TORONTO DOMINION BANK
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Registration Statement No. 333-211718

Pricing Supplement dated April 29, 2019 to the

Product Prospectus Supplement MLN-EI-1 dated June 30, 2016 and

Prospectus Dated June 30, 2016

The Toronto-Dominion Bank

$2,168,000

Market Linked Securities - Leveraged Upside Participation and Contingent Downside

Principal at Risk Securities Linked to the Dow Jones Industrial Average® due May 2, 2022

The Toronto-Dominion Bank ("TD" or "we") has offered the Principal at Risk Securities (the "Securities") linked to the Dow Jones Industrial Average® (the "Reference Asset") described below.

If the level of the Reference Asset increases from the Initial Level to the Final Level, at maturity, investors will receive the Principal Amount plus a positive return reflecting 111% leveraged participation in the positive return of the Reference Asset. If the level of the Reference Asset remains flat or decreases from the Initial Level to the Final Level but the decrease is not more than 20%, at maturity, investors will receive only the Principal Amount. However, if the level of the Reference Asset decreases from the Initial Level to the Final Level by more than 20%, at maturity, investors will have full exposure to the decrease in the level of the Reference Asset and will lose more than 20%, and possibly all, of the Principal Amount. Specifically, investors will lose 1% of the Principal Amount for each 1% decrease from the Initial Level to the Final Level and may lose all of the Principal Amount. **Any payments on the Securities are subject to our credit risk. The Securities do not bear interest.**

The Securities are unsecured and are not savings accounts or insured deposits of a bank. The Securities are not insured or guaranteed by the Canada Deposit Insurance Corporation, the U.S. Federal Deposit Insurance Corporation or any other governmental agency or instrumentality of Canada or the United States.

The Securities will not be listed or displayed on any securities exchange or electronic communications network.

The Payment at Maturity will be greater than the Principal Amount only if the Percentage Change (as defined herein) is greater than zero. The Securities do not guarantee the return of the Principal Amount and investors may lose all of their investment in the Securities.

The Securities have complex features and investing in the Securities involves a number of risks. See "Additional Risk Factors" beginning on page P-8 of this pricing supplement, "Additional Risk Factors Specific to the Notes" beginning on page PS-5 of the product prospectus supplement MLN-EI-1 dated June 30, 2016 (the "product prospectus supplement") and "Risk Factors" beginning on page 1 of the prospectus dated June 30, 2016 (the "prospectus").

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this pricing supplement, the product prospectus supplement or the prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We will deliver the Securities in book-entry only form through the facilities of The Depository Trust Company on May 2, 2019, against payment in immediately available funds.

The estimated value of the Securities at the time the terms of your Securities were set on the Pricing Date was $953.80 per Security, as discussed further under "Additional Risk Factors — Estimated Value" beginning on page P-10 and "Additional Information Regarding Our Estimated Value of the Securities" on page P-27, respectively. The estimated value is less than the public offering price of the Securities.

	Public Offering Price[1]	Underwriting Discount[2]	Proceeds to TD
Per Security	$1,000.00	$27.40	$972.60
Total	$2,168,000.00	$59,403.20	$2,108,596.80

[1] Certain dealers who purchase the Securities for sale to certain fee-based advisory accounts may forgo some or all of their selling concessions, fees or commissions. The price for investors purchasing the Securities in these accounts may be as low as $972.60 (97.26%) per Security.

[2] The Agents will receive a commission of $27.40 (2.74%) per Security and will use a portion of that commission to allow selling concessions to other dealers in connection with the distribution of the Securities, or have offered the Securities directly to investors. The Agents may resell the Securities to other securities dealers at the Principal Amount less a concession of $20.00 per Security. Such securities dealers may include Wells Fargo Advisors ("WFA", the trade name of the retail brokerage business of Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC), an affiliate of Wells Fargo Securities, LLC ("Wells Fargo Securities"). The other dealers may forgo, in their sole discretion, some or all of their selling concessions. In addition to the selling concession allowed to WFA, Wells Fargo Securities will pay $0.75 per Security of the underwriting discount to WFA as a distribution expense fee for each Security sold by WFA. TD will reimburse TD Securities (USA) LLC ("TDS") for certain expenses in connection with its role in the offer and sale of the Securities, and TD will pay TDS a fee in connection with its role in the offer and sale of the Securities. See "Supplemental Plan of Distribution (Conflicts of Interest) –Selling Restrictions" on page P-25 of this pricing supplement.

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Summary

The information in this "Summary" section is qualified by the more detailed information set forth in this pricing supplement, the product prospectus supplement and the prospectus.

Issuer:	The Toronto-Dominion Bank
Issue:	Senior Debt Securities, Series E
Type of Security:	Market Linked Securities - Leveraged Upside Participation and Contingent Downside
Term:	Approximately 3 years
Reference Asset:	Dow Jones Industrial Average® (Bloomberg Ticker: INDU)
CUSIP / ISIN:	89114QL89 / US89114QL899
Agents:	TDS and Wells Fargo Securities. The Agents will receive a commission of $27.40 and may resell the Securities to other securities dealers, including securities dealers acting as custodians, at the Principal Amount less a concession of $20.00 per Security. Such securities dealers may include WFA, an affiliate of Wells Fargo Securities. In addition to the concession allowed to WFA, Wells Fargo Securities will pay $0.75 per Security of the underwriting discount to WFA as a distribution expense fee for each Security sold by WFA.
Currency:	U.S. Dollars
Minimum Investment:	$1,000 and minimum denominations of $1,000 in excess thereof.
Principal Amount:	$1,000 per Security
Pricing Date:	April 29, 2019
Issue Date:	May 2, 2019, which is three Business Days following the Pricing Date. Under Rule 15c6-1 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), trades in the secondary market generally are required to settle in two Business Days (T+2), unless the parties to a trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Securities in the secondary market on any date prior to two Business Days before delivery of the Securities will be required, by virtue of the fact that each Security initially will settle in three Business Days (T+3), to specify alternative settlement arrangements to prevent a failed settlement of the secondary market trade. See "Plan of Distribution" in the prospectus.
Valuation Date:	April 25, 2022, subject to postponement for market disruption events and non-trading days, as described under "Additional Terms of Your Securities—Market Disruption Events" in this pricing supplement.
Maturity Date:	May 2, 2022. If the Valuation Date is postponed, the Maturity Date will be the later of (i) May 2, 2022 and (ii) the third business day after the postponed Valuation Date.

Payment at Maturity:	If the Final Level is greater than the Initial Level (the Percentage Change is **positive**), then an investor will receive an amount per Security equal to: Principal Amount + (Principal Amount x Percentage Change x Leverage Factor). If the Final Level is equal to or less than the Initial Level, but greater than or equal to the Threshold Level (the Percentage Change is 0% or **negative but not below -20%**), then an investor will receive an amount per Security equal to: Principal Amount. If the Final Level is less than the Threshold Level (the Percentage Change is **negative and below -20%**), then an investor will receive less than the Principal Amount, if anything, calculated using the following formula: Principal Amount + Principal Amount x Percentage Change. **If the Final Level is less than the Threshold Level, investors will have full exposure to the decrease in the level of the Reference Asset and will lose more than 20%, and possibly all, of the Principal Amount. Specifically, investors will lose 1% of the Principal Amount for each 1% decrease from the Initial Level to the Final Level and may lose all of the Principal Amount.** All amounts used in or resulting from any calculation relating to the Securities, including the Payment at Maturity, will be rounded upward or downward as appropriate, to the nearest cent.
Leverage Factor:	111%
Threshold Level:	21,243.512, which is equal to 80% of the Initial Level
Percentage Change:	(Final Level – Initial Level) / Initial Level, expressed as a percentage
Initial Level:	26,554.39, which is the closing level of the Reference Asset on the Pricing Date
Final Level:	The closing level of the Reference Asset on the Valuation Date
Closing Level of the Reference Asset:	The closing level of the Reference Asset will be the official closing level of the Reference Asset or any successor index (as defined in the accompanying product prospectus supplement) published by the Index Sponsor (as defined in the accompanying product prospectus supplement) on any trading day for the Reference Asset.
Business Day:	Any day that is a Monday, Tuesday, Wednesday, Thursday or Friday that is neither a legal holiday nor a day on which banking institutions are authorized or required by law to close in New York City or Toronto.
Limited Events of Default:	Notwithstanding anything to the contrary set forth in the prospectus, the only events of default for the Notes are expected to be (i) defaults in the payment of principal or any interest, as applicable, that continue for 30 business days and (ii) certain bankruptcy, insolvency or reorganization events. No other breach or default under our indenture or the Notes will result in an event of default for the Notes or permit the trustee or holders to accelerate the maturity of any debt securities – that is, they will not be entitled to declare the principal amount of any Notes to be immediately due and payable. See "Additional Risk Factors — Notwithstanding Anything to the Contrary Set Forth in the Prospectus, the Indenture Will Provide Only Limited Acceleration and Enforcement Rights for the Notes".

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Trading Day:	For purposes of the Securities, the definition of “trading day” set forth in the product prospectus supplement is superseded. For purposes of the Securities, a “trading day” means a day, as determined by the Calculation Agent, on which (i) the relevant stock exchanges with respect to each security underlying the Reference Asset are scheduled to be open for trading for their respective regular trading sessions and (ii) each related futures or options exchange is scheduled to be open for trading for its regular trading session. The “relevant stock exchange” for any security underlying the Reference Asset means the primary exchange or quotation system on which such security is traded, as determined by the Calculation Agent. The “related futures or options exchange” for the Reference Asset means an exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to the Reference Asset.
U.S. Tax Treatment:	By purchasing a Security, each holder agrees, in the absence of a statutory or regulatory change or an administrative determination or judicial ruling to the contrary, to characterize the Securities, for U.S. federal income tax purposes, as prepaid derivative contracts with respect to the Reference Asset. Based on certain factual representations received from us, our special U.S. tax counsel, Cadwalader, Wickersham & Taft LLP, is of the opinion that it would be reasonable to treat the Securities in the manner described above. However, because there is no authority that specifically addresses the tax treatment of the Securities, it is possible that your Securities could alternatively be treated for tax purposes as a single contingent payment debt instrument, or pursuant to some other characterization and the timing and character of your income from the Securities could differ materially and adversely from the treatment described above, as described further below under “Supplemental Discussion of U.S. Federal Income Tax Consequences” and in the product prospectus supplement under “Supplemental Discussion of U.S. Federal Income Tax Consequences”.
Canadian Tax Treatment:	Please see the discussion in the product prospectus supplement under “Supplemental Discussion of Canadian Tax Consequences,” which applies to the Securities.
Calculation Agent:	TD
Listing:	The Securities will not be listed or displayed on any securities exchange or electronic communications network.
Clearance and Settlement:	DTC global (including through its indirect participants Euroclear and Clearstream, Luxembourg, as described under “Forms of the Debt Securities” and “Book-Entry Procedures and Settlement” in the prospectus).
Canadian Bail-in:	The Securities will not be subject to conversion by the Canada Deposit Insurance Corporation into common shares of TD or any of its affiliates under the Canada Deposit Insurance Corporation Act.

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Investor Considerations

We have designed the Securities for investors who:

- § seek 111% exposure to the upside performance of the Reference Asset if the Final Level is greater than the Initial Level;
- § desire a payment equal to the Principal Amount at maturity if the Final Level is equal to or greater than the Threshold Level (the Percentage Change is 0% or negative, but not below -20%);
- § understand that if the Final Level is less than the Threshold Level, they will have full exposure to the decrease in the level of the Reference Asset and will lose more than 20%, and possibly all, of the Principal Amount;
- § are willing to forgo interest payments on the Securities and dividends on securities comprising the Reference Asset (the "Reference Asset Constituents");
- § are willing to accept the credit risk of TD;
- § seek exposure to the Reference Asset generally and the Reference Asset Constituents specifically; and
- § are willing to hold the Securities until maturity.

The Securities are not designed for, and may not be a suitable investment for, investors who:

- § seek a liquid investment or are unable or unwilling to hold the Securities to maturity;
- § seek full return of the Principal Amount at maturity and are unwilling to accept the risk that, if the Final Level is less than the Threshold Level, they will lose more than 20%, and possibly all, of the Principal Amount;
- § are unwilling to purchase securities with an estimated value that, as of the Pricing Date, is lower than the public offering price, as the lower estimated value set forth on the cover hereof;
- § seek current income in the form of interest payments on the Securities or dividends on the Reference Asset Constituents;
- § seek exposure to the Reference Asset but are unwilling to accept the risk/return trade-offs inherent in the Payment at Maturity for the Securities;
- § are unwilling to accept the credit risk of TD;
- § do not seek exposure to the Reference Asset generally or the Reference Asset Constituents specifically; or
- § prefer the lower risk of fixed income investments with comparable maturities issued by companies with comparable credit ratings.

Additional Terms of Your Securities

You should read this pricing supplement together with the prospectus, as supplemented by the product prospectus supplement, relating to our Senior Debt Securities, Series E, of which these Securities are a part. Capitalized terms used but not defined in this pricing supplement will have the meanings given to them in the product prospectus supplement. In the event of any conflict the following hierarchy will govern: first, this pricing supplement; second, the product prospectus supplement; and last, the prospectus. ***The Securities vary from the terms described in the product prospectus supplement in several important ways. You should read this pricing supplement carefully.***

This pricing supplement, together with the documents listed below, contains the terms of the Securities and supersedes all prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, brochures or other educational materials of ours. You should carefully consider, among other things, the matters set forth in "Additional Risk Factors" beginning on page P-8 of this pricing supplement, "Additional Risk Factors Specific to the Notes" beginning on page PS-5 of the product prospectus supplement and "Risk Factors" on page 1 of the prospectus, as the Securities involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisors before you invest in the Securities. You may access these documents on the Securities and Exchange Commission (the "SEC") website at www.sec.gov as follows (or if that address has changed, by reviewing our filings for the relevant date on the SEC website):

§ Prospectus dated June 30, 2016: https://www.sec.gov/Archives/edgar/data/947263/000119312516638441/d162493d424b3.htm

§ Product Prospectus Supplement MLN-EI-1 dated June 30, 2016: https://www.sec.gov/Archives/edgar/data/947263/000089109216015847/e70323_424b2.htm

Our Central Index Key, or CIK, on the SEC website is 0000947263. As used in this pricing supplement, the "Bank," "we," "us," or "our" refers to The Toronto-Dominion Bank and its subsidiaries. Alternatively, The Toronto-Dominion Bank, any agent or any dealer participating in this offering will arrange to send you the product prospectus supplement and the prospectus if you so request by calling 1-855-303-3234.

Market Disruption Events. For purposes of the Securities, the definition of "market disruption event" and the postponement provisions set forth in the product prospectus supplement are superseded. For purposes of the Securities, a "market disruption event" with respect to the Reference Asset means, any of the following events as determined by the Calculation Agent in its sole discretion:

(A) The occurrence or existence of a material suspension of or limitation imposed on trading by the relevant stock exchanges or otherwise relating to securities which then comprise 20% or more of the level of the Reference Asset or any successor index at any time during the one-hour period that ends at the close of trading on that day, whether by reason of movements in price exceeding limits permitted by those relevant stock exchanges or otherwise.

(B) The occurrence or existence of a material suspension of or limitation imposed on trading by any related futures or options exchange or otherwise in futures or options contracts relating to the Reference Asset or any successor index on any related futures or options exchange at any time during the one-hour period that ends at the close of trading on that day, whether by reason of movements in price exceeding limits permitted by the related futures or options exchange or otherwise.

(C) The occurrence or existence of any event, other than an early closure, that materially disrupts or impairs the ability of market participants in general to effect transactions in, or obtain market values for, securities that then comprise 20% or more of the level of the Reference Asset or any successor index on their relevant stock exchanges at any

time during the one-hour period that ends at the close of trading on that day.

(D) The occurrence or existence of any event, other than an early closure, that materially disrupts or impairs the ability of market participants in general to effect transactions in, or obtain market values for, futures or options contracts relating to the Reference Asset or any successor index on any related futures or options exchange at any time during the one-hour period that ends at the close of trading on that day.

(E) The closure on any exchange business day of the relevant stock exchanges on which securities that then comprise 20% or more of the level of the Reference Asset or any successor index are traded or any related futures or options exchange prior to its scheduled closing time unless the earlier closing time is announced by the relevant stock exchange or related futures or options exchange, as applicable, at least one hour prior to the earlier of (1) the actual closing time for the regular trading session on such relevant stock exchange or related futures or options exchange, as applicable, and (2) the submission deadline for orders to be entered into the relevant stock exchange or related futures or options exchange, as applicable, system for execution at such actual closing time on that day.

(F) The relevant stock exchange for any security underlying the Reference Asset or successor index or any related futures or options exchange fails to open for trading during its regular trading session.

For purposes of determining whether a market disruption event has occurred:

(1) the relevant percentage contribution of a security to the level of the Reference Asset or any successor index will be based on a comparison of (x) the portion of the level of such index attributable to that security and (y) the overall level of the Reference Asset or successor index, in each case immediately before the occurrence of the market disruption event;

(2) the "close of trading" on any trading day for the Reference Asset or any successor index means the scheduled closing time of the relevant stock exchanges with respect to the securities underlying the Reference Asset or successor index on such trading day; provided that, if the actual closing time of the regular trading session of any such relevant stock exchange is earlier than its scheduled closing time on such trading day, then (x) for purposes of clauses (A) and (C) of the definition of "market disruption event" above, with respect to any security underlying the Reference Asset or successor index for which such relevant stock exchange is its relevant stock exchange, the "close of trading" means such actual closing time and (y) for purposes of clauses (B) and (D) of the definition of "market disruption event" above, with respect to any futures or options contract relating to the Reference Asset or successor index, the "close of trading" means the latest actual closing time of the regular trading session of any of the relevant stock exchanges, but in no event later than the scheduled closing time of the relevant stock exchanges;

(3) the "scheduled closing time" of any relevant stock exchange or related futures or options exchange on any trading day for the Reference Asset or any successor index means the scheduled weekday closing time of such relevant stock exchange or related futures or options exchange on such trading day, without regard to after hours or any other trading outside the regular trading session hours; and

(4) an "exchange business day" means any trading day for the Reference Asset or any successor index on which each relevant stock exchange for the securities underlying the Reference Asset or any successor index and each related futures or options exchange are open for trading during their respective regular trading sessions, notwithstanding any such relevant stock exchange or related futures or options exchange closing prior to its scheduled closing time.

If the originally scheduled Valuation Date is not a trading day, the Valuation Date will be postponed to the next succeeding trading day. If a market disruption event occurs or is continuing on the Valuation Date, then the Valuation Date will be postponed to the first succeeding trading day on which a market disruption event has not occurred and is not continuing; however, if such first succeeding trading day has not occurred as of the eighth trading day after the originally scheduled Valuation Date, that eighth trading day shall be deemed to be the Valuation Date. If the Valuation Date has been postponed eight trading days after the originally scheduled Valuation Date and a market disruption event occurs or is continuing on such eighth trading day, the Calculation Agent will determine the closing level of the Reference Asset on such eighth trading day in accordance with the formula for and method of calculating the closing level of the Reference Asset last in effect prior to commencement of the market disruption event, using the closing price (or, with respect to any relevant security, if a market disruption event has occurred with respect to such security, its good faith estimate of the value of such security at the scheduled closing time of the relevant stock exchange for such security or, if earlier, the actual closing time of the regular trading session of such relevant stock exchange) on such date of each security included in the Reference Asset. As used herein, "closing price" means, with respect to any security on any date, the relevant stock exchange traded or quoted price of such security as of the scheduled closing time of the relevant stock exchange for such security or, if earlier, the actual closing time of the regular trading session of such relevant stock exchange.

Unavailability of the Level of the Reference Asset. In addition to the provisions set forth under "Unavailability of the Level of the Reference Asset" beginning on page PS-18 of the accompanying product prospectus supplement, the following provision will also apply for purposes of the Securities:

If on the Valuation Date the Index Sponsor fails to calculate and announce the level of the Reference Asset, the Calculation Agent will calculate a substitute closing level of the Reference Asset in accordance with the formula for and method of calculating the Reference Asset last in effect prior to the failure, but using only those securities that comprised the Reference Asset immediately prior to that failure; *provided* that, if a market disruption event occurs or is continuing on such day, then the provisions set forth above under "—Market Disruption Events" above shall apply in lieu of the foregoing.

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Additional Risk Factors

The Securities involve risks not associated with an investment in conventional debt securities. This section describes the most significant risks relating to the terms of the Securities. For additional information as to these risks, please see "Additional Risk Factors Specific to the Notes" in the product prospectus supplement and "Risk Factors" in the prospectus.

You should carefully consider whether the Securities are suited to your particular circumstances before you decide to purchase them. Accordingly, prospective investors should consult their investment, legal, tax, accounting and other advisors as to the risks entailed by an investment in the Securities and the suitability of the Securities in light of their particular circumstances.

Principal at Risk.

If the Final Level is less than the Threshold Level, investors in the Securities will lose more than 20%, and possibly all, of their Principal Amount. Specifically, if the Final Level is less than the Threshold Level, investors will lose 1% of the Principal Amount of their Securities for each 1% that the Final Level is less than the Initial Level and may lose all of the Principal Amount. For example, if the Reference Asset has declined by 20.1% from the Initial Level to the Final Level, you will not receive any benefit of the contingent downside feature and you will lose 20.1% of the Principal Amount per Security.

The Securities Do Not Pay Interest and Your Return on the Securities May Be Lower Than the Return on a Conventional Debt Security of Comparable Maturity.

There will be no periodic interest payments on the Securities as there would be on a conventional fixed-rate or floating-rate debt security having the same term. The return that you will receive on the Securities, which could be negative, may be less than the return you could earn on other investments. Even if your return is positive, your return may be less than the return you would earn if you bought a conventional senior interest bearing debt security of TD.

Investors Are Subject to TD's Credit Risk, and TD's Credit Ratings and Credit Spreads May Adversely Affect the Market Value of the Securities.

Although the return on the Securities will be based on the performance of the Reference Asset, the payment of any amount due on the Securities is subject to TD's credit risk. The Securities are TD's senior unsecured debt obligations. Investors are dependent on TD's ability to pay all amounts due on the Securities on the Maturity Date and, therefore, investors are subject to the credit risk of TD and to changes in the market's view of TD's creditworthiness. Any decrease in TD's credit ratings or increase in the credit spreads charged by the market for taking TD's credit risk is likely to adversely affect the market value of the Securities. If TD becomes unable to meet its financial obligations as they become due, you may not receive any amounts due under the terms of the Securities.

Notwithstanding Anything to the Contrary Set Forth in the Prospectus, the Indenture Will Provide Only Limited Acceleration and Enforcement Rights for the Notes.

In connection with the implementation of certain Canadian federal statutes, and notwithstanding anything to the contrary set forth in the prospectus, the indenture under which the Notes are issued has been supplemented to provide that, for any Notes of a series issued on or after September 23, 2018, including the Notes offered by this pricing supplement, acceleration will only be permitted if (i) we default in the payment of the principal of, or interest on, any note of that series and, in each case, the default continues for a period of 30 business days, or (ii) certain bankruptcy, insolvency or reorganization events occur. As a result, before you invest in the Notes, you should consider the risk

that your safeguards and your ability to effect remedies under the indenture will be limited. See "Events of Default" herein for additional information.

The Agent Discount, Offering Expenses and Certain Hedging Costs Are Likely to Adversely Affect Secondary Market Prices.

Assuming no changes in market conditions or any other relevant factors, the price, if any, at which you may be able to sell the Securities will likely be lower than the public offering price. The public offering price includes, and any price quoted to you is likely to exclude, the underwriting discount paid in connection with the initial distribution, offering expenses as well as the cost of hedging our obligations under the Securities. In addition, any such price is also likely to reflect dealer discounts, mark-ups and other transaction costs, such as a discount to account for costs associated with establishing or unwinding any related hedge transaction. In addition, because an affiliate of Wells Fargo Securities is to conduct hedging activities for us in connection with the Securities, that affiliate may profit in connection with such hedging activities and such profit, if any, will be in addition to the compensation that the dealer receives for the sale of the Securities to you. You should be aware that the potential to earn fees in connection with hedging activities may create a further incentive for the dealer to sell the Securities to you in addition to the compensation they would receive for the sale of the Securities.

There May Not Be an Active Trading Market for the Securities — Sales in the Secondary Market May Result in Significant Losses.

There may be little or no secondary market for the Securities. The Securities will not be listed or displayed on any securities exchange or electronic communications network. The Agents and their respective affiliates may make a market for the Securities; however, they are not required to do so. The Agents and their respective affiliates may stop any market-making activities at any time. Even if a secondary market for the Securities develops, it may not provide significant liquidity or trade at prices advantageous to you. We expect that transaction costs in any secondary market would be high. As a result, the difference between bid and ask prices for your Securities in any secondary market could be substantial.

If you sell your Securities before the Maturity Date, you may have to do so at a substantial discount from the public offering price irrespective of the level of the Reference Asset, and as a result, you may suffer substantial losses.

If the Level of the Reference Asset Changes, the Market Value of Your Securities May Not Change in the Same Manner.

Your Securities may trade quite differently from the performance of the Reference Asset. Changes in the level of the Reference Asset may not result in a comparable change in the market value of your Securities. Even if the level of the Reference Asset increases above the Initial Level during the life of the Securities, the market value of your Securities may not increase by the same amount and could decline.

The Payment at Maturity Is Not Linked to the Level of the Reference Asset at Any Time Other than the Valuation Date.

The Final Level will be based on the closing level of the Reference Asset on the Valuation Date (subject to adjustment as described elsewhere in this pricing supplement). Therefore, if the closing level of the Reference Asset dropped precipitously on the Valuation Date, the Payment at Maturity for your Securities may be significantly less than it would have been had the Payment at Maturity been linked to the closing level of the Reference Asset prior to such drop in the level of the Reference Asset. Although the actual level of the Reference Asset on the Maturity Date or at other times during the life of your Securities may be higher than its level on the Valuation Date, you will not benefit from the closing level of the Reference Asset at any time other than the Valuation Date.

You Will Not Have Any Rights to the Reference Asset Constituents and the Reference Asset only Reflects Price Return.

As a holder of the Securities, you will not have voting rights or rights to receive cash dividends or other distributions or other rights that holders of the Reference Asset Constituents would have. Furthermore, the Reference Asset measures price return only and is not a total return index or strategy, meaning the Final Level will not reflect any dividends paid on the Reference Asset Constituents.

The Market Value of Your Securities May Be Influenced by Many Unpredictable Factors.

When we refer to the market value of your Securities, we mean the value that you could receive for your Securities if you choose to sell them in the open market before the Maturity Date. A number of factors, many of which are beyond our control, will influence the market value of your Securities, including:

- the level of the Reference Asset;
- the volatility – i.e., the frequency and magnitude of changes – in the level of the Reference Asset;
- the dividend rates, if applicable, of the Reference Asset Constituents;
- economic, financial, regulatory and political, military or other events that may affect the level of the Reference Asset;
- interest rates in the market;
- the time remaining until the Securities mature; and
- our creditworthiness, whether actual or perceived, and including actual or anticipated upgrades or downgrades in our credit ratings or changes in other credit measures.

These factors will influence the price you will receive if you sell your Securities before maturity, including the price you may receive for your Securities in any market-making transaction.

Past Reference Asset Performance is No Guide to Future Performance.

The actual performance of the Reference Asset over the life of the Securities, as well as the Payment at Maturity, may bear little relation to the historical closing levels of the Reference Asset or to the hypothetical return examples set forth elsewhere in this pricing supplement. We cannot predict the future performance of the Reference Asset.

There Are Potential Conflicts of Interest Between You and the Calculation Agent.

The Calculation Agent will, among other things, determine the amount of your payment on the Securities. We will serve as the Calculation Agent and may appoint a different Calculation Agent after the Issue Date without notice to you. The Calculation Agent will exercise its judgment when performing its functions and may take into consideration our ability to unwind any related hedges. For example, the Calculation Agent may have to determine whether a market disruption event affecting the Reference Asset has occurred. This determination may, in turn, depend on the Calculation Agent's judgment whether the event has materially interfered with our ability or the ability of one of our affiliates to unwind our hedge positions. Since this determination by the Calculation Agent will affect the payment on the Securities, the Calculation Agent may have a conflict of interest if it needs to make a determination of this kind. For additional information as to the Calculation Agent's role, see "General Terms of the Notes—Role of Calculation Agent" in the product prospectus supplement.

We Have No Affiliation with the Index Sponsor and Will Not Be Responsible for Any Actions Taken by the Index Sponsor.

The Index Sponsor, as defined under Information Regarding the Reference Asset, is not an affiliate of ours and will not be involved in any offerings of the Securities in any way. Consequently, we have no control of any actions of the Index Sponsor, including any actions of the type that would require the Calculation Agent to adjust the Closing Level of the Reference Asset and, therefore, the Payment at Maturity. The Index Sponsor does not have any obligation of any sort with respect to the Securities. Thus, the Index Sponsor has no obligation to take your interests into consideration for any reason, including in taking any actions that might affect the value of the

Securities. None of our proceeds from any issuance of the Securities will be delivered to the Index Sponsor, except to the extent that we are required to pay the Index Sponsor licensing fees with respect to the Reference Asset.

Trading and Business Activities by the Bank or its Affiliates May Adversely Affect the Market Value of the Securities.

We, the Agents and our respective affiliates may hedge our obligations under the Securities by purchasing securities, futures, options or other derivative instruments with returns linked or related to changes in the level of the Reference Asset and/or the price(s) if one or more Reference Asset Constituents, and we may adjust these hedges by, among other things, purchasing or selling securities, futures, options or other derivative instruments at any time. It is possible that we or one or more of our affiliates could receive substantial returns from these hedging activities while the market value of the Securities declines. We or one or more of our affiliates may also issue or underwrite other securities or financial or derivative instruments with returns linked or related to changes in the Reference Asset or one or more Reference Asset Constituents.

These trading activities may present a conflict between the holders' interest in the Securities and the interests we and our affiliates will have in our or their proprietary accounts, in facilitating transactions, including options and other derivatives transactions, for our or their customers' accounts and in accounts under our or their management. These trading activities could be adverse to the interests of the holders of the Securities.

We, the Agents and our respective affiliates may, at present or in the future, engage in business with one or more issuers of the Reference Asset Constituents (the "Reference Asset Constituent Issuers"), including making loans to or providing advisory services to those companies. These services could include investment banking and merger and acquisition advisory services. These business activities may present a conflict between our, the Agents' and our affiliates' obligations, and your interests as a holder of the Securities. Moreover, we, the Agents or our affiliates may have published, and in the future expect to publish, research reports with respect to the Reference Asset or one or more Reference Asset Constituents. This research is modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the Securities. Any of these activities by us or one or more of our affiliates or the Agents or their affiliates may affect the price of the Reference Asset or one or more Reference Asset Constituents and, therefore, the market value of the Securities and the Payment at Maturity, if any.

Estimated Value

The Estimated Value of Your Securities Is Lower Than the Public Offering Price of Your Securities.

The estimated value of your Securities is lower than the public offering price of your Securities. The difference between the public offering price of your Securities and the estimated value of the Securities reflects costs and expected profits associated with selling and structuring the Securities, as well as hedging our obligations under the Securities. Because hedging our obligations entails risks and may be influenced by market forces beyond our control, this hedging may result in a profit that is more or less than expected, or a loss.

The Estimated Value of Your Securities Is Based on Our Internal Funding Rate.

The estimated value of your Securities is determined by reference to our internal funding rate. The internal funding rate used in the determination of the estimated value of the Securities generally represents a discount from the credit spreads for our conventional fixed-rate debt securities and the borrowing rate we would pay for its conventional fixed-rate debt securities. This discount is based on, among other things, our view of the funding value of the Securities as well as the higher issuance, operational and ongoing liability management costs of the Securities in

comparison to those costs for our conventional fixed-rate debt, as well as estimated financing costs of any hedge positions, taking into account regulatory and internal requirements. If the interest rate implied by the credit spreads for our conventional fixed-rate debt securities, or the borrowing rate we would pay for our conventional fixed-rate debt securities were to be used, we would expect the economic terms of the Securities to be more favorable to you. Additionally, assuming all other economic terms are held constant, the use of an internal funding rate for the Securities is expected to increase the estimated value of the Securities at any time.

The Estimated Value of the Securities Is Based on Our Internal Pricing Models; These May Prove to Be Inaccurate and May Be Different from the Pricing Models of Other Financial Institutions.

The estimated value of your Securities is based on our internal pricing models. Our pricing models take into account a number of variables, such as our internal funding rate on the Pricing Date, and are based on a number of subjective assumptions, which are not evaluated or verified on an independent basis and may or may not materialize. Further, our pricing models may be different from other financial institutions' pricing models and the methodologies used by us to estimate the value of the Securities may not be consistent with those of other financial institutions that may be purchasers or sellers of the Securities in the secondary market. As a result, the secondary market price of your Securities may be materially lower than the estimated value of the Securities determined by reference to our internal pricing models. In addition, market conditions and other relevant factors in the future may change, and any assumptions may prove to be incorrect.

The Estimated Value of Your Securities Is Not a Prediction of the Prices at Which You May Sell Your Securities in the Secondary Market, if Any, and Such Secondary Market Prices, if Any, Will Likely Be Lower Than the Public Offering Price of Your Securities and May Be Lower Than the Estimated Value of Your Securities.

The estimated value of the Securities is not a prediction of the prices at which the Agents, other affiliates of ours or third parties may be willing to purchase the Securities from you in secondary market transactions (if they are willing to purchase, which they are not obligated to do). The price at which you may be able to sell your Securities in the secondary market at any time may be based on pricing models that differ from our pricing models and will be influenced by many factors that cannot be predicted, such as market conditions and any bid and ask spread for similar sized trades, and may be substantially less than our estimated value of

the Securities. Further, as secondary market prices of your Securities take into account the levels at which our debt securities trade in the secondary market and do not take into account our various costs and expected profits associated with selling and structuring the Securities, as well as hedging our obligations under the Securities, secondary market prices of your Securities will likely be lower than the public offering price of your Securities. As a result, the price at which the Agents, other affiliates of ours or third parties may be willing to purchase the Securities from you in secondary market transactions, if any, will likely be lower than the price you paid for your Securities, and any sale prior to the Maturity Date could result in a substantial loss to you.

The Temporary Price at Which We May Initially Buy the Securities in the Secondary Market May Not Be Indicative of Future Prices of Your Securities.

Assuming that all relevant factors remain constant after the Pricing Date, the price at which the Agents may initially buy or sell the Securities in the secondary market (if the Agents make a market in the Securities, which they are not obligated to do) may exceed our estimated value of the Securities on the Pricing Date, as well as the secondary market value of the Securities, for a temporary period after the Pricing Date of the Securities, as discussed further under "Additional Information Regarding Our Estimated Value of the Securities". The price at which the Agents may initially buy or sell the Securities in the secondary market may not be indicative of future prices of your Securities.

The Valuation Date, and Therefore the Maturity Date, May be Postponed In the Case of a Market Disruption Event.

The Valuation Date, and therefore the Maturity Date, may be postponed in the case of a Market Disruption Event or a non-trading day as described herein. For a description of what constitutes a market disruption event as well as the consequences of that market disruption event, see "Additional Terms of Your Securities—Market Disruption Events" in this pricing supplement.

Significant Aspects of the Tax Treatment of the Securities Are Uncertain.

Significant aspects of the U.S. tax treatment of the Securities are uncertain. You should consult your tax advisor about your tax situation and should read carefully the section entitled "Supplemental Discussion of U.S. Federal Income Tax Consequences" below and in the product prospectus supplement under "Supplemental Discussion of U.S. Federal Income Tax Consequences".

For a discussion of the Canadian federal income tax consequences of investing in the Securities, please see the discussion in the product prospectus supplement under "Supplemental Discussion of Canadian Tax Consequences."

If you are not a Non-resident Holder (as that term is defined in the prospectus) for Canadian federal income tax purposes or if you acquire the Securities in the secondary market, you should consult your tax advisors as to the consequences of acquiring, holding and disposing of the Securities and receiving the payments that might be due under the Securities.

Hypothetical Returns

The examples, table and graph set out below are included for illustration purposes only. The **hypothetical** Percentage Changes of the Reference Asset used to illustrate the calculation of the Payment at Maturity (rounded to two decimal places) are not estimates or forecasts of the Final Level or the level of the Reference Asset on any trading day prior to the Maturity Date throughout the term of the Securities. All examples, the table and the graph are based on the Initial Level of 26,554.39, the Threshold Level of 21,243.512 (equal to 80% of the Initial Level), the Leverage Factor of 111%, that a holder purchased each Security at the public offering price of $1,000 and that no market disruption event occurs on the Valuation Date. The actual terms are listed on the cover hereof.

Example 1— Calculation of the Payment at Maturity where the Percentage Change is positive (the Final Level is greater than the Initial Level).

Percentage Change: 10%

Payment at Maturity: $1,000 + ($1,000 x 10% x 111%)

= $1,000 + $111

= $1,111.00

On a $1,000 investment, a 10% Percentage Change results in a Payment at Maturity of $1,111.00, an 11.00% return on the Securities.

Example 2— Calculation of the Payment at Maturity where the Percentage Change is zero or negative, but not below -20% (the Final Level is less than or equal to the Initial Level, but greater than or equal to the Threshold Level).

Percentage Change: -10%

Payment at Maturity: $1,000.00

On a $1,000 investment, a -10% Percentage Change results in a Payment at Maturity of $1,000.00, a 0.00% return on the Securities.

Example 3— Calculation of the Payment at Maturity where the Percentage Change is negative and below -20% (the Final Level is less than the Threshold Level).

Percentage Change: -50%

Payment at Maturity: $1,000 + $1,000 x -50%

= $1,000 - $500

= $500.00

On a $1,000 investment, a -50% Percentage Change results in a Payment at Maturity of $500.00, a -50.00% return on the Securities.

If the Final Level is less than the Threshold Level (the Percentage Change is negative and below -20%), investors will have full exposure to the decrease in the level of the Reference Asset and will lose more than 20%, and possibly all, of the Principal Amount.

TD SECURITIES (USA) LLC WELLS FARGO SECURITIES, LLC

The following table and graph show the return profile for the Securities at the Maturity Date, assuming that the investor purchased the Securities on the Pricing Date and held the Securities until the Maturity Date. The returns illustrated in the following table are not estimates or forecasts of the Percentage Change or the return on the Securities. Neither TD nor either Agent is predicting or guaranteeing any gain or particular return on the Securities.

Hypothetical Final Level	Hypothetical Percentage Change	Hypothetical Payment at Maturity ($)	Hypothetical Return on Securities[2] (%)
37,176.15	40.00%	$1,444.00	44.400%
34,520.71	30.00%	$1,333.00	33.300%
33,192.99	25.00%	$1,277.50	27.750%
31,865.27	20.00%	$1,222.00	22.200%
29,209.83	10.00%	$1,111.00	11.100%
27,882.11	5.00%	$1,055.50	5.550%
27,218.25	2.50%	$1,027.75	2.775%
26,554.39[1]	0.00%	$1,000.00	0.000%
25,226.67	-5.00%	$1,000.00	0.000%
23,898.95	-10.00%	$1,000.00	0.000%
22,571.23	-15.00%	$1,000.00	0.000%
21,243.512[3]	-20.00%	$1,000.00	0.000%
20,977.97	-21.00%	$790.00	-21.00%
18,588.07	-30.00%	$700.00	-30.00%
15,932.63	-40.00%	$600.00	-40.000%
13,277.20	-50.00%		

			2004	2005	2004
Net sales					
Industrial:					
North America	$	929,734	$ 819,243	$ 1,858,965	$ 1,651,581
International		676,526	583,221	1,297,290	1,132,194
Aerospace		345,274	326,961	694,081	658,095
Climate & Industrial Controls		206,003	176,506	420,752	341,976
Total	$	2,157,537	$ 1,905,931	$ 4,271,088	$ 3,783,846
Segment operating income					
Industrial:					
North America	$	130,230	$ 99,862	$ 267,360	$ 219,671
International		68,068	61,615	148,509	128,088
Aerospace		47,322	49,540	102,105	100,834
Climate & Industrial Controls		9,914	8,911	28,530	24,728
Total segment operating income		255,534	219,928	546,504	473,321
Corporate general and administrative expenses		28,489	30,563	57,316	55,869
Income from continuing operations before interest expense and other		227,045	189,365	489,188	417,452
Interest expense		19,587	17,236	36,058	33,415

Other expense	31,934	16,762	73,566	49,999
Income from continuing operations before income taxes	$ 175,524	$ 155,367	$ 379,564	$ 334,038

PARKER-HANNIFIN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in thousands, except per share amounts

1. Management representation

In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of December 31, 2005, the results of operations for the three and six months ended December 31, 2005 and 2004 and cash flows for the six months then ended. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company s 2005 Annual Report on Form 10-K. Interim period results are not necessarily indicative of the results to be expected for the full fiscal year.

2. Adoption of new accounting pronouncements

Effective July 1, 2005, the Company adopted the provisions of FASB Statement No. 151, Inventory Costs an amendment of ARB No. 43, Chapter 4. The implementation of this accounting pronouncement did not have a material effect on the Company s results of operations, financial position or cash flows. Effective July 1, 2005, the Company adopted the provisions of FASB Statement No. 123 (revised 2004), Share-Based Payment. Refer to footnote 3 for further discussion of the adoption of this Statement.

3. Stock incentive plans

On July 1, 2005, the Company adopted the provisions of FASB Statement No. 123 (revised 2004) and elected to use the modified prospective transition method. The modified prospective transition method requires that compensation cost be recognized in the financial statements for all awards granted after the date of adoption as well as for existing awards for which the requisite service has not been rendered as of the date of adoption and requires that prior periods not be restated. The Company s stock incentive plans provide for the granting of nonqualified options and stock appreciation rights (SARs) to officers, directors and key employees of the Company. Outstanding options and SARs are exercisable from one to three years after the date of grant and expire no more than ten years after grant. The Company satisfies stock option and SAR exercises by issuing common shares out of treasury, which have been repurchased pursuant to the Company s share repurchase program described in footnote 6, or through the issuance of previously unissued common shares. Prior to the adoption of FASB Statement No. 123 (revised 2004), the Company used the intrinsic-value based method to account for stock options and made no charges against earnings with respect to options granted. The Company has elected to use the short-cut method to calculate the historical pool of windfall tax benefits upon adoption of FASB Statement 123 (revised 2004). The election to use the short-cut method had no effect on the Company s financial statements.

The adoption of FASB Statement No. 123 (revised 2004) reduced income from continuing operations before income taxes for the second quarter of fiscal 2006 by $5.2 million, reduced net income for the second quarter of fiscal 2006 by $3.4 million ($.03 per basic and diluted share), reduced income from continuing operations before income taxes for the first six months of fiscal 2006 by $22.8 million and reduced net income for the first six months of fiscal 2006 by $14.8 million ($.13 per basic and diluted share). The adoption of this Statement had an immaterial effect on the Statement of Cash Flows for the six months ended December 31, 2005.

3. Stock incentive plans, continued

The following table illustrates the effect on net income and earnings per share as if the fair value based method had been applied to all outstanding and nonvested awards in the period. The total stock-based employee compensation expense for the three months and six months period ending December 31, 2004 were calculated using the non-substantive vesting period approach.

	Three Months Ended December 31, 2004	Six Months Ended December 31, 2004
Net income, as reported	$ 171,127	$ 303,910
Add: Stock-based employee compensation expense included in reported net income, net of tax	5,250	8,104
Deduct: Total stock-based employee compensation expense determined under fair value method, net of tax	8,303	19,431
Pro forma net income	$ 168,074	$ 292,583
Earnings per share:		
Basic as reported	$ 1.44	$ 2.56
Basic pro forma	$ 1.41	$ 2.47
Diluted as reported	$ 1.41	$ 2.52
Diluted pro forma	$ 1.39	$ 2.43

The fair values for the significant stock-based awards granted during the six months ended December 31, 2005 and 2004 were estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	2005	2004
Risk-free rate of return	4.2%	3.5%
Expected life of award	5.4 yrs	4.2 yrs
Expected dividend yield of stock	1.6%	1.7%
Expected volatility of stock	33.2%	32.7%
Weighted-average fair value	$ 21.00	$ 14.97

The expected volatility of stock assumption was derived by referring to changes in the Company s historical common stock prices over a timeframe similar to that of the expected life of the award. The Company has no reason to believe that future stock volatility is likely to differ from historical volatility.

3. Stock incentive plans, continued

Stock-based award activity during the six months ended December 31, 2005 is as follows (aggregate intrinsic value in millions):

	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding at June 30, 2005	8,238,619	$ 45.35		
Granted	1,459,313	65.72		
Exercised	(402,360)	43.88		
Canceled	(43,799)			
Outstanding at December 31, 2005	9,251,773	$ 48.59	6.4 years	$ 161.3
Exercisable at December 31, 2005	6,990,985	$ 44.36	5.7 years	$ 151.5

The total intrinsic value of stock options exercised during the six months ended December 31, 2005 and 2004 was $9.3 million and $44.8 million, respectively. Net cash proceeds from the exercise of stock options were $11.7 million and $31.0 million for the six months ended December 31, 2005 and 2004, respectively. An income tax benefit of $3.1 million and $14.5 million was realized from stock option exercises during the six months ending December 31, 2005 and 2004, respectively.

As of December 31, 2005, $22.1 million of expense with respect to nonvested stock-based awards has yet to be recognized and will be amortized into expense over the employee s remaining requisite service period.

Stock-based award activity for nonvested awards during the six months ended December 31, 2005 is as follows:

	Number of shares	Weighted-average grant date fair value
Nonvested at June 30, 2005	2,830,830	$ 14.73
Granted	1,459,313	21.00
Vested	(1,998,919)	14.72
Canceled	(30,436)	16.42
Nonvested at December 31, 2005	2,260,788	$ 18.79

4. Product warranty

In the ordinary course of business, the Company warrants its products against defect in design, materials and workmanship over various time periods. The warranty accrual as of December 31, 2005 and June 30, 2005 is immaterial to the financial position of the Company and the change in the accrual for the current quarter and first six months of fiscal 2006 is immaterial to the Company s results of operations and cash flows.

5. Earnings per share

The following table presents a reconciliation of the denominator of basic and diluted earnings per share for the three and six months ended December 31, 2005 and 2004.

	Three Months Ended December 31,		Six Months Ended December 31,	
	2005	2004	2005	2004
Numerator:				
Income from continuing operations	$ 129,024	$ 110,413	$ 272,872	$ 236,449
Denominator:				
Basic - weighted average common shares	118,821,006	118,899,161	118,851,843	118,593,863
Increase in weighted average from dilutive effect of exercise of stock options	1,503,162	2,223,794	1,533,925	1,823,630
Diluted - weighted average common shares, assuming exercise of stock options	120,324,168	121,122,955	120,385,768	120,417,493
Basic earnings per share from continuing operations	$ 1.09	$ .93	$ 2.30	$ 1.99
Diluted earnings per share from continuing operations	$ 1.07	$ .91	$ 2.27	$ 1.96

For the three months ended December 31, 2005 and 2004, 2,332,787 and 1,018 common shares subject to stock options, respectively, were excluded from the computation of diluted earnings per share because the effect of their exercise would be anti-dilutive. For the six months ended December 31, 2005 and 2004, 1,815,839 and 289,473 common shares subject to stock options, respectively, were excluded from the computation of diluted earnings per share because the effect of their exercise would be anti-dilutive.

6. Stock repurchase program

The Company has a program to repurchase up to 1 million of the Company s common shares per year on the open market, at prevailing prices, including the systematic repurchase of no less than $10 million in common shares each fiscal quarter. Repurchases are primarily funded from operating cash flows and the shares are initially held as treasury stock. During the three-month period ended December 31, 2005, the Company repurchased 205,300 shares of its common stock at an average price of $62.13 per share. Year-to-date, the Company has repurchased 375,400 shares at an average price of $63.04 per share. In January 2006, the Company s Board of Directors increased the authorization to repurchase up to 10 million shares of its common stock, including shares yet to be repurchased under prior authorizations.

7. Debt

During the second quarter of fiscal 2006, the Company issued EUR 400 million Eurobonds in the European debt capital market. EUR 200 million Eurobonds bear interest of 3.5 percent and will mature in a balloon payment in November 2010 and EUR 200 million Eurobonds bear interest of 4.125 percent and will mature in a balloon payment in November 2015. The proceeds from the Eurobonds were used to retire EUR 300 million of Euro Notes that became due in November 2005 and the balance of the proceeds were used for general corporate purposes.

8. Comprehensive income

The Company s items of other comprehensive income (loss) are foreign currency translation adjustments and unrealized gains (losses) on marketable equity securities and cash flow hedges. Comprehensive income for the three and six months ended December 31, 2005 and 2004 was as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2005	2004	2005	2004
Net income	$ 129,024	$ 171,127	$ 301,756	$ 303,910
Foreign currency translation adjustments	6,640	102,033	(15,183)	130,175
Realized (gains) losses on marketable equity securities	(9)	(7)	(18)	34
Unrealized gains (losses) on marketable equity securities	(1)	16	(8)	(10,735)
Realized loss on cash flow hedges	40		40	
Unrealized gain on cash flow hedges	4,667		5,161	
Comprehensive income	$ 140,361	$ 273,169	$ 291,748	$ 423,384

The unrealized gains (losses) on marketable equity securities are net of taxes of $1 and $5 for the three and six months ended December 31, 2005, respectively, and $10 and $6,450 for the three and six months ended December 31, 2004, respectively. The realized (gains) losses on marketable equity securities are net of taxes of $6 and $11 for the three and six months ended December 31, 2005, respectively, and $4 and $21 for the three and six months ended December 31, 2004, respectively and are reflected in the Other expense (income), net caption in the Consolidated Statement of Income.

The unrealized gain on cash flow hedges is net of taxes of $2,800 and $3,116 for the three and six months ended December 31, 2005, respectively. The realized loss on cash flow hedges is net of taxes of $24 for both the three and six months ended December 31, 2005, and is reflected in the Interest expense caption in the Consolidated Statement of Income.

9. Business realignment charges

During the second quarter of fiscal 2006, the Company recorded a $3,914 charge ($2,442 after-tax or $.02 per share) for the costs to structure its businesses in light of current and anticipated customer demand. The Company believes the realignment actions will positively impact future results of operations but will have no material effect on liquidity and sources and uses of capital. The charge primarily consists of severance costs and costs to relocate machinery and equipment. The severance costs are attributable to 135 employees in the Industrial Segment. Some of the severance payments have been made with the remaining payments expected to be made by June 30, 2006. The business realignment costs are presented in the Cost of sales caption in the Consolidated Statement of Income for the three months ended December 31, 2005.

9. Business realignment charges, continued

During the first six months of fiscal 2006, the Company recorded charges of $6,684 ($4,174 after-tax or $.03 per share) for business realignment costs related to the Industrial Segment and Climate & Industrial Controls Segment. The business realignment costs are presented in the Consolidated Statement of Income for the six months ended December 31, 2005 as follows: $5,776 in Cost of sales and $908 in Selling, general and administrative expenses.

During the second quarter of fiscal 2005, the Company recorded a $1,056 charge ($708 after-tax or $.01 per share) for the costs to structure its businesses in light of current and anticipated customer demand. The Company believed the realignment actions will positively impact future results of operations but would not have a material effect on liquidity and sources and uses of capital. The charge primarily related to severance costs attributable to 35 employees in the Industrial Segment. All severance payments have been made as originally planned. The business realignment costs are primarily presented in the Cost of sales caption in the Consolidated Statement of Income for the three months ended December 31, 2004.

During the first six months of fiscal 2005, the Company recorded charges of $2,515 ($1,618 after-tax or $.02 per share) for business realignment costs primarily related to the Industrial Segment. The business realignment costs are presented in the Consolidated Statement of Income for the six months ended December 31, 2004 as follows: $2,075 in Cost of sales and $440 in Selling, general and administrative expenses.

10. Goodwill and intangible assets

The changes in the carrying amount of goodwill for the six months ended December 31, 2005 are as follows:

	Industrial Segment	**Aerospace Segment**	**Climate & Industrial Controls Segment**	**Total**
Balance June 30, 2005	$ 1,028,660	$ 79,575	$ 262,789	$ 1,371,024
Acquisitions	617,486		51,257	668,743
Foreign currency translation	(15,715)	(147)	(326)	(16,188)
Divestitures	(7,551)			(7,551)
Goodwill adjustments	(3,556)		124	(3,432)
Balance December 31, 2005	$ 1,619,324	$ 79,428	$ 313,844	$ 2,012,596

Goodwill adjustments primarily represent final adjustments to the purchase price allocation for acquisitions completed within the last twelve months.

Intangible assets are amortized on the straight-line method over their legal or estimated useful lives. The following summarizes the gross carrying value and accumulated amortization for each major category of intangible assets:

	December 31, 2005		June 30, 2005	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents	$ 95,545	$ 20,337	$ 48,973	$ 17,598
Trademarks	157,789	9,716	93,471	7,137
Customer lists and other	234,022	28,671	142,797	20,615
Total	$ 487,356	$ 58,724	$ 285,241	$ 45,350

10. Goodwill and intangible assets, continued

Total intangible amortization expense for the six months ended December 31, 2005 was $14,116. The estimated amortization expense for the five years ending June 30, 2006 through 2010 is $31,124, $29,901, $28,403, $27,231 and $26,872, respectively. At this time, the estimated amortization expense does not include all amortization expense related to fiscal 2006 acquisitions as all purchase price allocations have not been completed.

11. Retirement benefits

Net periodic pension cost recognized included the following components:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2005	2004	2005	2004
Service cost	$ 19,291	$ 14,242	$ 39,384	$ 32,453
Interest cost	33,669	32,677	66,745	64,964
Expected return on plan assets	(37,330)	(33,884)	(73,226)	(67,075)
Net amortization and deferral and other	22,709	13,280	43,421	31,703
Net periodic benefit cost	$ 38,339	$ 26,315	$ 76,324	$ 62,045

Postretirement benefit cost included the following components:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2005	2004	2005	2004
Service cost	$ 455	$ 485	$ 1,029	$ 930
Interest cost	1,148	1,572	2,779	3,206
Net amortization and deferral and other	(62)	(7)	131	119
Net periodic benefit cost	$ 1,541	$ 2,050	$ 3,939	$ 4,255

12. Acquisitions and divestitures

In December 2005, the Company completed its acquisition of Kenmore International, a manufacturer and distributor of components for global refrigeration and air conditioning markets. In November 2005, the Company completed its purchase of the domnick hunter group, plc. The domnick hunter group specializes in the design and manufacture of filtration, separation, and purification products and technologies for a wide range of markets. In August 2005, the Company acquired SSD, a manufacturer of AC and DC drives, as well as servo drives, motors and systems for leading original equipment manufacturers, end users, and integrators in automated industrial process applications. Aggregate annual

sales for these and other businesses acquired during the first six months of fiscal 2006, for their most recent fiscal year prior to acquisition, were approximately $703 million. Total purchase price for all businesses acquired during the first six months of fiscal 2006 was approximately $818 million in cash and $218 million in assumed debt. The purchase price allocations for fiscal 2006 acquisitions are preliminary and will require subsequent adjustment.

12. Acquisitions and divestitures, continued

In December 2005, the Company completed the divestiture of its Thermoplastics division. The Thermoplastics division was part of the Industrial Segment for segment reporting purposes. This divestiture resulted in a loss of $11,018 ($9,770 after-tax or $.08 per share) and is reflected in Other expense (income), net in the Consolidated Statement of Income. The results of operations and net assets of the Thermoplastics division were immaterial to the consolidated results of operations and financial position of the Company.

In August 2005, the Company divested a business unit which manufactured custom-engineered buildings. In December 2004, the Company divested a business unit which develops and manufactures chemical car care products and maintenance equipment. These businesses were part of the Other Segment for segment reporting purposes. The following results of operations for these business units have been presented as discontinued operations for all periods presented.

	Three Months Ended December 31,		**Six Months Ended December 31,**	
	2005	**2004**	**2005**	**2004**
Net sales		$ 65,217	$ 21,672	$ 134,495
Earnings before income taxes		7,677	1,517	17,685
Net income		5,362	1,131	12,109
Gain on disposal (net of taxes of $3,429 in 2005 and $11,147 in 2004)		$ 55,352	$ 27,753	$ 55,352

As of December 31, 2005, there were no assets or liabilities remaining from the discontinued operations. The net assets of the discontinued operations as of June 30, 2005 primarily consisted of the following:

Asset (liability)	**June 30, 2005**
Accounts receivable	$ 15,605
Inventory	13,917
Goodwill	72,787
Property, plant and equipment, net	10,569
Accounts payable	(15,206)
Accrued taxes	(7,978)
Other liabilities	$ (5,138)

PARKER-HANNIFIN CORPORATION

FORM 10-Q

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2005

AND COMPARABLE PERIODS ENDED DECEMBER 31, 2004

OVERVIEW

The Company is a leading worldwide diversified manufacturer of motion control technologies and systems, providing precision engineered solutions for a wide variety of commercial, mobile, industrial and aerospace markets.

The Company s order rates are highly indicative of the Company s future revenues and thus a key metric for future performance. The Company publishes its order rates on a monthly basis. The lead time between the time an order is received and revenue is realized generally ranges from one day to 12 weeks for commercial, mobile and industrial orders and three to 18 months for aerospace orders.

The Company believes the leading economic indicators of these markets that have a strong correlation to the Company s future order rates are the Institute of Supply Management (ISM) index of manufacturing activity with respect to commercial, mobile and industrial markets and aircraft miles flown, revenue passenger miles and Department of Defense spending for aerospace markets. An ISM index above 50 indicates that the manufacturing economy is expanding resulting in the expectation that the Company s order rates in the commercial, mobile and industrial markets should be increasing. The ISM index at the end of December 2005 was 54.2 compared to 53.8 at the end of June 2005. With respect to the aerospace market, aircraft miles flown and passenger miles continue to show improvement over comparable fiscal 2005 levels while Department of Defense spending is expected to increase in the mid-single-digit range over comparable fiscal 2005 levels.

The Company also believes that there is a high correlation between interest rates and industrial manufacturing activity. The Federal Reserve raised the federal funds rate five times during fiscal 2006 and eight times during fiscal 2005. Recent and future increases in interest rates could have a negative impact on industrial production thereby lowering future order rates.

The Company s major opportunities for growth are as follows:

Leverage the Company s broad product line with customers desiring to consolidate their vendor base and outsource engineering,

Marketing systems solutions for customer applications,

Expand the Company s business presence outside of North America,

New product introductions, including those resulting from the Company s innovation initiatives, and

Strategic acquisitions in a consolidating industry.

The financial condition of the Company remains strong as evidenced by the continued generation of substantial cash flows from operations, a debt to debt-equity ratio of 31.0 percent, ample borrowing capabilities and strong credit ratings. Cash flow from operations for the first six months of fiscal 2006 were $430 million or 10.1% of sales.

Many acquisition opportunities remain available to the Company within its target markets. During the first six months of fiscal 2006, the Company completed nine acquisitions whose aggregate annual revenues were approximately $703 million. The Company believes that future financial results will reflect the

benefit of a fast and efficient integration of the companies recently acquired. Acquisitions will continue to be considered from time to time to the extent there is a strong strategic fit, while at the same time, maintaining the Company s strong financial position. The Company will also continue to assess the strategic fit of its existing businesses and initiate efforts to divest businesses that are not considered to be a good long-term fit for the Company, as evidenced by the divestitures completed in the first six months of fiscal 2006.

Current challenges facing the Company include maintaining premier customer service levels while benefiting from strong customer demand, successfully matching price increases to raw material price increases and the rising expenses related to employee retirement and health care benefits. The Company has implemented a number of strategic financial performance initiatives relating to growth and margin improvement in order to meet these challenges, including strategic procurement, strategic pricing, lean manufacturing and business realignments.

The discussion below is structured to provide a separate analysis of the Consolidated Statement of Income, Results by Business Segment, Balance Sheet and Statement of Cash Flows.

CONSOLIDATED STATEMENT OF INCOME

	Three months ended December 31,		Six months ended December 31,	
(dollars in millions)	**2005**	**2004**	**2005**	**2004**
Net sales	$ 2,157.5	$ 1,905.9	$ 4,271.1	$ 3,783.8
Gross profit	$ 451.9	$ 389.0	$ 909.7	$ 789.2
Gross profit margin	20.9%	20.4%	21.3%	20.9%
Selling, general and administrative expenses	$ 245.8	$ 217.9	$ 482.9	$ 412.3
Selling, general and administrative expenses, as a percent of sales	11.4%	11.4%	11.3%	10.9%
Interest expense	$ 19.6	$ 17.2	$ 36.1	$ 33.4
Other expense (income), net	$ 10.9	$ (1.4)	$ 11.2	$ 9.5
Effective tax rate from continuing operations	26.5%	28.9%	28.1%	29.2%
Income from continuing operations	$ 129.0	$ 110.4	$ 272.9	$ 236.4
Income from continuing operations, as a percent of sales	6.0%	5.8%	6.4%	6.2%
Discontinued operations		$ 60.7	$ 28.9	$ 67.5
Backlog	$ 2,494.9	$ 2,234.9	$ 2,494.9	$ 2,234.9

Net sales for the second quarter and first six months of fiscal 2006 increased 13.2 percent and 12.9 percent, respectively, over the comparable prior year net sales amounts reflecting higher volume experienced in all Segments. Acquisitions in the last 12 months contributed about 64 percent of the net sales increase in the current-year quarter and about 61 percent of the increase for the first six months of fiscal 2006. The effect of currency rate changes reduced net sales by approximately $47 million and $29 million in the current-year quarter and first six months of fiscal 2006, respectively.

Gross profit margin increased in the second quarter and first six months of fiscal 2006 due to a combination of the increase in sales as well as the effects of the Company s financial performance initiatives, especially in the areas of strategic procurement and lean manufacturing. Included in the current-year quarter and first six months of fiscal 2006 gross profit is $1.9 million and $6.5 million, respectively, of expense related to stock-based compensation awards. Also included in gross profit are business realignment charges of $3.8 million and $1.0 million in the current-year quarter and prior-year quarter, respectively, and $5.8 million and $2.1 million for the first six months of fiscal 2006 and 2005, respectively (see Note 9 on page 10 for further discussion).

Selling, general and administrative expenses increased for the current-year quarter and first six months of fiscal 2006 primarily due to the higher sales volume, expenses related to stock-based compensation awards, which amounted to $3.3 million in the current-year quarter and $16.3 million in the first six months of fiscal 2006, and higher amortization expense related to intangible assets.

Interest expense for the current-year quarter increased 13.6 percent from the prior-year quarter and increased 7.9 percent from the first six months of fiscal 2005. The increase in expense is primarily due to higher average debt outstanding resulting from an increase in borrowings required to fund the higher level of acquisition activity in both the current-year quarter and first six months of fiscal 2006.

Other expense (income), net for the current-year quarter and first six months of fiscal 2006 includes a loss of $11.0 million resulting from the sale of the Thermoplastics division. Other expense (income), net for the first six months of fiscal 2005 includes an $8.8 million expense related to the writedown of a real estate investment.

Effective tax rate from continuing operations for the current-year quarter and first six months of fiscal 2006 is lower primarily due to international tax planning initiatives.

Income from continuing operations for the current-year quarter and first six months of fiscal 2006 was adversely affected by an additional expense of approximately $5.6 million and $6.4 million, respectively, related to domestic qualified defined benefit plans, resulting primarily from changes in actuarial assumptions and the amortization of actuarial losses. The additional pension expense for the first six months of fiscal 2005 includes the recognition of a one-time curtailment loss of $4.6 million.

Discontinued operations represents the operating results and related gain on the sale, net of tax of the Astron Buildings business which was divested in August 2005 and the Wynn s Specialty Chemical business which was divested in December 2004.

Backlog increased from the prior year due to an increase in order rates throughout most businesses in the Industrial North American, Aerospace and Climate & Industrial Controls Segments as well as the effect of acquisitions. Backlog increased from the June 30, 2005 amount of $2,304.2 million due to order rates exceeding shipments during the first six months of fiscal 2006, especially in the Aerospace and Climate & Industrial Controls Segments.

RESULTS BY BUSINESS SEGMENT

Industrial Segment

	Three months ended December 31,		Six months ended December 31,	
(dollars in millions)	**2005**	**2004**	**2005**	**2004**
Net sales				
North America	$ 929.7	$ 819.2	$ 1,859.0	$ 1,651.6

International	676.5	583.2	1,297.3	1,132.2
Operating income				
North America	130.2	99.9	267.4	219.7
International	$ 68.1	$ 61.6	$ 148.5	$ 128.1
Operating income, as a percent of net sales				
North America	14.0%	12.2%	14.4%	13.3%
International	10.1%	10.6%	11.4%	11.3%
Backlog	$ 1,062.9	$ 929.1	$ 1,062.9	$ 929.1

The Industrial Segment operations experienced the following percentage changes in net sales in the current year compared to the equivalent prior-year period:

	Period ending December 31	
	Three months	Six months
Industrial North America as reported	13.5%	12.6%
Acquisitions	7.9%	7.1%
Currency	0.3%	0.5%
Industrial North America without acquisitions and currency	5.3%	5.0%
Industrial International as reported	16.0%	14.6%
Acquisitions	16.2%	11.8%
Currency	(7.7)%	(3.1)%
Industrial International without acquisitions and currency	7.5%	5.9%
Total Industrial Segment as reported	14.5%	13.4%
Acquisitions	11.4%	9.0%
Currency	(3.1)%	(1.0)%
Total Industrial Segment without acquisitions and currency	6.2%	5.4%

The above presentation reconciles the percentage changes in net sales of the Industrial operations reported in accordance with U.S. GAAP to percentage changes in net sales adjusted to remove the effects of acquisitions made within the prior four fiscal quarters as well as the effects of currency exchange rates. The effects of acquisitions and currency exchange rates are removed to allow investors and the Company to meaningfully evaluate the percentage changes in net sales on a comparable basis from period to period.

Excluding the effects of acquisitions and currency-rate changes, the increase in Industrial North American sales for the current-year quarter and first six months of fiscal 2006 reflects higher end-user demand experienced across most of the Industrial North American markets, particularly in the heavy-duty truck, construction, industrial machine tool and mobile equipment markets partially offset by lower demand in the microelectronics market. Excluding the effects of acquisitions and currency-rate changes, the increase in Industrial International sales for the current-year quarter and first six months of fiscal 2006 is attributed to higher volume across most markets in Europe and the Asia Pacific region partially offset by lower volume in Latin America.

Industrial North American and Industrial International margins for the current-year quarter and first six months of fiscal 2006 benefited from the higher sales volume and the execution of the Company s financial performance initiatives, especially in the area of strategic procurement and lean manufacturing. Acquisitions, not yet fully integrated, negatively impacted Industrial North American and Industrial International margins in the current-year quarter and first six months of fiscal 2006.

The increase in backlog from a year ago and the June 30, 2005 amount of $943.9 million is primarily due to acquisitions.

The Company anticipates sales volume in the Industrial North American operations for the remainder of fiscal 2006 to exceed comparable fiscal 2005 levels at the same rate as the first six months of fiscal 2006. Sales volume in the Industrial International operations for the remainder of fiscal 2006 is expected to exceed the rate by which sales for the first six months of fiscal 2006 exceeded the comparable fiscal 2005 levels by approximately 20 percent. For the balance of fiscal 2006, Industrial North American and Industrial International operating margins are expected to remain at their current fiscal year-to-date level.

The Company expects to continue to take the actions necessary to structure appropriately the Industrial Segment operations to operate in their current economic environment. Such actions may include the necessity to record additional business realignment charges in fiscal 2006.

Aerospace Segment

	Three months ended December 31,		Six months ended December 31,	
(dollars in millions)	**2005**	**2004**	**2005**	**2004**
Net sales	$ 345.3	$ 327.0	$ 694.1	$ 658.1
Operating income	$ 47.3	$ 49.5	$ 102.1	$ 100.8
Operating income, as a percent of net sales	13.7%	15.2%	14.7%	15.3%
Backlog	$ 1,270.5	$ 1,155.5	$ 1,270.5	$ 1,155.5

The increase in sales in the Aerospace Segment for the current-year quarter and first six months of fiscal 2006 is primarily due to an increase in both military and commercial original equipment manufacturer (OEM) and aftermarket volume. The lower margins in the current-year quarter and first six months of fiscal 2006 were primarily due to a higher concentration of sales occurring in the commercial and military OEM businesses as well as a higher level of engineering costs incurred for new programs.

The increase in backlog from a year ago and the June 30, 2005 amount of $1,229.4 million is due to higher order rates experienced in both the commercial and military businesses. The Company anticipates sales volume in the Aerospace operations for the remainder of fiscal 2006 to exceed comparable fiscal 2005 levels at a slightly higher rate than the first six months of fiscal 2006 and expects operating margins to remain at the current year-to-date level. A higher concentration of commercial OEM volume in future product mix could result in lower margins.

Climate & Industrial Controls Segment

	Three months ended December 31,		Six months ended December 31,	
(dollars in millions)	**2005**	**2004**	**2005**	**2004**
Net sales	$ 206.0	$ 176.5	$ 420.8	$ 342.0
Operating income	$ 9.9	$ 8.9	$ 28.5	$ 24.7
Operating income, as a percent of net sales	4.8%	5.0%	6.8%	7.2%
Backlog	$ 161.5	$ 150.3	$ 161.5	$ 150.3

The Climate & Industrial Controls Segment operations experienced the following percentage changes in net sales in the current year compared to the equivalent prior-year period:

	Period ending December 31	
	Three months	Six months
CIC Segment as reported	16.7%	23.0%
Acquisitions	1.4%	13.6%
Currency	(0.9)%	0.2%
CIC Segment without acquisitions and currency	16.2%	9.2%

The above presentation reconciles the percentage changes in net sales of the Climate & Industrial Controls Segment reported in accordance with U.S. GAAP to percentage changes in net sales adjusted to remove the effects of acquisitions made within the prior four fiscal quarters as well as the effects of currency exchange rates. The effects of acquisitions and currency exchange rates are removed to allow investors and the Company to meaningfully evaluate the percentage changes in net sales on a comparable basis from period to period.

Excluding the effects of acquisitions and currency-rate changes, the increase in sales in the Climate & Industrial Controls Segment is primarily due to higher end-user demand in the commercial air conditioning market, which is being driven in part by energy efficiency legislation. The decrease in margins is primarily due to business realignment charges incurred in the current-year quarter and first six months of fiscal 2006.

The increase in backlog from the prior-year quarter is primarily due to acquisitions as well as higher order rates in the residential and commercial air conditioning markets. For the remainder of fiscal 2006, sales are expected to increase at a lower rate over the comparable fiscal 2005 levels and operating margins are expected to increase in the mid-double-digit range resulting in total fiscal 2006 operating margins being at or slightly below the total fiscal 2005 level. Current business realignment activities are taking longer to complete than originally anticipated resulting in the realization of the cost savings from these activities being delayed until fiscal 2007. The Company expects to continue to take the actions necessary to structure appropriately the Climate & Industrial Controls Segment operations to operate in their current economic environment. Such actions may include the necessity to record additional business realignment charges in fiscal 2006.

Corporate general and administrative expenses were $28.5 million in the current-year quarter compared to $30.6 million for the prior-year quarter and were $57.3 million for the first six months of fiscal 2006 compared to $55.9 million for the first six months of fiscal 2005. As a percent of sales, corporate general and administrative expenses for the current-year quarter decreased to 1.3 percent compared to 1.6 percent for the prior-year quarter and decreased to 1.3 percent for the first six months of fiscal 2006 compared to 1.5 percent for the first six months of fiscal 2005. The fluctuation in the level of corporate general and administrative expenses in both the current-year quarter and first six months of fiscal 2006 is primarily attributable to expenses associated with incentive compensation and income from insurance recoveries.

Included in Other expense (in the Business Segment Results by Industry) in the current-year quarter and first six months of fiscal 2006 is $5.2 million and $22.8 million, respectively, of expense related to stock-based compensation awards and a $11.0 million loss resulting from the sale of the Thermoplastics division. Other expense for the current-year quarter and first six months of fiscal 2006 includes $12.9 million and $25.2 million, respectively, of pension expense compared to $5.9 million and $16.6 million for the prior-year quarter and first six months of fiscal 2005, respectively. Included in Other expense for the first six months of 2005 is an $8.8 million expense associated with the writedown of a real estate investment.

DISCONTINUED OPERATIONS

In August 2005, the Company divested a business unit which manufactured custom-engineered buildings. In December 2004, the Company divested a business unit which developed and manufactured chemical

car care products and maintenance equipment. These businesses were the remaining businesses of the Other Segment for segment reporting purposes, which has now been eliminated. The following results of operations for these business units have been presented as discontinued operations for all periods presented.

	Three months ended December 31,		Six months ended December 31,	
(dollars in millions)	**2005**	**2004**	**2005**	**2004**
Net sales		$ 65,217	$ 21,672	$ 134,495
Operating income, net of taxes		5,362	1,131	12,109
Gain on sale of discontinued operations, net of taxes		55,352	27,753	55,352
Income from discontinued operations		$ 60,714	$ 28,884	$ 67,461

BALANCE SHEET

(in millions)	**December 31, 2005**	**June 30, 2005**
Accounts receivable	$ 1,250.4	$ 1,225.4
Inventories	1,153.5	1,017.0
Plant and equipment, net of accumulated depreciation	1,643.9	1,581.3
Goodwill	2,012.6	1,371.0
Intangible assets, net	428.6	239.9
Other assets	807.9	831.6
Accounts payable, trade	584.3	569.0
Accrued liabilities	563.6	602.0
Accrued domestic and foreign taxes	64.5	97.9
Shareholders equity	3,607.4	3,340.1
Working capital	$ 1,155.9	$ 1,454.9
Current ratio	1.66	2.12

Accounts receivable are primarily receivables due from customers for sales of product ($1,144.6 million at December 31, 2005 and $1,111.1 million at June 30, 2005). Accounts receivable increased during the first half of fiscal 2006 primarily due to acquisitions partially offset by a lower level of sales in the latter part of the second quarter as a result of fewer work days due to the holiday season. Days sales outstanding relating to trade accounts receivable increased to 49 days from 47 days during the first six months of fiscal 2006.

Inventories increased $136.5 million since June 30, 2005 primarily due to acquisitions, with days supply increasing to 71 days from 65 days at June 30, 2005.

Goodwill and Intangible assets, net both increased primarily as a result of current-year acquisitions.

Plant and equipment, net of accumulated depreciation, increased primarily due to plant and equipment acquired in current-year acquisitions partially offset by depreciation exceeding capital expenditures.

Other assets decreased since June 30, 2005 primarily as a result of decreases in qualified benefit plan assets, partially offset by an increase in deferred income taxes. Deferred income taxes increased primarily due to the tax effect of pensions and stock compensation expense.

Accounts payable, trade increased from June 30, 2005 due to acquisitions.

Accrued liabilities decreased primarily as a result of the payment of fiscal 2005 incentive compensation during the current-year first quarter, the settlement of interest rate swap agreements and lower accrued interest, partially offset by an increase due to acquisitions. Accrued interest was lower than June 30, 2005 due to the repayment of EUR 300 million of Euro Notes in November 2005.

Accrued domestic and foreign taxes decreased primarily due to the payment of estimated income taxes for fiscal 2006 during the current-year quarter.

Due to the strengthening of the dollar, foreign currency translation adjustments resulted in a decrease in shareholders equity of $15.2 million during the first half of fiscal 2006. The translation adjustments primarily affected Accounts receivable, Inventories, Plant and equipment, Goodwill, Other Assets, Net assets of discontinued operations, Long-term debt and Pensions and other postretirement benefits.

STATEMENT OF CASH FLOWS

	Six months ended December 31,	
(in millions)	**2005**	**2004**
Cash provided by (used in):		
Operating activities	$ 429.5	$ 354.4
Investing activities	(824.4)	(425.2)
Financing activities	381.9	18.1
Discontinued operations	(9.3)	(19.1)
Effect of exchange rates	(0.4)	4.8
Net (decrease) in cash and cash equivalents	$ (22.7)	$ (67.0)

Cash flows from operating activities - The increase in net cash provided by operating activities in fiscal 2006 is primarily due to a decrease in net income from discontinued operations and the non-cash charge related to stock-based compensation. Net cash provided by operating activities also increased due to working capital items, primarily accrued domestic and foreign taxes and accounts payable, trade, partially offset by accounts receivable, net and various accrual accounts.

Cash flow used in investing activities - The increase in the amount of cash used in investing activities in fiscal 2006 is attributable primarily to an increase in acquisition activity. Capital expenditures increased $27.6 million in fiscal 2006, and proceeds from the sale of businesses decreased. Included in Other in fiscal 2005 is the write down of a real estate investment.

Cash flow from financing activities - In fiscal 2006, the Company increased its outstanding borrowings by a net total of $434.8 million compared to an increase of $42.9 million in fiscal 2005, primarily due to increased acquisition activity. Included in the current-year repayment of borrowings is debt assumed in acquisitions. Common stock activity provided cash of $1.8 million in fiscal 2006 compared to providing cash of $20.3 million in fiscal 2005. The decrease in cash provided by common stock activity in fiscal 2006 is primarily due to the level of share repurchase and stock option activity between periods.

During the second quarter of fiscal 2006, the Company issued EUR 400 million Eurobonds in the European debt capital market. EUR 200 million Eurobonds bear interest of 3.5 percent and will mature in a balloon payment in November 2010 and EUR 200 million Eurobonds bear interest of 4.125 percent and will mature in a balloon payment in November 2015. The proceeds from the Eurobonds were used to retire EUR 300 million of Euro Notes that became due in November 2005 and the balance of the proceeds were used for general corporate purposes.

Excluded from Cash flows from financing activities is an increase in book overdrafts of $15.2 million for the current-year first six months and an increase in book overdrafts of $17.0 million for the prior-year first six months. These cash flows are included in Accounts payable, trade in Cash flows from operating activities. The book overdrafts result from a delay in sweeping cash from one bank to another and are settled the next business day; therefore, the book overdrafts are not considered bank borrowings by the Company.

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. As a means of achieving 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 (in millions)	**December 31, 2005**	**June 30, 2005**
Debt	$ 1,617.0	$ 970.4
Debt & equity	$ 5,224.4	$ 4,310.5
Ratio	31.0%	22.5%

The Company has a line of credit totaling $1,025 million through a multi-currency revolving credit agreement with a group of banks, of which $583.5 million was available as of December 31, 2005. The Company has the right, no more than once a year, to increase the facility amount, in minimum increments of $25 million up to a maximum facility amount of $1,250 million. The credit agreement expires September 2010, however the Company has the right to request a one-year extension of the expiration date on an annual basis. The credit agreement supports the Company s commercial paper note program, which is rated A-1 by Standard & Poor s, P-1 by Moody s and F-1 by Fitch, Inc. These ratings are considered investment grade. The revolving credit agreement requires a facility fee of 5/100ths of one percent of the commitment per annum at the Company s present rating level. The revolving credit agreement contains provisions that increase the facility fee of the credit agreement in the event the Company s credit ratings are lowered. A lowering of the Company s credit ratings would not limit the Company s ability to use the credit agreement nor would it accelerate the repayment of any outstanding borrowings.

The Company s revolving credit agreement and certain debt agreements contain certain financial and other covenants, the violation of which would limit or preclude the use of the agreements for future borrowings. At the Company s present rating level, the most restrictive financial covenant provides that the ratio of secured debt to net tangible assets be less than 10 percent. As of December 31, 2005, the ratio of secured debt to net tangible assets was less than one percent. The Company is in compliance with all covenants and expects to remain in compliance during the term of the agreements.

The Company anticipates making a cash contribution of approximately $100 million to $110 million, the majority of which is voluntary, to its qualified defined benefit plans during the third quarter of fiscal 2006. The majority of the cash contribution will be made to the North American plans. The Company anticipates funding this contribution primarily using its commercial paper note program.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The following critical accounting policy should be read in conjunction with the critical accounting policies discussed in the Company s 2005 Annual Report on Form 10-K .

Stock-based compensation The computation of the expense associated with stock-based compensation requires the use of a valuation model. The Company currently uses a Black-Scholes option pricing model to calculate the fair value of its stock options and stock appreciation rights. The Black-Scholes model requires assumptions regarding the volatility of the Company s stock, the expected life of the stock award and the Company s dividend ratio. The Company primarily uses historical data to determine the assumptions to be used in the Black-Scholes model and has no reason to believe that future data is likely to differ from historical data. However, changes in the assumptions to reflect future stock price volatility, future dividend payments and future stock award exercise experience could result in a change in the assumptions used to value awards in the future that may result in a material change to the fair value calculation of stock-based awards.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

On July 1, 2005, the Company adopted the provisions of FASB Statement No. 123 (revised 2004) (FAS 123R) and elected to use the modified prospective transition method . The modified prospective transition method requires compensation cost to be recognized in the financial statements for all awards granted after the date of adoption as well as for existing awards for which the requisite service has not been rendered as of the date of adoption. Prior to the adoption of FAS 123R, the Company used the intrinsic-value based method to account for stock options and made no charges against earnings with respect to options granted.

The Company s stock incentive plans provide for the grant of nonqualified options and stock appreciation rights (SARs) to officers, directors and key employees of the Company. Outstanding options and SARs are exercisable from one to three years after the date of grant and expire no more than ten years after grant. The Company uses a Black-Scholes option pricing model to estimate the fair value of nonqualified options and SARs granted. The adoption of FAS 123R reduced income from continuing operations before income taxes for the current-year quarter and first six months of fiscal 2006 by $5.2 million and $22.8 million, respectively, and reduced net income for the current-year quarter and first six months of fiscal 2006 by $3.4 million and $14.8 million, respectively ($.03 per basic and diluted share for the current-year quarter and $.13 per basic and diluted share for the first six months of fiscal 2006). The adoption of this Statement had an immaterial effect on the Statement of Cash Flows for the six months ended December 31, 2005. As of December 31, 2005, $22.1 million of expense with respect to nonvested stock-based awards has yet to be recognized and will be amortized into expense over the employee s remaining requisite service period.

FORWARD-LOOKING STATEMENTS

Forward-looking statements contained in this Report on Form 10-Q and other written reports and oral statements are made based on known events and circumstances at the time of release, and as such, are subject in the future to unforeseen uncertainties and risks. All statements regarding future performance, earnings projections, events or developments are forward-looking statements. It is possible that the future performance and earnings projections of the Company may differ materially from current expectations, depending on economic conditions within both its industrial and aerospace markets, and the Company s ability to achieve anticipated benefits associated with announced realignment activities, strategic initiatives to improve operating margins and growth and innovation initiatives. A change in 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 or suppliers, including delays or cancellations in shipments,
- uncertainties surrounding timing, successful completion or integration of acquisitions,
- threats associated with and efforts to combat terrorism,
- competitive market conditions and resulting effects on sales and pricing,
- 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 and interest rates.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company enters into forward exchange contracts and costless collar contracts 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. 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 carrying and fair 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.

During the second quarter of fiscal 2006, the Company s two interest rate swap agreements were settled. The swap agreements were designated as a hedge against the anticipated refinancing of the Company s EURO Notes that were due in November 2005. The Company made a net payment of $3.5 million to settle the swaps. This net payment will be recognized as an adjustment to interest expense over the term of the Eurobonds issued in November 2005.

The Company s debt portfolio contains variable rate debt, inherently exposing the Company to interest rate risk. The Company s objective is to maintain a 60/40 mix between fixed rate and variable rate debt thereby limiting its exposure to changes in near-term interest rates.

ITEM 4. CONTROLS AND PROCEDURES

The Company carried out an evaluation, under the supervision and with the participation of the Company s management, including the Company s principal executive officer and principal financial officer, of the effectiveness of the Company s disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the second quarter of fiscal 2006. Based on this evaluation, the principal executive officer and principal financial officer have concluded that the Company s disclosure controls and procedures are effective.

There has been no change in the Company s internal control over financial reporting during the quarter ended December 31, 2005 that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

PARKER-HANNIFIN CORPORATION

PART II - OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities.

(a) ***Unregistered Sales of Equity Securities.*** Not applicable.

(b) ***Use of Proceeds.*** Not applicable.

(c) ***Issuer Purchases of Equity Securities.***

Period	**(a) Total Number of Shares Purchased**	**(b) Average Price Paid Per Share**	**(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)**	**(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs**
October 1, 2005 through October 31, 2005	133,110(2)	$ 62.0396	132,500	1,480,406
November 1, 2005 through November 30, 2005	72,800	$ 62.2948	72,800	1,407,606
December 1, 2005 through December 31, 2005	2,442(3)	$ 62.1202	0	1,405,164
Total:	208,352	$ 62.1284	205,300	1,405,164

(1) On August 16, 1990, the Company publicly announced that its Board of Directors authorized the repurchase of up to 3.0 million shares of its common stock. Such amount was subsequently adjusted to 6.75 million shares as a result of stock splits in June 1995 and September 1997. On July 14, 1998, the Company publicly announced that its Board of Directors authorized the repurchase of an additional 4.0 million shares of its common stock. On February 1, 2006, the Company publicly announced that its Board of Directors increased the authorization to repurchase up to 10 million shares of its common stock, including shares yet to be repurchased under prior authorizations. There is no expiration date for the Company s repurchase program.

(2) Includes 610 shares surrendered to the Company by certain non-employee Directors in order to satisfy tax withholding obligations upon the vesting of restricted stock under the Company s Non-Employee Director s Stock Plan.

(3) Consists of 2,442 shares that were forfeited upon the death of a member of the Board of Directors pursuant to the terms of the Company s Non-Employee Director s Stock Plan.

Item 4. Submission of Matters to a Vote of Security Holders.

(a) The Annual Meeting of the Shareholders of the Company was held on October 26, 2005.

(b) Not applicable.

(c)(i) The Shareholders elected four directors to the three-year class whose term of office will expire in 2008, as follows:

	Votes For	Votes Withheld
William E. Kassling	107,677,425	916,163
Peter W. Likins	107,184,927	1,408,661
Joseph M. Scaminace	107,726,338	867,250
Wolfgang R. Schmitt	107,185,046	1,408,592

(ii) The Shareholders ratified the appointment of PricewaterhouseCoopers LLP as independent registered public accounting firm of the Company for the fiscal year ending June 30, 2006, as follows:

For	105,262,594
Against	2,528,746
Abstain	802,248

(iii) The Shareholders approved the Company s Performance Bonus Plan, as follows:

For	94,686,551
Against	5,096,465
Abstain	1,367,775
Broker non-votes	7,442,797

(iv) The Shareholders approved a shareholder proposal requesting that the Board of Directors take the steps necessary to declassify the election of Directors, as follows:

For	77,842,086
Against	21,633,982
Abstain	1,674,723
Broker non-votes	7,442,797

(d) Not applicable.

Item 5. Other Information.

(b) The Company s independent registered public accounting firm, PricewaterhouseCoopers LLP (PwC), has recently advised the Audit Committee of the Company s Board of Directors that certain services involving the custody and delivery of checks to the local tax

authorities were performed for a Company subsidiary by a PwC affiliate in Cyprus that have raised questions regarding Pwc s independence with respect to its performance of audit services. These services are not permitted under the auditor independence rules. The services were provided for only sixty days following the Company s acquisition of the Cyprus entity in October, 2004 and the fees were insignificant. PwC has informed the Company and the Audit Committee that it has concluded that its impartiality and objectivity were unaffected by the provision of the services and that the services performed have not impaired PwC s independence with respect to performance of its audit services.

The Audit Committee and PwC have discussed PwC s independence with respect to the Company in light of the foregoing. The Company and the Audit Committee will continue to monitor and assess the independence of PwC on an on-going basis.

Item 6. Exhibits.

The following documents are furnished as exhibits and are numbered pursuant to Item 601 of Regulation S-K:

Exhibit 10(a)	Amendment to the Parker-Hannifin Corporation Savings Restoration Plan.
Exhibit 10(b)	Amendment to the Parker-Hannifin Corporation Executive Deferral Plan.
Exhibit 10(c)	Amendment to the Parker-Hannifin Corporation Deferred Compensation Plan for Directors.
Exhibit 12	Computation of Ratio of Earnings to Fixed Charges as of December 31, 2005.
Exhibit 31(i)(a)	Certification of the Principal Executive Officer Pursuant to 17 CFR 240.13a-14(a), as Adopted Pursuant to §302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31(i)(b)	Certification of the Principal Financial Officer Pursuant to 17 CFR 240.13a-14(a), as Adopted Pursuant to §302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to §906 of the Sarbanes-Oxley Act of 2002.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PARKER-HANNIFIN CORPORATION
(Registrant)

/s/ Timothy K. Pistell

Timothy K. Pistell
Executive Vice President - Finance and Administration

and Chief Financial Officer

Date: February 1, 2006

EXHIBIT INDEX

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