESOP	2,572	(5,316)	
Balance June 30	\$ 328,938	\$ 132,227	\$ 139,726

Retained Earnings	2000	1999	1998
Balance July 1	\$ 1,872,356	\$ 1,631,316	\$ 1,378,297
Net income	368,232	310,501	319,551
Cash dividends paid on common shares, net of tax benefit of ESOP shares	(74,963)	(69,461)	(66,501)
Cash payout for stock split fractional shares			(31)
Balance June 30	\$ 2,165,625	\$ 1,872,356	\$ 1,631,316

#### Unearned Compensation Related to ESOP

Balance July 1	\$ (112,000)	\$	\$
Unearned compensation related to ESOP debt guarantee	13,747	(112,000)	
ESOP shares related to acquisition	(12,565)		
Balance June 30	\$ (110,818)	\$ (112,000)	\$

#### Deferred Compensation Related to Stock Options

Balance July 1	\$	\$	\$
Deferred compensation related to stock options	1,304		
Balance June 30	\$ 1,304	\$	\$

#### Accumulated Other Comprehensive Income (Loss)

Balance July 1	\$ (92,858)	\$ (60,026)	\$ (27,345)
Foreign currency translation	(32,600)	(32,832)	(32,681)
Balance June 30	\$ (125,458)	\$ (92,858)	\$ (60,026)

#### Common Stock in Treasury

Balance July 1	\$ (1,836)	\$ (83,472)	\$ (10,258)
Shares purchased at cost (2000 - 288,543; 1999 - 1,538,633; 1998 - 2,507,872)	(11,132)	(48,734)	(109,645)
Shares issued under stock option plans (2000 - 122,957; 1999 - 369,847; 1998 - 563,318)	4,964	14,420	23,187
Shares issued for purchase acquisition	(17)	166	11,471
Restricted stock (surrendered) issued	(413)	(1,532)	1,773
Shares sold to ESOP		117,316	
Balance June 30	\$ (8,434)	\$ (1,836)	\$ (83,472)

Shares surrendered upon exercise of stock options; 2000 - 235,386; 1999 - 88,188; 1998 - 158,369.



**Share Repurchases** — The Board of Directors has authorized the repurchase of a total of 5.05 million of its common shares. At June 30, 2000, the remaining authorization to repurchase was 3.28 million shares. Repurchases are made on the open market, at prevailing prices, and are funded from operating cash flows. The shares are initially held as treasury stock.

## Note 11

### Stock Incentive Plans

**Employees' Stock Options** — The Company's stock option and stock incentive plans provide for the granting of nonqualified options to officers and key employees to purchase shares of common stock at a price not less than 100 percent of the fair market value of the stock on the dates options are granted. Outstanding options generally are exercisable either one or two years after the date of grant and expire no more than ten years after grant.

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

As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation," the Company continues to account for its stock option and stock incentive plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and makes no charges against capital with respect to options granted. SFAS No. 123 does, however, require the disclosure of pro forma information regarding Net Income and Earnings per Share determined as if the Company had accounted for its stock options under the fair value method. For purposes of this pro forma disclosure the estimated fair value of the options is amortized to expense over the options' vesting period.

		2000	1999	1998
Net income:	As reported	\$ 368,232	\$ 310,501	\$ 319,551
	Pro forma	\$ 361,753	\$ 308,028	\$ 315,567
Earnings per share:				
Basic	As reported	\$ 3.34	\$ 2.85	\$ 2.88
	Pro forma	\$ 3.28	\$ 2.83	\$ 2.85
Diluted	As reported	\$ 3.31	\$ 2.83	\$ 2.85
	Pro forma	\$ 3.25	\$ 2.81	\$ 2.82

The fair value for the significant options granted in 2000, 1999 and 1998 were estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	Aug/99	Jan/99	Aug/98	Aug/97
Risk-free interest rate	6.1%	4.7%	5.3%	5.6%
Expected life of option	4.6 yrs	4.3 yrs	4.3 yrs	5 yrs
Expected dividend yield of stock	1.7%	1.9%	1.9%	2.3%
Expected volatility of stock	33.8%	30.7%	28.4%	26.9%

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

	2000	1999	1998
Options exercisable	3,483,071	3,065,577	3,476,016
Weighted-average option price per share of options exercisable	\$ 25.51	\$ 22.48	\$ 20.57
Weighted-average fair value of options granted during the year	\$ 14.62	\$ 8.35	\$ 11.43
Shares available for grant	3,352,083	3,230,548	3,256,232

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

	Shares Subject To Options	Average Option Price Per Share
Outstanding June 30, 1998	3,661,806	\$ 21.71
Granted	1,196,384	31.06
Exercised	(591,189)	17.92
Canceled	(14,155)	
Outstanding June 30, 1999	4,252,846	\$ 24.77
Granted	1,078,799	44.48
Assumed	429,485	26.44
Exercised	(689,764)	18.96
Canceled	(101,464)	
Outstanding June 30, 2000	4,969,902	\$ 30.03

The "Assumed" line identifies the options the Company assumed in the merger with Commercial Intertech and converted to options to purchase Parker Hannifin common stock. The exercise prices of the assumed options range from \$11.53 to \$49.75 after conversion into equivalent exercise prices of Parker Hannifin common stock. All other terms of the assumed options were unchanged.

The range of exercise prices and the remaining contractual life of options as of June 30, 2000 were:

Range of exercise prices	\$11-\$22	\$24-\$38	\$41-\$50
Options outstanding:			
Outstanding as of June 30, 2000	1,214,897	2,479,364	1,275,641
Weighted-average remaining contractual life	3.5 yrs	7.3 yrs	8.7 yrs
Weighted-average exercise price	\$ 16.46	\$ 29.29	\$ 44.46
Options exercisable:			
Outstanding as of June 30, 2000	1,214,897	2,008,023	260,151
Weighted-average remaining contractual life	3.5 yrs	7.1 yrs	7.0 yrs
Weighted-average exercise price	\$ 16.46	\$ 28.75	\$ 42.84

**Restricted Stock** — Restricted stock was issued, under the Company's 1993 Stock Incentive Program, to certain key employees under the Company's 1997-98-99, 1996-97-98 and 1995-96-97 Long Term Incentive Plans (LTIP). Value of the payments was set at the market value of the Company's common stock on the date of issuance. Shares were earned and awarded, and an estimated value was accrued, based upon attainment of criteria specified in the LTIP over the cumulative years of each 3-year Plan. Plan participants are entitled to cash dividends and to vote their respective shares, but the shares are restricted as to transferability for three years following issuance.

Restricted Shares for LTIP Plan	2000	1999	1998
Number of shares issued	<b>8,023</b>	15,774	39,619
Per share value on date of issuance	<b>\$ 42.04</b>	\$ 40.53	\$ 40.00
Total value	<b>\$ 337</b>	\$ 639	\$ 1,585

Under the Company's 1998-99-00 LTIP, a payout of 26,976 shares of restricted stock, from the Company's 1993 Stock Incentive Program, will be issued to certain key employees in 2001. The balance of the 1998-99-00 LTIP payout will be made as deferred cash compensation, as individually elected by the participants. The total payout, valued at \$4,043, has been accrued over the three years of the plan.

In addition, non-employee members of the Board of Directors have been given the opportunity to receive all or a portion of their fees in the form of restricted stock. These shares vest ratably, on an annual basis, over the term of office of the director. In 2000, 1999 and 1998, 6,012, 5,867 and 4,558 shares were issued, respectively, in lieu of directors' fees.

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

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

	Shares Subject To Options	Average Option Price Per Share
Outstanding June 30, 1998	21,000	\$ 31.97
Granted	8,000	31.38
Outstanding June 30, 1999	29,000	\$ 31.81
<b>Granted</b>	<b>7,650</b>	<b>45.00</b>
<b>Exercised</b>	<b>(3,250)</b>	<b>30.95</b>
<b>Canceled</b>	<b>(2,250)</b>	
<b>Outstanding June 30, 2000</b>	<b>31,150</b>	<b>\$ 35.21</b>

As of June 30, 2000, 23,500 options were exercisable and 336,850 shares were available for grant.

At June 30, 2000, the Company had 8,301,411 common shares reserved for issuance in connection with its stock incentive plans.

## Note 12 Shareholders' Protection Rights Agreement

The Board of Directors of the Company declared a dividend of one Right for each share of Common Stock outstanding on February 17, 1997 in relation to the Company's Shareholder Protection Rights Agreement. As of June 30, 2000, 116,387,708 shares of Common Stock were reserved for issuance under this Agreement. Under certain conditions involving acquisition of or an offer for 15 percent or more of the Company's Common Stock, all holders of Rights, except an acquiring entity, would be entitled to purchase, at an exercise price of \$100, a value of \$200 of Common Stock of the Company or an acquiring entity, or at the option of the Board, to exchange each Right for one share of Common Stock. The Rights remain in existence until February 17, 2007, unless earlier redeemed (at one cent per Right), exercised or exchanged under the terms of the agreement. In the event of an unfriendly business combination attempt, the Rights will cause substantial dilution to the person attempting the merger. The Rights should not interfere with any merger or other business combination that is in the best interest of the Company and its shareholders since the Rights may be redeemed.

## Note 13 Research and Development

Research and development costs amounted to \$89,059 in 2000, \$86,953 in 1999, and \$83,117 in 1998. Customer reimbursements included in the total cost for each of the respective years were \$16,409, \$15,239 and \$15,753. Costs include those costs related to independent research and development as well as customer reimbursed and unreimbursed development programs.

## Note 14 Contingencies

The Company is involved in various litigation arising in the normal course of business, including proceedings based on product liability claims, workers' compensation claims and alleged violations of various environmental laws. The Company is self-insured in the U.S. for health care, workers' compensation, general liability and product liability up to predetermined amounts, above which third party insurance applies. The Company purchases third party product liability insurance for products manufactured by its international operations and for products that are used in aerospace applications. Management regularly reviews the probable outcome of these proceedings, the expenses expected to be incurred, the availability and limits of the insurance coverage, and the established accruals for 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 20 manufacturing facilities presently or formerly operated by the Company and has been named as a “potentially responsible party,” along with other companies, at nine off-site waste disposal facilities and one regional Superfund site.

As of June 30, 2000, the Company has a reserve of \$6,910 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 \$415 for discounting, at a 7.5% annual rate, a portion of the costs at six locations for established treatment procedures required over periods ranging from three to 10 years. The Company also has an account receivable of \$490 for anticipated insurance recoveries.

The Company’s estimated total liability for the above mentioned sites ranges from a minimum of \$6,913 to a maximum of \$23,698. 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.

## Note 15

### Subsequent Event

On July 21, 2000 the Company completed its purchase of Wynn’s International (Wynn’s), for a cash purchase price of approximately \$420 million plus the retirement of approximately \$44 million of Wynn’s debt. The purchase price was financed by commercial paper borrowings and a short-term \$250 million revolving line of credit that was obtained to finance the Wynn’s acquisition. It is anticipated that the borrowings in connection with the Wynn’s acquisition will be repaid from internally generated funds and/or refinanced on a long-term basis in the private or public markets. Wynn’s is a leading manufacturer of precision-engineered sealing media for the automotive, heavy-duty truck and aerospace markets and has annualized calendar year 2000 sales of approximately \$573 million. The acquisition will be accounted for by the purchase method.

## Note 16

### Quarterly Information (Unaudited)

2000(a)	1st	2nd	3rd	4th	Total
<b>Net sales</b>	<b>\$ 1,242,293</b>	<b>\$ 1,239,207</b>	<b>\$ 1,393,659</b>	<b>\$ 1,480,178</b>	<b>\$ 5,355,337</b>
<b>Gross profit</b>	<b>265,672</b>	<b>267,909</b>	<b>319,526</b>	<b>345,661</b>	<b>1,198,768</b>
<b>Net income</b>	<b>73,594</b>	<b>74,963</b>	<b>106,703</b>	<b>112,972</b>	<b>368,232</b>
<b>Diluted earnings per share</b>	<b>.67</b>	<b>.68</b>	<b>.97</b>	<b>.99</b>	<b>3.31</b>
1999	1st	2nd	3rd	4th	Total
Net sales	\$ 1,218,724	\$ 1,199,021	\$ 1,255,789	\$ 1,285,266	\$ 4,958,800
Gross profit	271,417	255,854	266,652	295,507	1,089,430
Net income	78,117	63,532	76,511	92,341	310,501
Diluted earnings per share	.71	.58	.70	.84	2.83

(a) Results for the first quarter include a charge of \$8,555 (\$5,560 after-tax or \$.05 per share) related to business realignment costs and a non-cash impairment loss of \$4,875 (\$3,169 after-tax or \$.03 per share) related to certain long-lived assets.

## Note 17

### Stock Prices and Dividends (Unaudited)

(In dollars)		1st	2nd	3rd	4th	Full Year
<b>2000</b>	<b>High</b>	<b>\$ 48-1/8</b>	<b>\$ 51-7/16</b>	<b>\$ 54</b>	<b>\$ 48-5/16</b>	<b>\$ 54</b>
	<b>Low</b>	<b>43-1/8</b>	<b>41-3/16</b>	<b>33-15/16</b>	<b>34-1/4</b>	<b>33-15/16</b>
	<b>Dividends</b>	<b>.170</b>	<b>.170</b>	<b>.170</b>	<b>.170</b>	<b>.680</b>
1999	High	\$ 38-3/4	\$ 38-5/16	\$ 39-3/4	\$ 50-1/2	\$ 50-1/2
	Low	26-9/16	27	29-1/2	34	26-9/16
	Dividends	.150	.150	.170	.170	.640
1998	High	\$ 48-7/8	\$ 51-1/4	\$ 52-5/8	\$ 52-3/8	\$ 52-5/8
	Low	39-1/4	39-13/16	41-1/2	36-15/16	36-15/16
	Dividends	.150	.150	.150	.150	.600

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

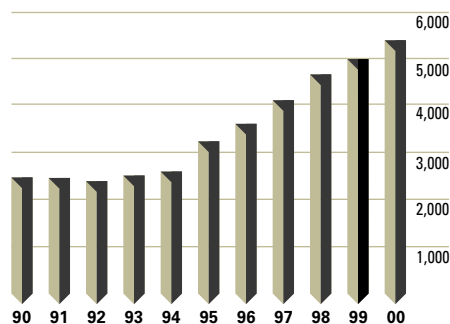
	2000	1999	1998 (a)	1997
Net sales	<b>\$ 5,355,337</b>	\$ 4,958,800	\$ 4,633,023	\$ 4,091,081
Cost of sales	<b>4,156,569</b>	3,869,370	3,550,992	3,152,988
Selling, general and administrative expenses	<b>575,906</b>	550,681	532,134	475,180
Non-recurring charges — Restructuring & Asset impairment				
Interest expense	<b>59,183</b>	63,697	52,787	46,659
Income taxes	<b>193,955</b>	167,193	180,762	150,828
Income — continuing operations	<b>368,232</b>	310,501	323,226	274,039
Net income	<b>368,232</b>	310,501	319,551	274,039
Basic earnings per share — continuing operations	<b>3.34</b>	2.85	2.91	2.46
Diluted earnings per share — continuing operations	<b>3.31</b>	2.83	2.88	2.44
Basic earnings per share	<b>3.34</b>	2.85	2.88	2.46
Diluted earnings per share	<b>\$ 3.31</b>	\$ 2.83	\$ 2.85	\$ 2.44
Average number of shares outstanding — Basic	<b>110,331</b>	108,800	110,869	111,602
Average number of shares outstanding — Diluted	<b>111,245</b>	109,679	111,959	112,518
Cash dividends per share	<b>\$ .680</b>	\$ .640	\$ .600	\$ .506
Net income as a percent of net sales	<b>6.9%</b>	6.3%	6.9%	6.7%
Return on average assets	<b>8.8%</b>	8.6%	9.8%	9.3%
Return on average equity	<b>17.7%</b>	17.6%	19.8%	18.7%
Book value per share	<b>\$ 21.22</b>	\$ 17.03	\$ 15.32	\$ 13.87
Working capital	<b>\$ 966,810</b>	\$ 1,020,171	\$ 791,305	\$ 783,550
Ratio of current assets to current liabilities	<b>1.8</b>	2.4	1.8	2.1
Plant and equipment, net	<b>\$ 1,340,915</b>	\$ 1,200,869	\$ 1,135,225	\$ 1,020,743
Total assets	<b>4,646,299</b>	3,705,888	3,524,821	2,998,946
Long-term debt	<b>701,762</b>	724,757	512,943	432,885
Shareholders' equity	<b>\$ 2,309,458</b>	\$ 1,853,862	\$ 1,683,450	\$ 1,547,301
Debt to debt-equity percent	<b>31.0%</b>	29.8%	31.6%	24.5%
Depreciation	<b>\$ 167,356</b>	\$ 164,577	\$ 153,633	\$ 146,253
Capital expenditures	<b>\$ 230,482</b>	\$ 230,122	\$ 236,945	\$ 189,201
Number of employees	<b>43,895</b>	38,928	39,873	34,927
Number of shareholders	<b>47,671</b>	39,380	44,250	43,014
Number of shares outstanding at year-end	<b>113,707</b>	108,846	109,873	111,527

(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.

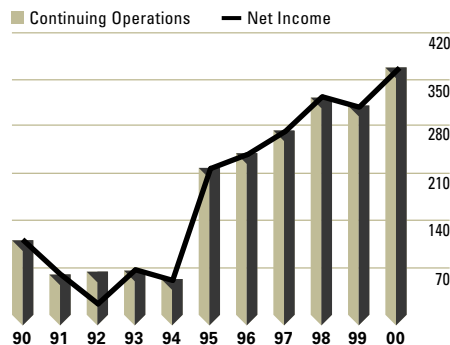
### Net Sales

Millions of Dollars



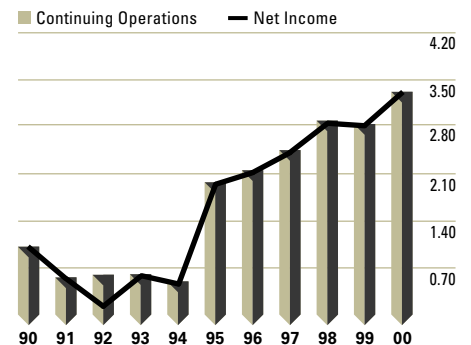
### Net Income

Millions of Dollars

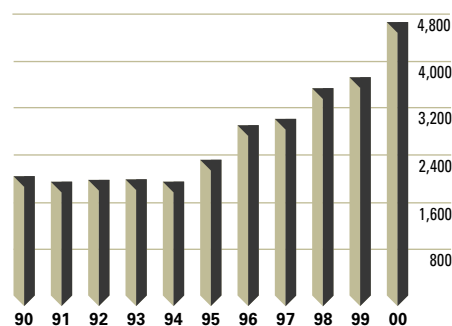
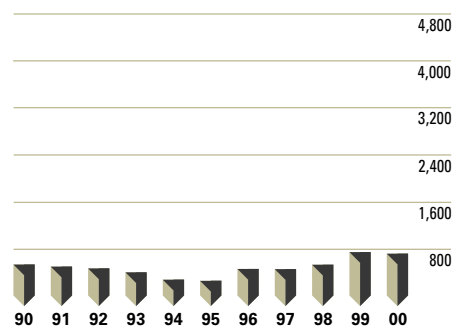
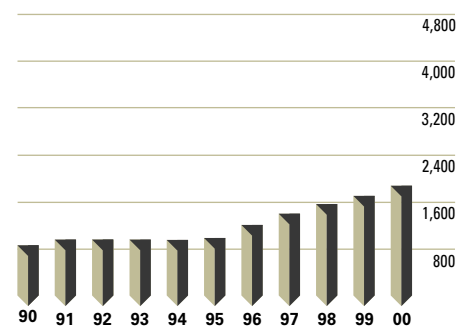


### Diluted Earnings Per Share

Dollars



	1996	1995	1994 (a)	1993	1992 (b)	1991	1990 (a)
\$	3,586,448	\$ 3,214,370	\$ 2,576,337	\$ 2,489,323	\$ 2,375,808	\$ 2,440,815	\$ 2,452,568
	2,756,343	2,448,264	2,053,376	2,004,955	1,925,800	1,977,381	1,927,119
	425,449	384,581	302,668	310,765	282,861	289,535	282,811
			54,256	22,879	14,798	14,350	
	36,667	30,922	37,832	47,056	52,190	59,369	62,139
	134,812	130,169	60,274	43,010	41,912	44,300	72,827
	239,667	218,238	52,175	65,056	63,479	59,168	110,447
	239,667	218,238	47,652	65,056	11,218	59,168	111,479
	2.15	1.97	.48	.60	.58	.54	1.00
	2.14	1.96	.48	.59	.58	.54	1.00
	2.15	1.97	.43	.60	.10	.54	1.01
\$	2.14	\$ 1.96	\$ .43	\$ .59	\$ .10	\$ .54	\$ 1.01
	111,261	110,576	109,661	109,064	108,644	108,632	109,973
	112,189	111,149	110,270	109,379	108,995	109,188	110,799
\$	.480	\$ .453	\$ .436	\$ .427	\$ .413	\$ .409	\$ .391
	6.7%	6.8%	1.8%	2.6%	0.5%	2.4%	4.5%
	9.2%	10.3%	2.5%	3.3%	0.6%	3.0%	5.7%
	18.6%	20.2%	5.0%	7.0%	1.2%	6.3%	12.5%
\$	12.42	\$ 10.73	\$ 8.78	\$ 8.53	\$ 8.58	\$ 8.70	\$ 8.53
\$	635,242	\$ 593,761	\$ 526,864	\$ 588,189	\$ 672,173	\$ 649,474	\$ 675,818
	1.8	1.9	2.0	2.3	2.8	2.8	2.5
\$	991,777	\$ 815,771	\$ 717,300	\$ 736,056	\$ 752,490	\$ 757,937	\$ 752,668
	2,887,124	2,302,209	1,925,744	1,963,590	1,958,120	1,920,697	2,020,157
	439,797	237,157	257,259	378,476	446,974	476,586	511,681
\$	1,383,958	\$ 1,191,514	\$ 966,351	\$ 932,900	\$ 934,019	\$ 943,475	\$ 938,404
	30.7%	21.9%	22.7%	33.3%	34.0%	35.4%	39.2%
\$	126,544	\$ 110,527	\$ 106,546	\$ 109,673	\$ 102,628	\$ 98,919	\$ 92,286
\$	201,693	\$ 151,963	\$ 99,914	\$ 91,484	\$ 84,955	\$ 112,047	\$ 125,680
	33,289	30,590	26,730	25,646	26,669	27,793	30,408
	35,403	35,629	29,625	30,414	30,836	32,812	34,976
	111,438	111,003	110,115	109,352	108,920	108,461	110,066

**Total Assets***Millions of Dollars***Long-Term Debt***Millions of Dollars***Shareholders' Equity***Millions of Dollars*



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## Report of Independent Accountants

To the Shareholders and Board of Directors  
Parker Hannifin Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statement of income, comprehensive income and cash flows present fairly, in all material respects, the financial position of Parker Hannifin Corporation and its subsidiaries at June 30, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2000, in conformity with accounting principles generally accepted in the United States. 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 of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain

reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

*PricewaterhouseCoopers LLP*

Cleveland, Ohio  
July 28, 2000

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## Forward-Looking Statements

This Annual Report and other written reports and oral statements made from time to time by the Company may contain "forward-looking statements," all of which are subject to risks and uncertainties. All statements which address operating performance, events or developments that we expect or anticipate will occur in the future, including statements relating to growth, operating margin performance, earnings per share or statements expressing general opinions about future operating results or the markets in which we do business, are forward-looking statements.

These forward-looking statements rely on a number of assumptions concerning future events, and are subject to a number of uncertainties and other factors, many of which are outside the Company's control, that could cause actual results to differ materially from such statements. Such factors include:

- ▶ continuity of business relationships with and purchases by major customers, including, among others, orders and delivery schedules for aircraft components,

- ▶ ability of suppliers to provide materials as needed,
- ▶ uncertainties surrounding timing, successful completion or integration of acquisitions,
- ▶ competitive pressure on sales and pricing,
- ▶ increases in material and other production costs which cannot be recovered in product pricing,
- ▶ difficulties in introducing new products and entering new markets, and
- ▶ uncertainties surrounding the global economy and global market conditions and the potential devaluation of currencies.

Any forward-looking statements are made based on known events and circumstances at the time. 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.

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## Board of Directors

### *Chairman of the Board*

#### **DUANE E. COLLINS**

Chairman of the Board and  
Chief Executive Officer  
Parker Hannifin Corporation  
Age: 64  
Director since 1992  
Chairman since 1999

### *Directors*

#### **JOHN G. BREEN** <sup>2, 3, 4</sup>

Former Chairman and  
Chief Executive Officer  
The Sherwin-Williams Company  
(Retired) (paints and coatings)  
Age: 66  
Director since 1980

#### **PAUL C. ELY, JR.** <sup>1, 3, 4</sup>

Former General Partner  
Alpha Partners (Retired)  
(venture capital seed financing)  
Age: 68  
Director since 1984

#### **DR. PETER W. LIKINS** <sup>1, 2, 3</sup>

President, University of Arizona  
Age: 64  
Director since 1989

#### **GIULIO MAZZALUPI** <sup>3, 4</sup>

President, Chief Executive Officer  
and Director  
Atlas Copco AB  
(industrial manufacturing)  
Age: 59  
Director since 1999

#### **KLAUS-PETER MÜLLER** <sup>3, 4</sup>

Member of the Board  
of Managing Directors  
Commerzbank AG  
Age: 56  
Director since 1998

#### **HECTOR R. ORTINO** <sup>1, 3</sup>

Chairman, President and  
Chief Executive Officer  
Ferro Corporation  
(manufacturer of  
specialty materials)  
Age: 58  
Director since 1997

#### **ALLAN L. RAYFIELD** <sup>1, 2, 3</sup>

Former President  
Chief Executive Officer and  
Director M/A-COM, Inc. (Retired)  
(microwave manufacturing)  
Age: 65  
Director since 1984

#### **WOLFGANG R. SCHMITT** <sup>1, 2, 3</sup>

Chief Executive Officer  
Trends 2 Innovation  
(strategic growth consultants)  
Age: 56  
Director since 1992

#### **DEBRA L. STARNES** <sup>2, 3, 4</sup>

Senior Vice President  
Lyondell Chemical Company  
(petrochemical production)  
Age: 47  
Director since 1997

#### **DENNIS W. SULLIVAN**

Executive Vice President  
Parker Hannifin Corporation  
Age: 61  
Director since 1983

#### **DONALD E. WASHKEWICZ**

President and  
Chief Operating Officer  
Parker Hannifin Corporation  
Age: 50  
Director since 2000

### *Committees of the Board*

#### **(1) Audit –**

Chairman: H. R. Ortino

#### **(2) Compensation and Management Development –**

Chairman: J. G. Breen

#### **(3) Nominating –**

Chairman: A. L. Rayfield

#### **(4) Retirement Planning –**

Chairman: P. C. Ely

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## Corporate Management

#### **DUANE E. COLLINS**

Chairman of the Board  
and Chief Executive Officer  
Age: 64  
Years of Parker service: 39

#### **DONALD E. WASHKEWICZ**

President and  
Chief Operating Officer  
Age: 50  
Years of Parker service: 28

#### **DENNIS W. SULLIVAN**

Executive Vice President  
Age: 61  
Years of Parker service: 40

#### **LAWRENCE M. ZENO**

Vice President  
Age: 58  
Years of Parker service: 34

#### **CLAUS BENEKER**

Vice President –  
Technical Director  
Age: 60  
Years of Parker service: 31

#### **ROBERT W. BOND**

Vice President and President –  
Automation Group  
Age: 43  
Years of Parker service: 23

#### **PAUL L. CARSON**

Vice President –  
Information Services  
Age: 64  
Years of Parker service: 38

#### **LYNN M. CORTRIGHT**

Vice President and  
President – Climate & Industrial  
Controls Group  
Age: 59  
Years of Parker service: 35

#### **DANA A. DENNIS**

Controller  
Age: 52  
Years of Parker service: 21

#### **DANIEL T. GAREY**

Vice President –  
Human Resources  
Age: 57  
Years of Parker service: 28

#### **STEPHEN L. HAYES**

Vice President and  
President – Aerospace Group  
Age: 59  
Years of Parker service: 27

#### **MICHAEL J. HIEMSTRA**

Vice President –  
Finance and Administration  
and Chief Financial Officer  
Age: 53  
Years of Parker service: 13

#### **MARWAN M. KASHKOUSH**

Vice President and  
President – Hydraulics Group  
Age: 46  
Years of Parker service: 22

#### **THOMAS W. MACKIE**

Vice President and President –  
Instrumentation Group  
Age: 53  
Years of Parker service: 27

#### **JOHN D. MYSLANSKI**

Vice President and President –  
Fluid Connectors Group  
Age: 49  
Years of Parker service: 27

#### **JOHN K. OELSLAGER**

Vice President and  
President – Filtration Group  
Age: 57  
Years of Parker service: 33

#### **THOMAS A. PIRAINO, JR.**

Vice President,  
General Counsel and Secretary  
Age: 51  
Years of Parker service: 18

#### **TIMOTHY K. PISTELL**

Treasurer  
Age: 53  
Years of Parker service: 31

#### **NICKOLAS W. VANDE STEEG**

Vice President and  
President – Seal Group  
Age: 57  
Years of Parker service: 28

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## Corporate Information

### **Ethical Conduct**

Observing high ethical standards has contributed to Parker Hannifin's reputation for excellence. The Company Code of Ethics requires compliance with all relevant laws, while acting with honesty, fairness and integrity. Parker is committed to meeting its ethical obligations to customers and suppliers, fellow employees, shareholders and the public.

### **Equal Opportunity**

Parker Hannifin Corporation is an Equal Opportunity/Affirmative Action Employer. We firmly believe that the dedicated talents of Parker's diverse worldwide employees represent our most important resource. Parker realizes that this EEO and Affirmative Action philosophy is essential to the continued growth and development of the Corporation.

### **Product Information**

Parker Hannifin's North American and European customers seeking product information or the location of a nearby distributor will receive prompt attention by calling the Parker Product Information Center at our toll-free numbers: in North America, 1-800-C-PARKER (1-800-272-7537); in Europe, 00800-C-PARKER-H (00800-2727-5374).

### **Parker Hannifin Corporation**

6035 Parkland Boulevard  
Cleveland, Ohio 44124-4141  
Telephone: (216) 896-3000

### **Internet Address**

[www.parker.com](http://www.parker.com)

### **Stock Listing**

New York Stock Exchange. Ticker Symbol: PH

### **Annual Meeting**

The 2000 Annual Meeting of Shareholders will be held on Wednesday, October 25, 2000, at Parker Hannifin Corporate Headquarters, 6035 Parkland Blvd., Mayfield Heights, Ohio 44124-4141, at 9:00 a.m. Eastern Standard Time. Telephone (216) 896-2704.

### **Form 10-K**

Shareholders may request a free copy of the Company'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

### **Certified Public Accountants**

PricewaterhouseCoopers LLP, Cleveland, Ohio

### **Analyst Contact**

Timothy K. Pistell, Treasurer  
Telephone (216) 896-2130

### **Media Contact**

Lorrie Paul Crum, Vice President - Corporate Communications  
Telephone (216) 896-2750

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## With Appreciation

### **Pat Parker Receives Chairman Emeritus Honor —**

In October 1999, Patrick S. Parker, son of company founder Arthur L. Parker, retired as chairman of the board, a post he has held since 1977. In recognition of his exceptional leadership and innumerable contributions to the company, the board of directors voted to honor Pat Parker as chairman emeritus. The company attributes much of its strength to the culture of opportunity, service and fellowship exemplified by Pat Parker. His leadership has been instrumental in making Parker what it is today and has set the course for what the company can become. We appreciate his insatiable curiosity, imagination and tremendous foresight, and the sense of humanity he has embedded in the Company.



**Patrick S. Parker,  
Chairman Emeritus**

## Operating Management

Operating Group	Group President	Location
<b>AEROSPACE</b>	<b>STEPHEN L. HAYES</b>	Parker Hannifin Corporation 14300 Alton Parkway Irvine, California 92618-1898 (949) 833-3000
<b>AUTOMATION</b>	<b>ROBERT W. BOND</b>	Parker Hannifin Corporation 6035 Parkland Blvd. Cleveland, Ohio 44124-4141 (216) 896-3000
	<b>CHRISTOPHER S.H. WILKINS</b> European Operations	Parker Hannifin plc Walkmill Lane Bridgtown, Cannock, Staffs WS1 13LR England (44) (1543) 456000
<b>CLIMATE &amp; INDUSTRIAL CONTROLS</b>	<b>LYNN M. CORTRIGHT</b>	Parker Hannifin Corporation 6035 Parkland Blvd. Cleveland, Ohio 44124-4141 (216) 896-3000
<b>FILTRATION</b>	<b>JOHN K. OELSLAGER</b>	Parker Hannifin Corporation 6035 Parkland Blvd. Cleveland, Ohio 44124-4141 (216) 896-3000
<b>FLUID CONNECTORS</b>	<b>JOHN D. MYSLENSKI</b>	Parker Hannifin Corporation 6035 Parkland Blvd. Cleveland, Ohio 44124-4141 (216) 896-3000
	<b>PHILIP B. STAMP</b> European Operations	Parker Hannifin Corporation Parker House 55 Maylands Avenue Hemel Hempstead Herts, HP2 4SJ England (44) (1442) 238100
<b>HYDRAULICS</b>	<b>MARWAN M. KASHKOUSH</b>	Parker Hannifin Corporation 6035 Parkland Blvd. Cleveland, Ohio 44124-4141 (216) 896-3000
	<b>RODERICK B. CLOUSE</b> European Operations	Parker Hannifin Corporation Parker House 55 Maylands Avenue Hemel Hempstead Herts, HP2 4SJ England (44) (1442) 238100
<b>INSTRUMENTATION</b>	<b>THOMAS W. MACKIE</b>	Parker Hannifin Corporation 6035 Parkland Blvd. Cleveland, Ohio 44124-4141 (216) 896-3000
<b>SEAL</b>	<b>NICKOLAS W. VANDE STEEG</b>	Parker Hannifin Corporation 14300 Alton Parkway Irvine, California 92618-1898 (949) 833-3000
	<b>HEINZ DROXNER</b> European Operations	Parker Hannifin GmbH StuiFenstr. 55 Pleidelshheim, D-74385 Germany (49) (7144) 2060
<b>ASIA PACIFIC</b>	<b>JOSEPH J. VICIC</b>	Parker Hannifin Hong Kong Ltd. 8/F King Yip Plaza 9 Cheung Yee Street Cheung Sha Luan Kowloon, Hong Kong (852) 2 428-8008
<b>LATIN AMERICAN</b>	<b>A. RICARDO MACHADO</b>	Parker Hannifin Industria e Comercio Ltda. Av. Lucas Nogueira Garcez 2181 Jacarei, SP Brazil 12300-000 (55) (12) 354-5100



Pictured left to right:

- ▶ **JOHN D. MYSLENSKI**  
President, Fluid Connectors Group
- ▶ **STEPHEN L. HAYES**  
President, Aerospace Group
- ▶ **JOHN K. OELSLAGER**  
President, Filtration Group
- ▶ **THOMAS W. MACKIE**  
President, Instrumentation Group
- ▶ **LYNN M. CORTRIGHT**  
President, Climate & Industrial Controls Group



Pictured left to right:

- ▶ **MARWAN M. KASHKOUSH**  
President, Hydraulics Group
- ▶ **ROBERT W. BOND**  
President, Automation Group
- ▶ **A. RICARDO MACHADO**  
President, Latin American Group
- ▶ **JOSEPH J. VICIC**  
President, Asia Pacific Group
- ▶ **NICKOLAS W. VANDE STEEG**  
President, Seal Group

## A Summary of Parker's Operating Groups, Markets, Facilities, and Products

### MARKETS

#### AEROSPACE GROUP



- ▶ Commercial transports
- ▶ Military aircraft and missiles
- ▶ Regional transports
- ▶ General aviation
- ▶ Business aircraft
- ▶ Helicopters
- ▶ Engines
- ▶ Power plants/power generation

#### FLUID CONNECTORS GROUP



- ▶ Construction machinery
- ▶ Automotive
- ▶ Agriculture
- ▶ Transportation
- ▶ Military
- ▶ Mobile machinery
- ▶ Natural resources
- ▶ Machine tools

#### HYDRAULICS GROUP



- ▶ Construction machinery
- ▶ Aerial lifts
- ▶ Mobile machinery
- ▶ Farm machinery
- ▶ Automotive manufacturing
- ▶ Machine tools
- ▶ Plastic machinery
- ▶ Mining equipment
- ▶ Hoists & cranes
- ▶ Lawn & garden machinery
- ▶ Oil & gas machinery

#### AUTOMATION GROUP



- ▶ Industrial machinery
- ▶ Machine tools
- ▶ Conveyors
- ▶ Pulp & paper machinery
- ▶ Metalworking equipment
- ▶ Process control
- ▶ Printing machinery
- ▶ Medical instruments
- ▶ Semiconductor manufacturing
- ▶ Packaging machines

### FACILITIES

#### Operates 34 facilities worldwide, in:

- ▶ United States
- ▶ Germany
- ▶ France
- ▶ United Kingdom
- ▶ Brazil
- ▶ Malaysia
- ▶ Puerto Rico
- ▶ Japan
- ▶ Singapore
- ▶ China
- ▶ Korea
- ▶ Canada

#### Operates 55 plants and 40 Company-owned stocking facilities, with more than 2,500 distributors worldwide. Facilities in:

- ▶ United States
- ▶ Canada
- ▶ Mexico
- ▶ Austria
- ▶ United Kingdom
- ▶ France
- ▶ Germany
- ▶ Netherlands
- ▶ Poland
- ▶ Australia
- ▶ New Zealand
- ▶ China
- ▶ Brazil
- ▶ South Africa
- ▶ Thailand
- ▶ Korea
- ▶ Czech Republic

#### Operates 66 manufacturing plants, 52 sales offices and warehouses around the world, with more than 1,300 distributors worldwide. Facilities in:

- ▶ United States
- ▶ Canada
- ▶ Mexico
- ▶ Brazil
- ▶ United Kingdom
- ▶ France
- ▶ Netherlands
- ▶ Germany
- ▶ Sweden
- ▶ Italy
- ▶ Australia
- ▶ New Zealand
- ▶ Austria
- ▶ Singapore
- ▶ China

#### Operates 31 manufacturing plants, 21 sales offices and 5 warehouses, with more than 1,000 distributors worldwide. Facilities in:

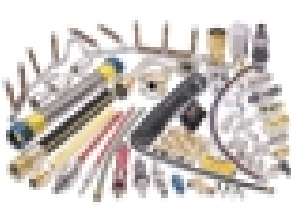
- ▶ United States
- ▶ Canada
- ▶ Mexico
- ▶ United Kingdom
- ▶ France
- ▶ Germany
- ▶ Sweden
- ▶ Brazil
- ▶ Netherlands
- ▶ Belgium
- ▶ Spain
- ▶ Korea

### PRODUCTS

- ▶ Flight control actuation
- ▶ Thrust-reverse actuation
- ▶ Electrohydraulic servovalves
- ▶ Utility hydraulic systems & components
- ▶ Pumps
- ▶ Fuel systems & components
- ▶ Pneumatic controls
- ▶ Heat exchangers
- ▶ Fluid metering delivery & atomization devices
- ▶ Wheels & brakes



- ▶ Rubber & thermoplastic hose
- ▶ Tube fittings & adapters
- ▶ Tubing & plastic fittings
- ▶ Brass fittings & valves
- ▶ Hose couplings
- ▶ Quick disconnects
- ▶ Check valves
- ▶ Expert systems
- ▶ Custom couplings & fittings



- ▶ Hydraulic cylinders
- ▶ Accumulators
- ▶ Rotary actuators
- ▶ Hydraulic valves
- ▶ Hydraulic motors & pumps
- ▶ Hydrostatic steering
- ▶ Power units
- ▶ Electrohydraulic systems
- ▶ Metering pumps
- ▶ Integrated hydraulic circuits

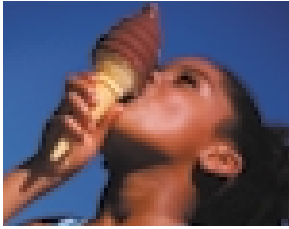


- ▶ Pneumatic valves
- ▶ Air preparation units
- ▶ Indexers, stepper & servo drives
- ▶ Multi-axis positioning tables
- ▶ Electric & pneumatic cylinders
- ▶ Structural extrusions
- ▶ Vacuum products
- ▶ Pneumatic logic
- ▶ Human/machine interface hardware & software





## CLIMATE & INDUSTRIAL CONTROLS GROUP



- ▶ Industrial & commercial refrigeration
- ▶ Supermarket refrigeration
- ▶ Appliances
- ▶ Residential air conditioning
- ▶ Fuel dispensing
- ▶ Process control
- ▶ Tire processing
- ▶ Food & beverage
- ▶ Mobile air conditioning
- ▶ Mobile & industrial gerotors

**Operates 21 manufacturing plants and 14 sales centers world-wide. Facilities in:**

- |                  |                  |
|------------------|------------------|
| ▶ United States  | ▶ Korea          |
| ▶ Canada         | ▶ Brazil         |
| ▶ Mexico         | ▶ Switzerland    |
| ▶ Italy          | ▶ Czech Republic |
| ▶ Germany        | ▶ Japan          |
| ▶ United Kingdom | ▶ France         |

- ▶ Thermostatic & electronic expansion valves
- ▶ Refrigeration & general-purpose solenoid valves
- ▶ Flo-raters & distributors
- ▶ Pressure regulators
- ▶ Filter dryers
- ▶ Accumulators & receivers
- ▶ Check & service valves
- ▶ Spun copper components
- ▶ Process control valves
- ▶ Gerotors
- ▶ Hose & hose assemblies
- ▶ Tube assemblies



## SEAL GROUP



- ▶ Automotive
- ▶ Aerospace
- ▶ Mobile equipment
- ▶ Semiconductor
- ▶ Chemical processing
- ▶ Telecommunications
- ▶ Information technology
- ▶ Industrial
- ▶ Medical

**Operates 21 manufacturing plants, with more than 200 distributors worldwide. Joint ventures in Mexico and China. Facilities in:**

- |                  |                  |
|------------------|------------------|
| ▶ United States  | ▶ Germany        |
| ▶ Canada         | ▶ Italy          |
| ▶ Mexico         | ▶ Spain          |
| ▶ Denmark        | ▶ Czech Republic |
| ▶ United Kingdom | ▶ Argentina      |
| ▶ France         | ▶ Brazil         |
|                  | ▶ Japan          |

- ▶ O-rings & molded shapes
- ▶ Hydraulic & pneumatic seals & packings
- ▶ Extruded & precision cut seals
- ▶ Metal/rubber combinations
- ▶ PTFE seals
- ▶ EMI shielding/grounding
- ▶ Thermal management materials
- ▶ Plastic/rubber combination seals



## FILTRATION GROUP



- ▶ Industrial
- ▶ Process
- ▶ Mobile machinery
- ▶ Marine
- ▶ Aviation
- ▶ Environmental
- ▶ Semiconductor
- ▶ Pharmaceutical
- ▶ Pulp & paper
- ▶ Power generation
- ▶ Laboratory

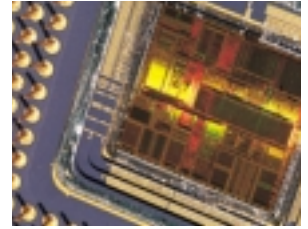
**Operates 13 manufacturing facilities with a network of more than 500 distributors world-wide and technical assistance in every major industrial area. Facilities in:**

- |                  |               |
|------------------|---------------|
| ▶ United States  | ▶ France      |
| ▶ United Kingdom | ▶ Germany     |
| ▶ Finland        | ▶ Korea       |
| ▶ Brazil         | ▶ Australia   |
|                  | ▶ Netherlands |

- ▶ Hydraulic, lubrication & coolant filters
- ▶ Process, chemical & microfiltration filters
- ▶ Compressed air & gas purification filters
- ▶ Lube oil & fuel filters
- ▶ Fuel-conditioning filters
- ▶ Fuel filters/water separators
- ▶ Cabin air filters
- ▶ Condition monitoring
- ▶ Aviation fuel filters
- ▶ Analytical gas generators



## INSTRUMENTATION GROUP



- ▶ Power generation
- ▶ Oil & gas exploration
- ▶ Chemical and petrochemical processing
- ▶ Semiconductor manufacturing
- ▶ Process analytical applications
- ▶ Medical & bio/pharmaceutical
- ▶ Pulp & paper

**Operates 12 manufacturing plants and four sales offices, Company stores and customer service centers with more than 300 distributors worldwide. Facilities in:**

- |                  |
|------------------|
| ▶ United States  |
| ▶ Canada         |
| ▶ United Kingdom |
| ▶ France         |

- ▶ Instrumentation fittings
- ▶ Ultra-high-purity fittings & gaskets
- ▶ Ball, plug, needle & check valves
- ▶ Diaphragm & bellows valves
- ▶ PFA & PTFE fittings, valves & pumps
- ▶ Regulators & transducers
- ▶ CGA, DIN, JIS & British Standard cylinder connections
- ▶ Miniature solenoid valves
- ▶ Multi-solenoid manifolds
- ▶ Quick connects & hose products



A square image with a blue background. It features several white, curved lines that sweep across the frame from the top left towards the bottom right, creating a sense of motion and depth.

***In Motion... In Control***



**Parker Hannifin Corporation**

6035 Parkland Boulevard  
Cleveland, Ohio 44124-4141  
216.896.3000  
[www.parker.com](http://www.parker.com)