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Parker Hannifin Corporation

Quarterly Earnings Release

2nd Quarter FY2012

January 20, 2012

Forward-Looking Statements

Forward-Looking Statements:
Forward-looking statements contained in this and other written and oral reports are made based on known events and circumstances at the time of release, and as such, are subject in the future to unforeseen uncertainties and risks. All statements regarding future performance, earnings projections, events or developments are forward-looking statements. It is possible that the future performance and earnings projections of the company, including its individual segments, may differ materially from current expectations, depending on economic conditions within its mobile, industrial and aerospace markets, and the company's ability to maintain and achieve anticipated benefits associated with announced realignment activities, strategic initiatives to improve operating margins, actions taken to combat the effects of the current economic environment, and growth, innovation and global diversification initiatives. A change in the economic conditions in individual markets may have a particularly volatile effect on segment performance. Among other factors which may affect future performance are: changes in business relationships with and purchases by or from major customers, suppliers or distributors, including delays or cancellations in shipments, disputes regarding contract terms or significant changes in financial condition, changes in contract cost and revenue estimates for new development programs and changes in product mix; ability to identify acceptable strategic acquisition targets; uncertainties surrounding timing, successful completion or integration of acquisitions; ability to realize anticipated cost savings from business realignment activities; threats associated with and efforts to combat terrorism; uncertainties surrounding the ultimate resolution of outstanding legal proceedings, including the outcome of any appeals; competitive market conditions and resulting effects on sales and pricing; increases in raw material costs that cannot be recovered in product pricing; the company’s ability to manage costs related to insurance and employee retirement and health care benefits; and global economic factors, including manufacturing activity, air travel trends, currency exchange rates, difficulties entering new markets and general economic conditions such as inflation, deflation, interest rates and credit availability. The company makes these statements as of the date of this disclosure, and undertakes no obligation to update them unless otherwise required by law.

Non-GAAP Financial Measures

This presentation reconciles sales amounts reported in accordance with U.S. GAAP to sales amounts adjusted to remove the effects of acquisitions made within the prior four quarters and the effects of currency exchange rates on sales. The effects of acquisitions and currency exchange rates are removed to allow investors and the company to meaningfully evaluate changes in sales on a comparable basis from period to period.

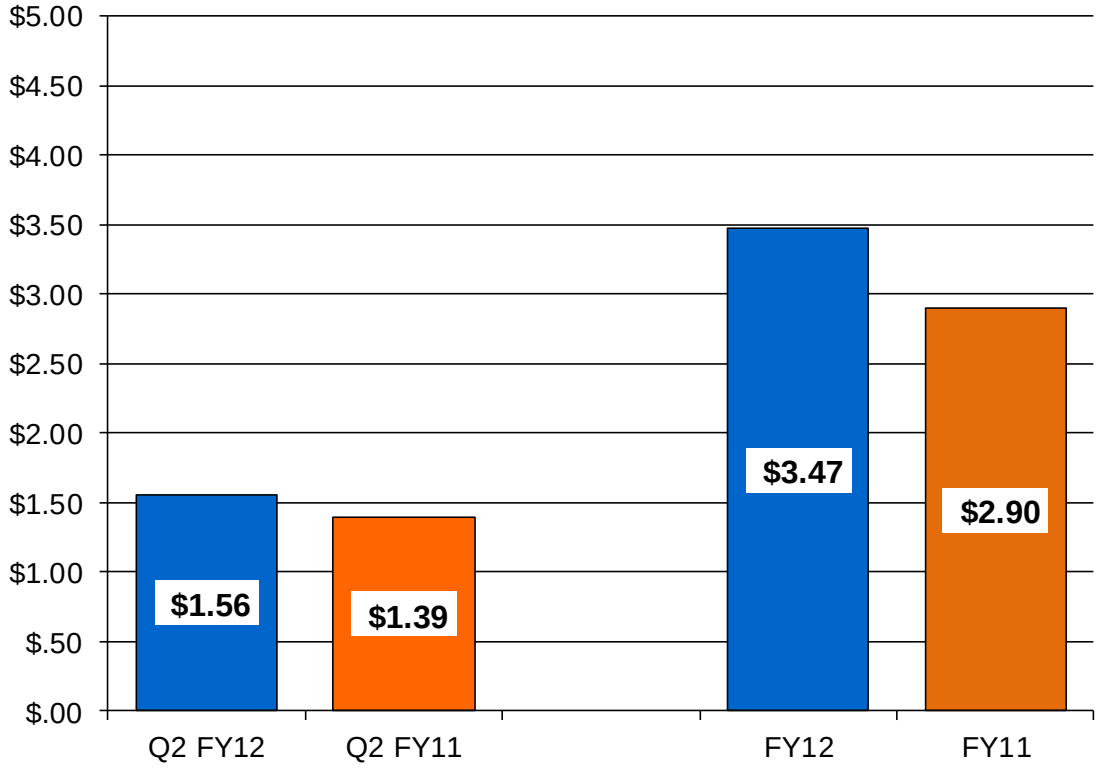
Discussion Agenda

- CEO 2nd Quarter Highlights
- Key Performance Measures & Outlook
- Questions & Answers
- CEO Closing Comments

Second Quarter FY12 Highlights

- **Record 2nd Quarter Sales:** Q2 Sales Increased 8.4% Year-over-Year to $3.1B
- **End Market Demand**: Order Improvement of 3% Year-over-Year Against Tougher Comparables ; International Industrial Orders Moderating
- **Operating Margin**: 14.2% as compared to 14.0% in Q2 FY11
  - NA Industrial Increased to 16.5% from 15.2% in Q2 FY11
- **Record 2nd Quarter Net Income:** $242 million
- **Continued Strong Cash Flow**: Q2 FY12 Operating Cash Flow/Sales of 8.2%; YTD FY12 of 8.9%
- **Earnings Per Share:** Q2 Record of $1.56 vs. $1.39 in Q2 FY11
- **Strong Balance Sheet:** Cash Balance Greater than $487M and Debt/Total Capitalization Metric of 25.2%

Financial Highlights
Diluted Earnings per Share
2nd Quarter and Year-to-Date



Influences on 2nd Quarter Earnings

Diluted Earnings Per Share Increase Year-over-Year of $.17 or 12% Primarily Driven By:

- Improved NA Segment Operating Margins to 16.5% from 15.2% ($.17 EPS Impact)
- Improved Aerospace Segment Operating Margins to 14.2% from 13.8% ($.03 EPS Impact)
- Lower Shares Outstanding due to Share Repurchase ($.11 EPS Impact)

Offset by:

- Increased Expense Below Segment Operating Income due to Higher Market-driven Benefit Expense ($.04 EPS Impact)
- Higher Tax Rate due to Multi-period R&D Tax Credit booked in Q2 FY11 ($.09 EPS Impact)

Financial Highlights
Sales – 2nd Quarter

Dollars in millions	2nd Quarter			Year to Date		
	FY2012	% Change	FY2011	FY2012	% Change	FY2011
Sales						
As reported	$ 3,107	8.4 %	$ 2,867	$ 6,340	11.3 %	$ 5,696
Acquisitions	10	0.3 %		32	0.6 %	
Currency	0	0.0 %		86	1.5 %	
Adjusted Sales	$ 3,097	8.1 %		$ 6,222	9.2 %	
Operating Margin						
As reported	$ 442		$ 400	$ 962		$ 839
% of Sales	14.2 %		14.0 %	15.2 %		14.7 %

Segment Reporting
Industrial North America

Dollars in millions	2nd Quarter			Year to Date		
	FY2012	% Change	FY2011	FY2012	% Change	FY2011
Sales						
As reported	$ 1,183	13.2 %	$ 1,046	$ 2,388	13.2 %	$ 2,110
Acquisitions	4	0.4 %		15	0.7 %	
Currency	(3)	(0.3)%		1	0.1 %	
Adjusted Sales	$ 1,182	13.1 %		$ 2,372	12.4 %	
Operating Margin						
As reported	$ 196		$ 159	$ 419		$ 349
% of Sales	16.5 %		15.2 %	17.5 %		16.5 %

Segment Reporting
Industrial International

Dollars in millions	2nd Quarter			Year to Date		
	FY2012	% Change	FY2011	FY2012	% Change	FY2011
Sales						
As reported	$ 1,219	6.2 %	$ 1,147	$ 2,508	12.0 %	$ 2,240
Acquisitions	6	0.5 %		16	0.7 %	
Currency	4	0.4 %		81	3.6 %	
Adjusted Sales	$ 1,209	5.3 %		$ 2,411	7.7 %	
Operating Margin						
As reported	$ 166		$ 168	$ 374		$ 352
% of Sales	13.6 %		14.6 %	14.9 %		15.7 %

Segment Reporting
Aerospace

Dollars in millions	2nd Quarter			Year to Date		
	FY2012	% Change	FY2011	FY2012	% Change	FY2011
Sales						
As reported	$ 497	8.0 %	$ 460	$ 994	10.9 %	$ 897
Acquisitions	0	0.0 %		0	0.0 %	
Currency	0	0.0 %		1	0.1 %	
Adjusted Sales	$ 497	8.0 %		$ 993	10.8 %	
Operating Margin						
As reported	$ 70		$ 64	$ 139		$ 107
% of Sales	14.2 %		13.8 %	14.0 %		12.0 %

Segment Reporting
Climate & Industrial Controls

Dollars in millions	2nd Quarter			Year to Date		
	FY2012	% Change	FY2011	FY2012	% Change	FY2011
Sales						
As reported	$ 208	(2.9)%	$ 214	$ 450	0.4 %	$ 449
Acquisitions	0	0.0 %		1	0.2 %	
Currency	(1)	(0.5)%		3	0.7 %	
Adjusted Sales	$ 209	(2.4)%		$ 446	(0.5)%	
Operating Margin						
As reported	$ 10		$ 10	$ 30		$ 31
% of Sales	4.7 %		4.4 %	6.6 %		6.9 %

Parker Order Rates

Three Month Rolling at Period End

	DEC '11	SEPT '11	DEC '10	SEPT '10
Total Parker	+ 3 %	+ 9 %	+ 29 %	+ 29 %
Industrial North America	+ 8 %	+ 16 %	+ 26 %	+ 31 %
Industrial International	+ 1 %	+ 4 %	+ 29 %	+ 34 %
Aerospace	+ 0 %	+ 14 %	+ 37 %	+ 16 %
Climate & Industrial Controls	- 5 %	- 4 %	+ 26 %	+ 23 %

Excludes Acquisitions & Currency
3-month year-over-year comparisons of total dollars, except Aerospace
Aerospace is calculated using a 12-month rolling average

Balance Sheet Summary

- Cash
- Working capital
  - Accounts receivable
  - Inventory
  - Accounts payable

Strong Cash Flow
Cash from Operating Activities
2nd Quarter and Year-To- Date

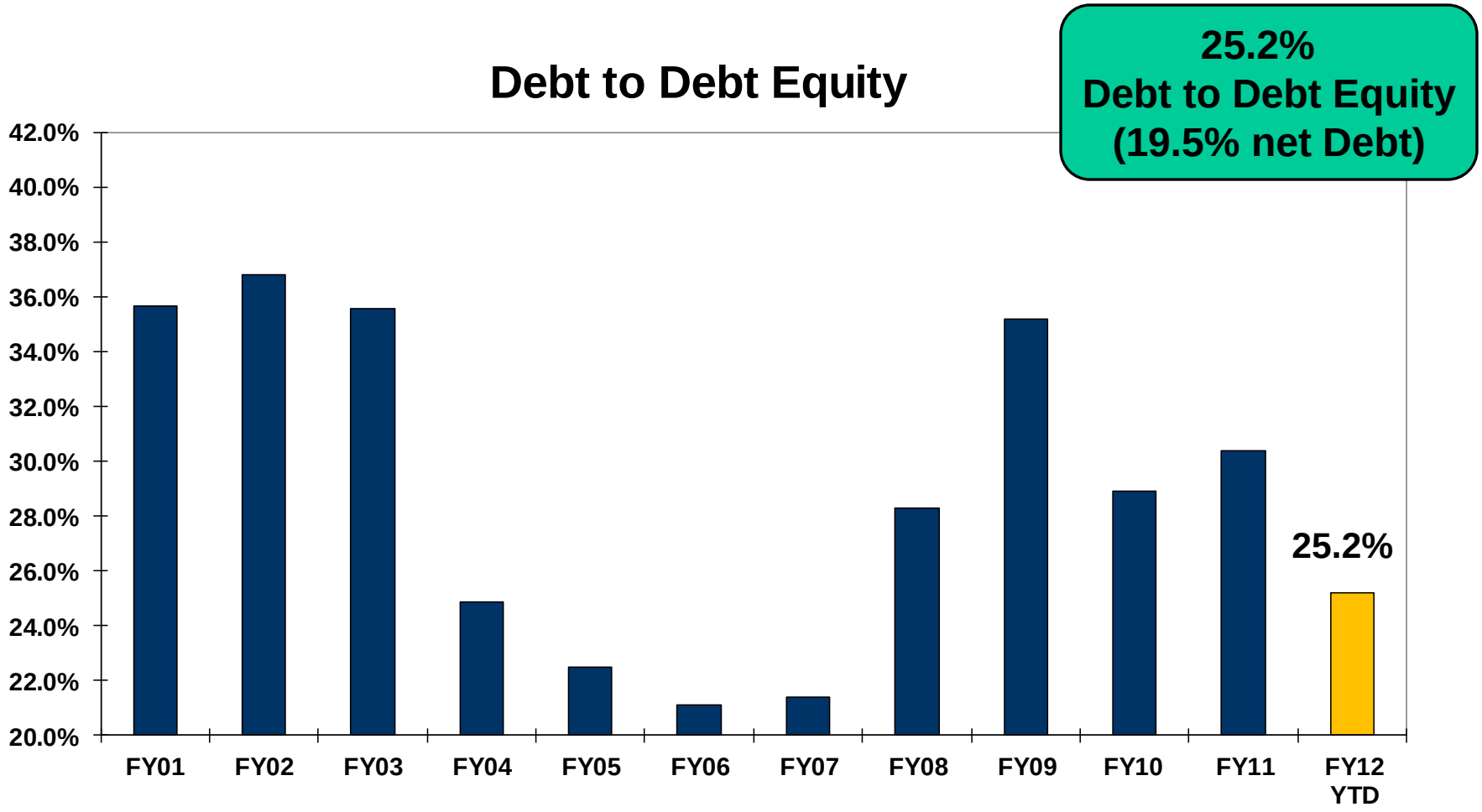
Cash From Operating Activities

	Q2 '12	Q2 '11
As Reported	$ 254M	$285M
As Reported % Sales	8.2%	10.0%

Year-to-Date Cash from Operating Activities:

	YTD '12	YTD '11
As Reported	$563M	$408M
As Reported % Sales	8.9%	7.2%

Financial Leverage



FY 2012 Earnings Outlook Assumptions Segment Sales & Operating Margins

FY 2012 Sales change versus FY 2011			
Industrial North America	**8.4 %**	**--**	**10.4 %**
Industrial International	**1.9 %**	**--**	**3.9 %**
Aerospace	**7.1 %**	**--**	**9.1 %**
Climate & Industrial Controls	**(2.7)%**	**--**	**.3 %**

FY 2012 Operating margin percentages			
Industrial North America	**17.0 %**	**--**	**17.4 %**
Industrial International	**14.7 %**	**--**	**15.1 %**
Aerospace	**13.3 %**	**--**	**13.7 %**
Climate & Industrial Controls	**7.7 %**	**--**	**8.0 %**

FY 2012 Earnings Outlook Assumptions below Operating Margin (+/-.50%)

- Expenses Below Segment Operating Margin*
  - $412M at Midpoint
- Tax Rate = 29%

**Corporate Admin, Interest and Other Expense (Income)*

Earnings Outlook – FY12

	Low	Midpoint	High
Diluted earnings per share	$ 6.90	$7.10	$7.30

Questions & Answers…

Appendix

Income Statement

- 2nd Quarter FY2012
- 1st Half FY2012

Income Statement – 2nd Quarter

Quarter

Dollars in millions	FY 2012		FY 2011	
		% of Sales		% of Sales
Net Sales	$ 3,106.8	100.0 %	$ 2,866.6	100.0 %
Cost of sales	2,381.3	76.6 %	2,195.7	76.6 %
Gross profit	725.5	23.4 %	670.9	23.4 %
S, G & A	368.7	11.9 %	345.7	12.1 %
Interest expense	23.8	.8 %	25.6	.9 %
Other (income), net	(5.9)	(.2)%	(6.6)	(.3)%
Income before taxes	338.9	10.9 %	306.2	10.7 %
Income taxes	96.6	3.1 %	74.4	2.6 %
Net income	$ 242.3	7.8 %	$ 231.8	8.1 %
Less: Noncontrolling interests	$ 1.5	.1 %	$ 1.6	.1 %
Net income attributable to common shareholders	$ 240.8	7.7 %	$ 230.2	8.0 %

Income Statement – 1st Half

Dollars in millions	FY 2012		FY 2011	
		% of Sales		% of Sales
Net Sales	$ 6,340.7	100.0 %	$ 5,695.9	100.0 %
Cost of sales	4,795.8	75.6 %	4,333.6	76.1 %
Gross profit	1,544.9	24.4 %	1,362.3	23.9 %
S, G & A	755.1	11.9 %	679.2	11.9 %
Interest expense	47.0	.8 %	50.3	.9 %
Other (income), net	(7.7)	(.1)%	(9.8)	(.2)%
Income before taxes	750.5	11.8 %	642.6	11.3 %
Income taxes	210.0	3.3 %	161.8	2.8 %
Net income	$ 540.5	8.5 %	$ 480.8	8.5 %
Less: Noncontrolling interests	$ 2.7	.0 %	$ 3.5	.1 %
Net income attributable to common shareholders	$ 537.8	8.5 %	$ 477.3	8.4 %