

# Customer Keynote



## Frank R. Thompson

Group Vice President, Supply Chain, Parker Aerospace

Frank Thompson is the group vice president of supply chain management for Parker Aerospace. Named to the position in June 2007, Thompson is responsible for developing and implementing group-wide plans and strategies for strategic supply chain.

Joining the company in 1998, Thompson has led positions in procurement at Parker's Air & Fuel Division. Most recently, Thompson served as supply chain director for the division. Prior to coming to Parker, Thompson held such roles as materials director and purchasing manager at Interstate Electronics Corporation and the former Hughes Aircraft Company.

Thompson earned a bachelor of science degree in finance from California State University, Long Beach, and a master in business administration degree from Pepperdine University, Irvine, California, campus. Thompson is also a graduate of Parker's Taking Charge of Change program.



# SEA Gala Celebration

## November 2011



**Frank Thompson**  
**Group Vice President, Supply Chain**

ENGINEERING YOUR SUCCESS.

January 2010

# Key Facts about Parker: FY2011

Global Leader in Motion and Control (NYSE:PH)



- \$12.3 Billion in Revenue
- 861,000 Products Sold
- 468,000 Customers
- 58,000 Employees
- 13,000 Distribution/MRO Outlets Worldwide
- 1,100 Markets
- 142 Divisions
- 46 Countries



# Broad Technology Platform

Aerospace



Refrigeration



Electromechanical



Filtration



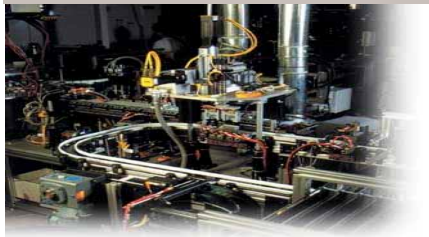
Fluid Handling



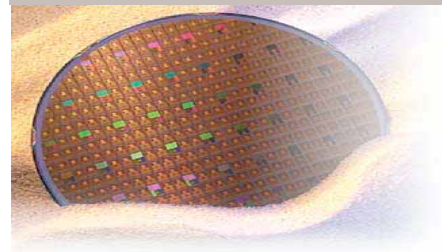
Hydraulics



Pneumatics



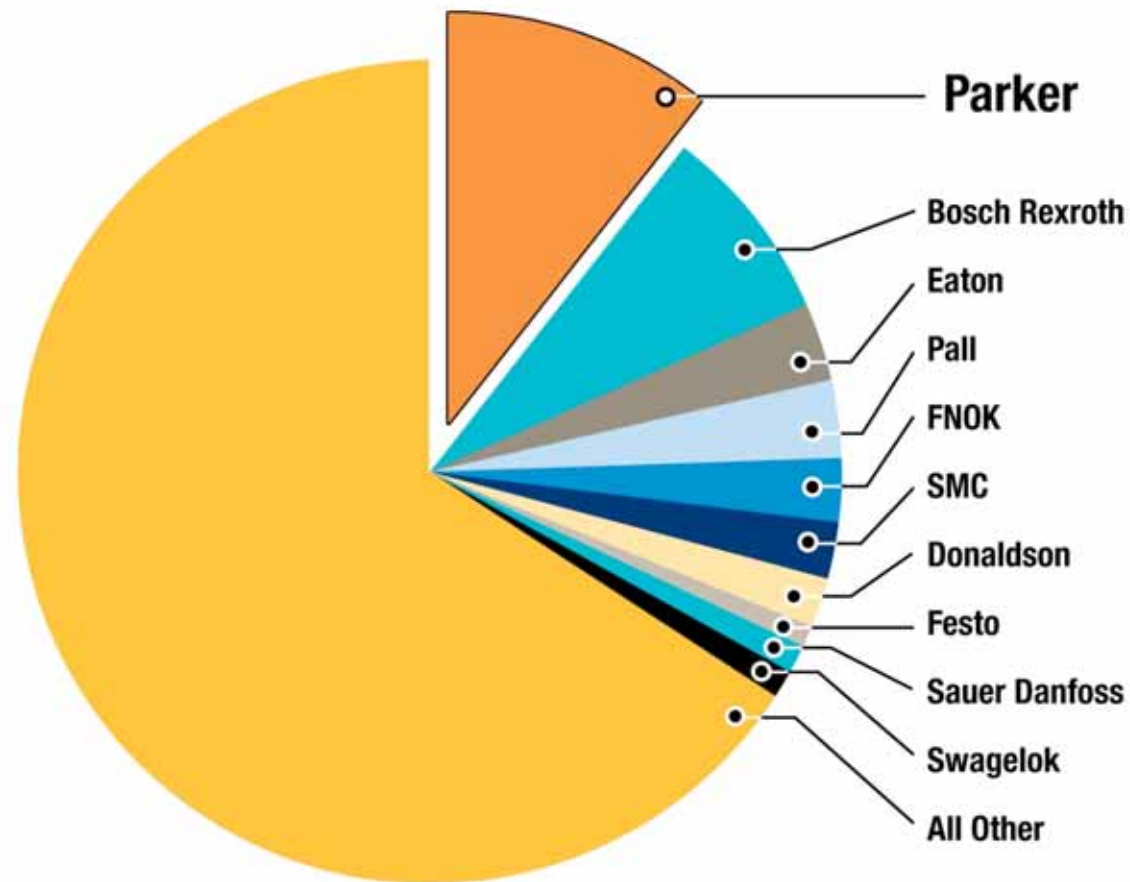
Process Control



Sealing & Shielding



# Maintaining #1 Leadership Position in Global Motion & Control Market

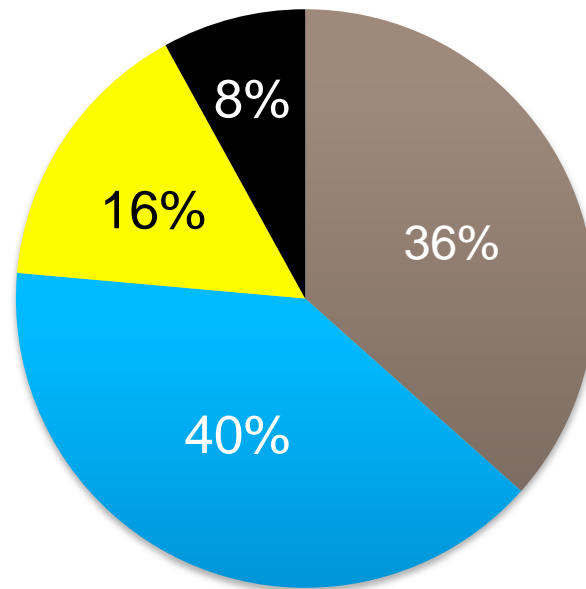


# Strong Global Presence

## More than Half of Industrial Sales now International



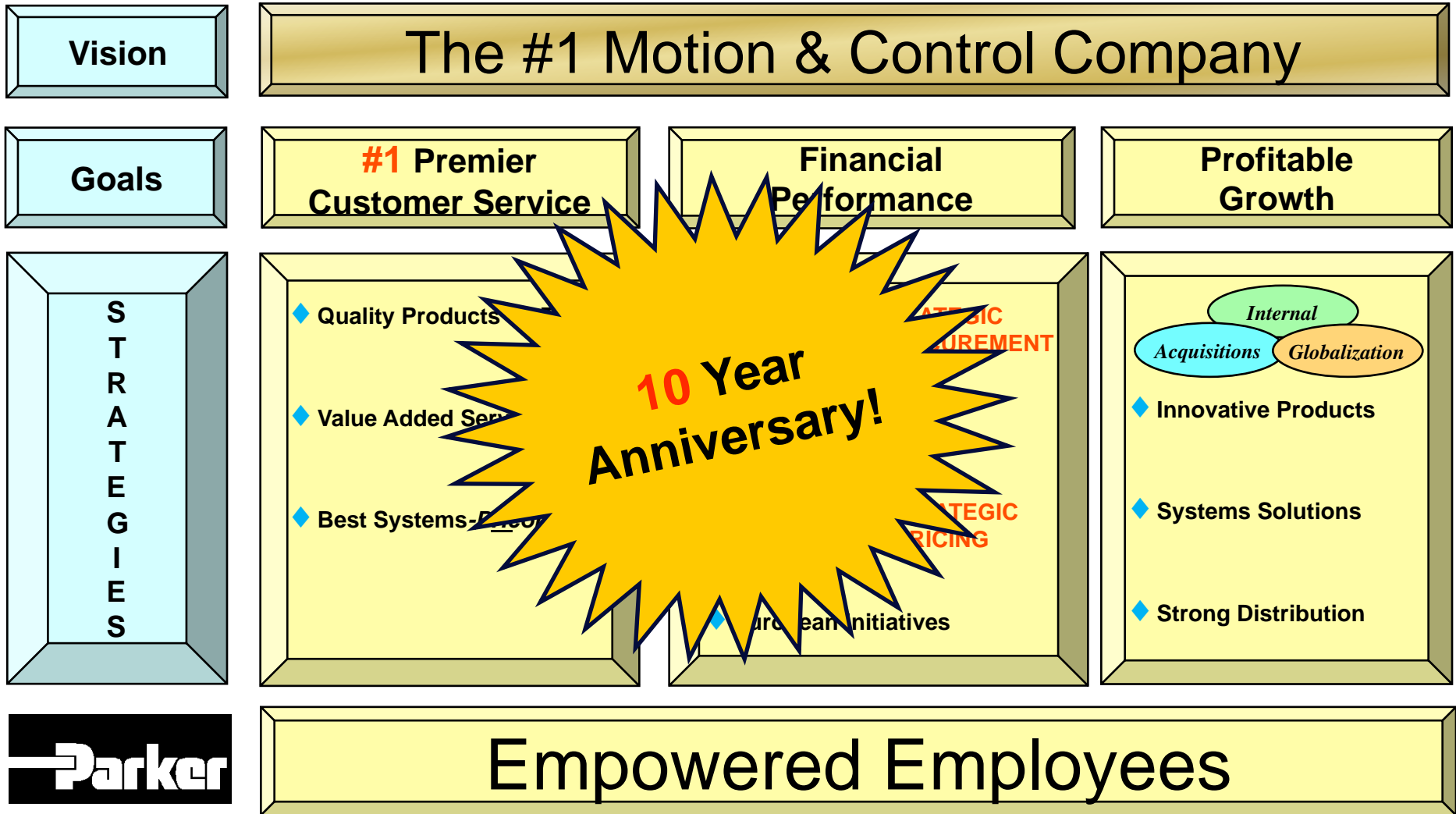
**FY11 Sales: \$12.3 Billion**



- NA Industrial
- INTL Industrial
- Aerospace
- Climate Industrial Controls

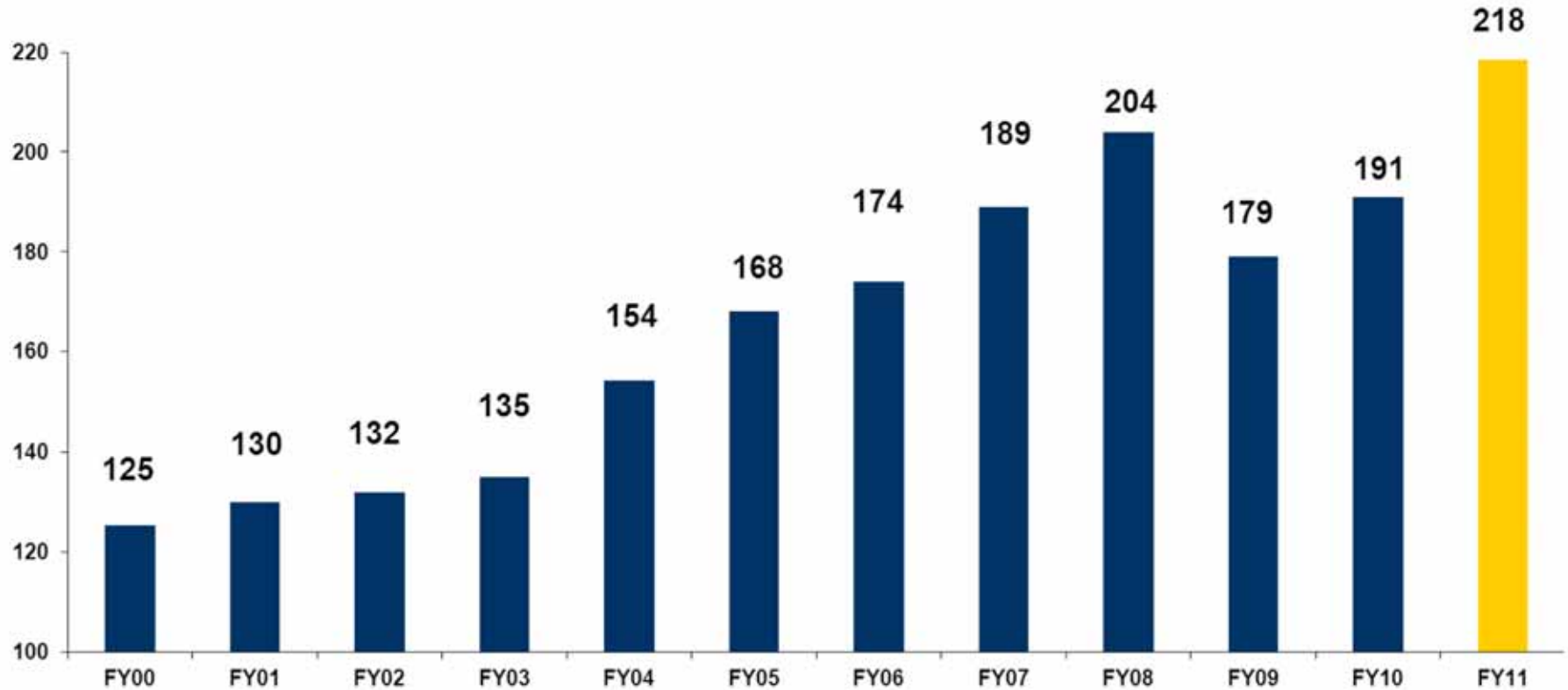


# A Clear Roadmap – “Win Strategy”



# We Are Driving Productivity

## Sales/Employee 000's



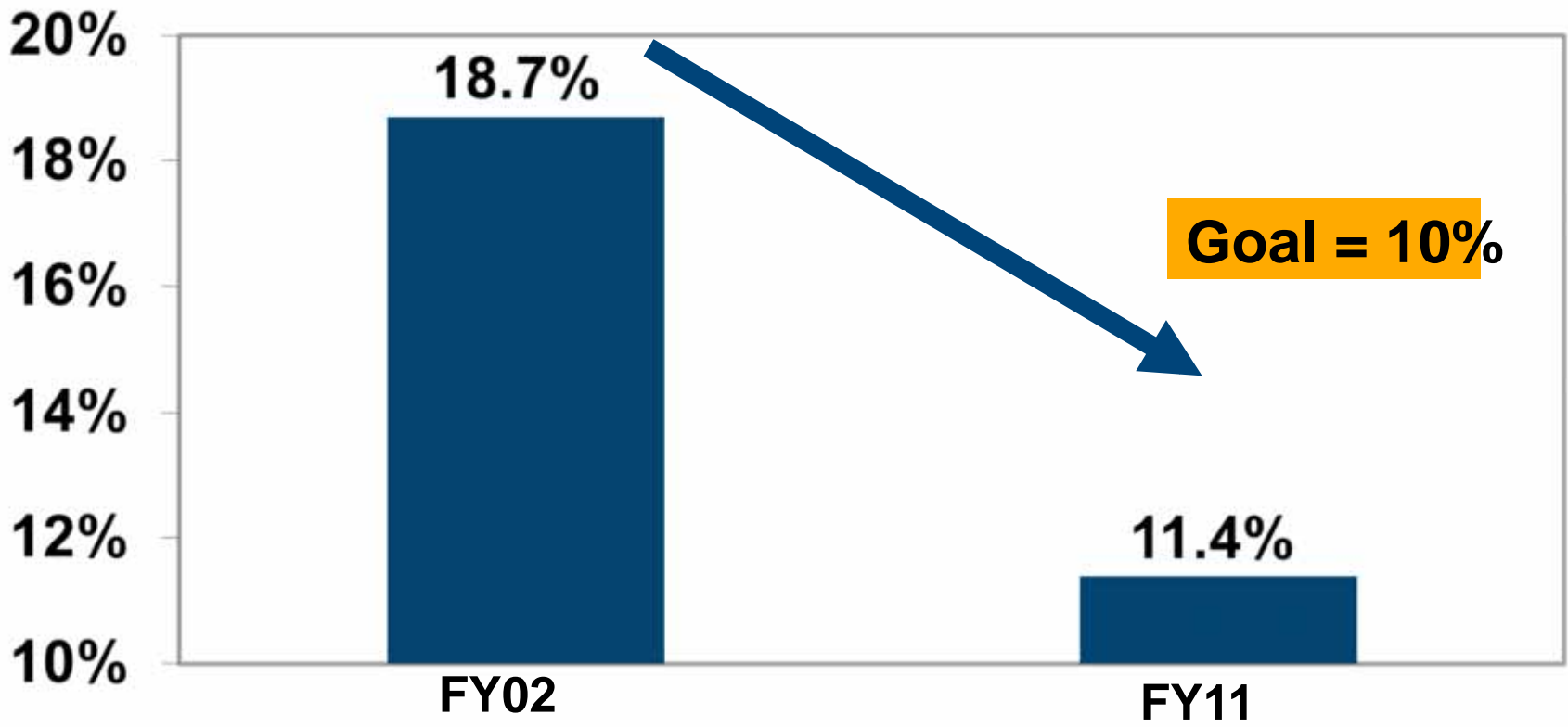
**With annualized acquisition volume**





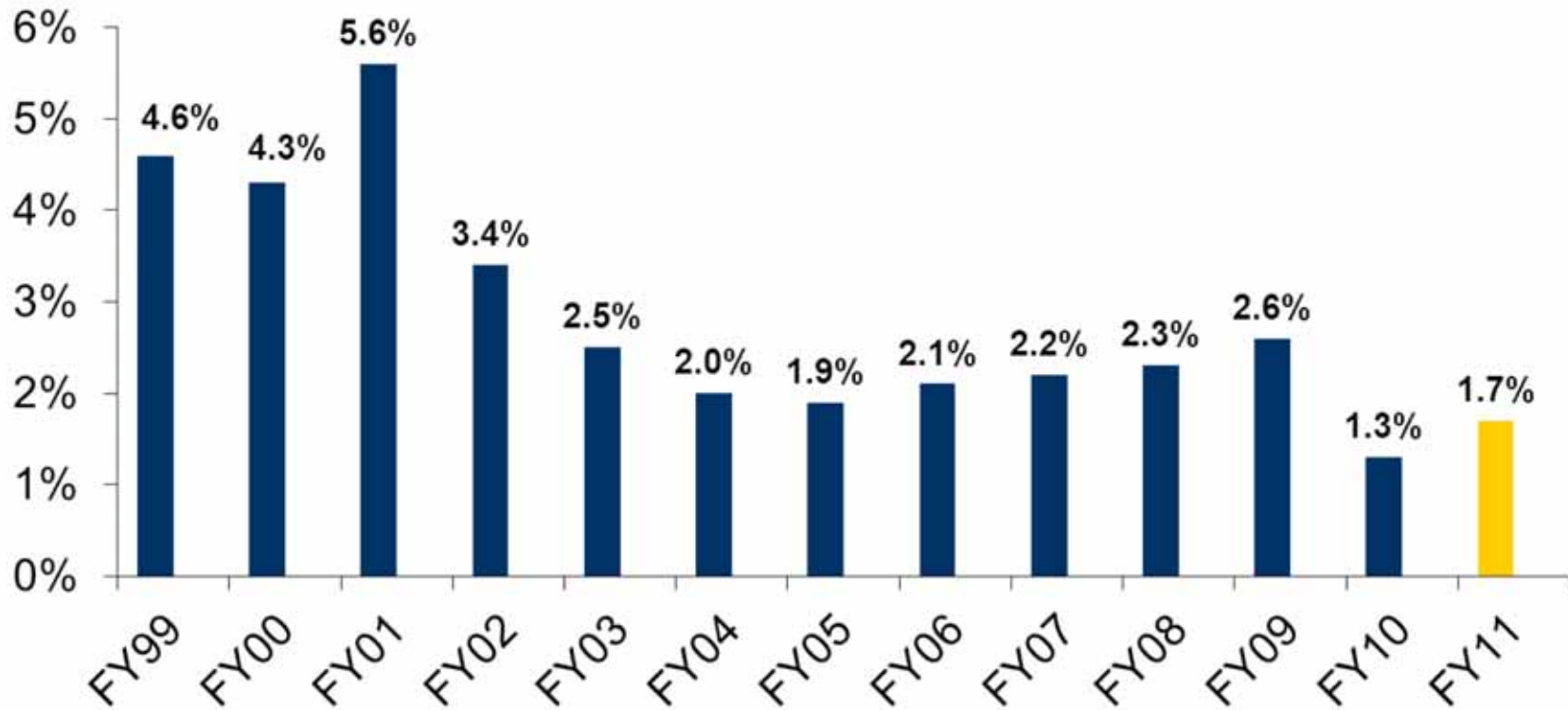
# Inventories Have Been Rationalized

## Inventory % to Sales



# Capital Expenditures Have Tightened

## Capital Expenditures as a % of Sales

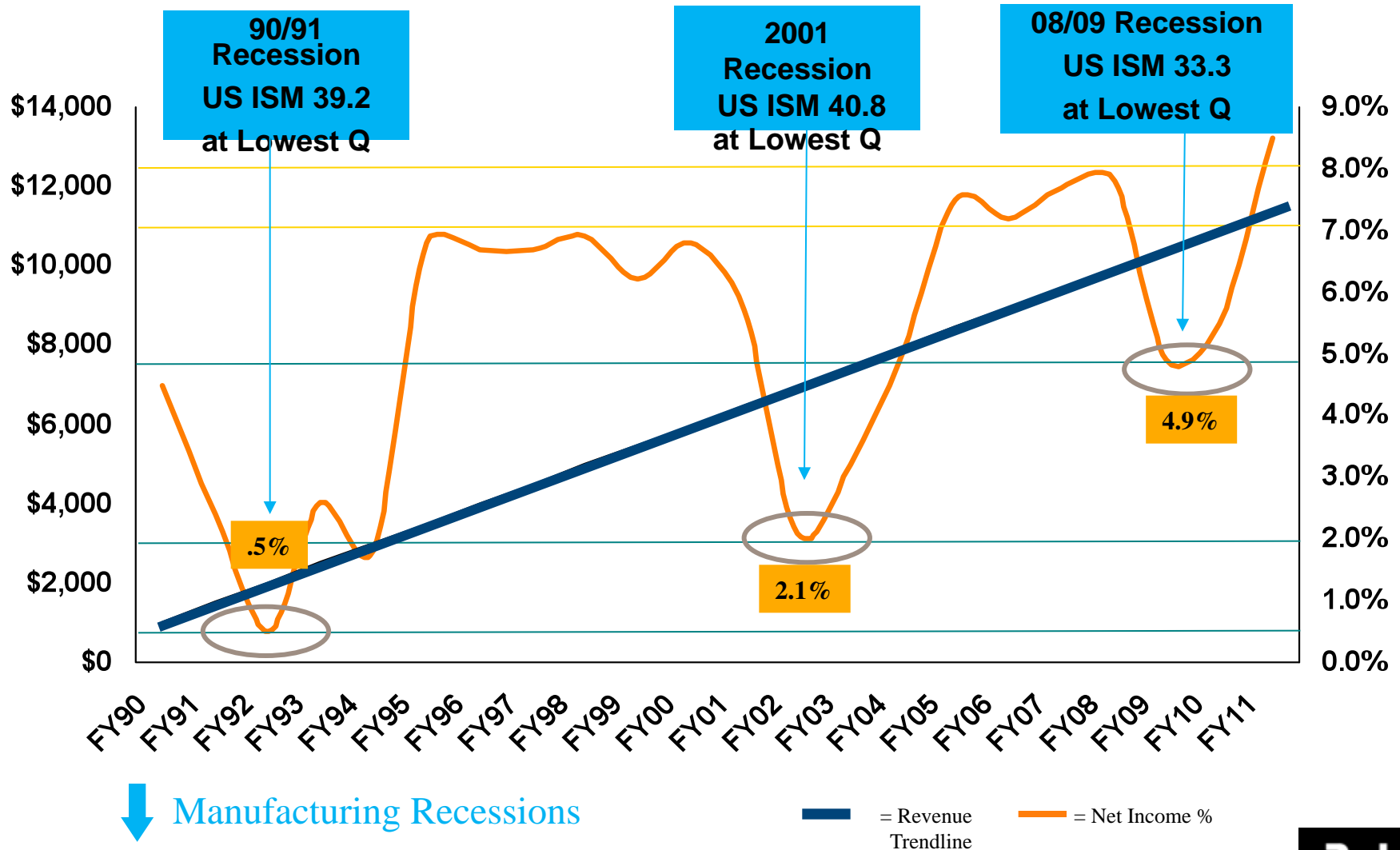


**FY11 annual depreciation: 1.9%**



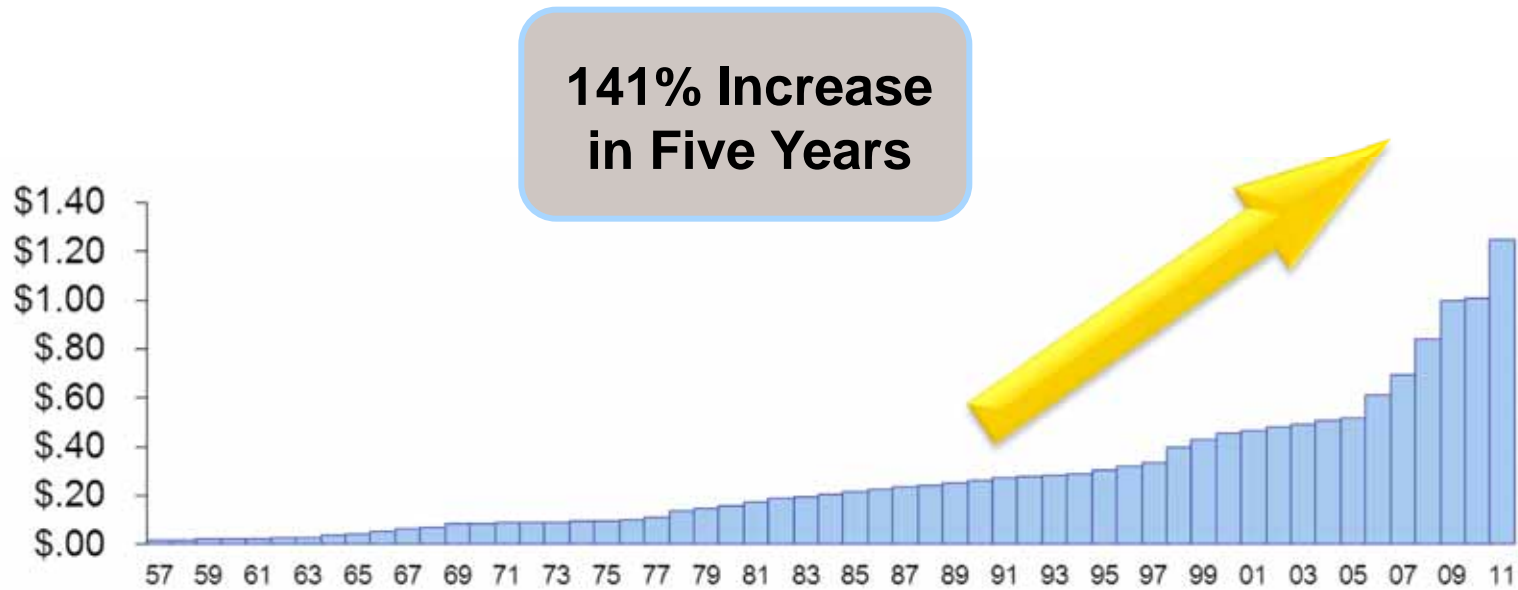
# Raising the Floor & Ceiling on Margins

Revenue (000's) and Net Income (% of Sales)



# Steadily Increasing Dividend

## 55 Consecutive Years of Increased Dividends



Note: Percent increase is five year quarterly growth rate.

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



# Uniquely Positioned to Address The Challenges of Mankind...




# Parker Aerospace



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# Parker Aerospace

- **Global Leader in:**
  - Flight Control Systems
  - Hydraulic Systems
  - Fuel & Inerting Systems
  - Engine Systems
  - Conveyance Systems
- \$1.9 Billion in Annual Sales
- 6,000 Employees
- 8 Divisions, 43 Worldwide Locations
- Headquartered in Irvine, California



**Parker Aerospace**  
Helping man's most remarkable achievements take flight.

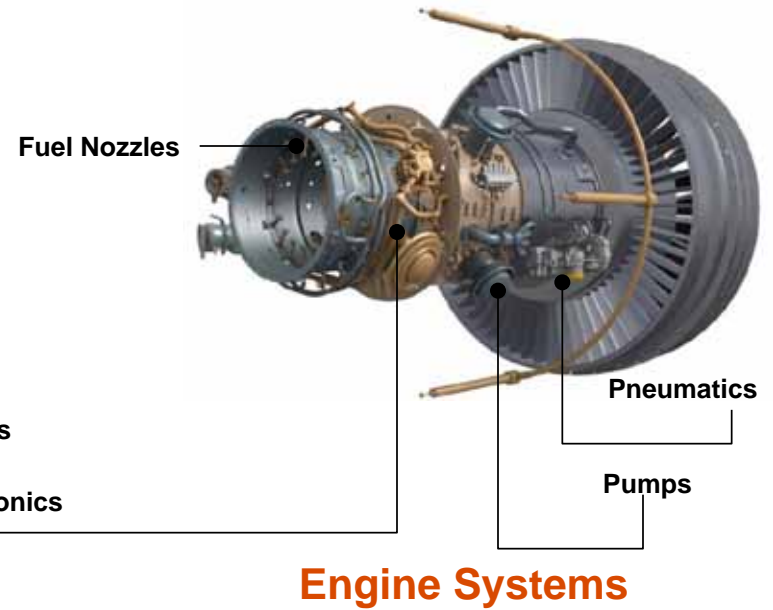
aerospace  
climate control  
electromechanical  
filtration  
fluid & gas handling  
hydraulics  
pneumatics  
process control  
sealing & shielding

**Parker** Aerospace

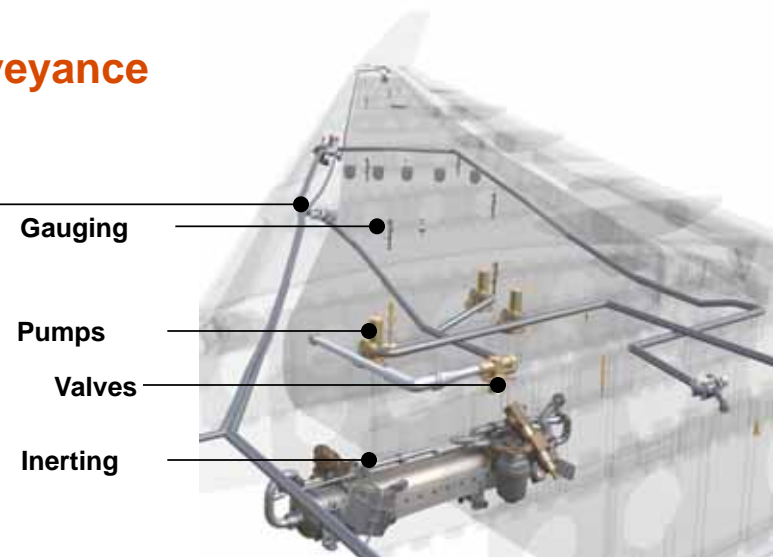
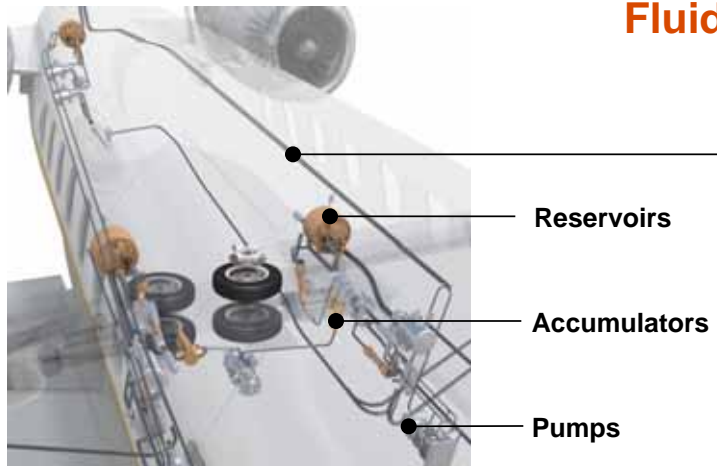
ENGINEERING YOUR SUCCESS.



# Product Applications



## Fluid Conveyance





# Investing in Long-term Growth

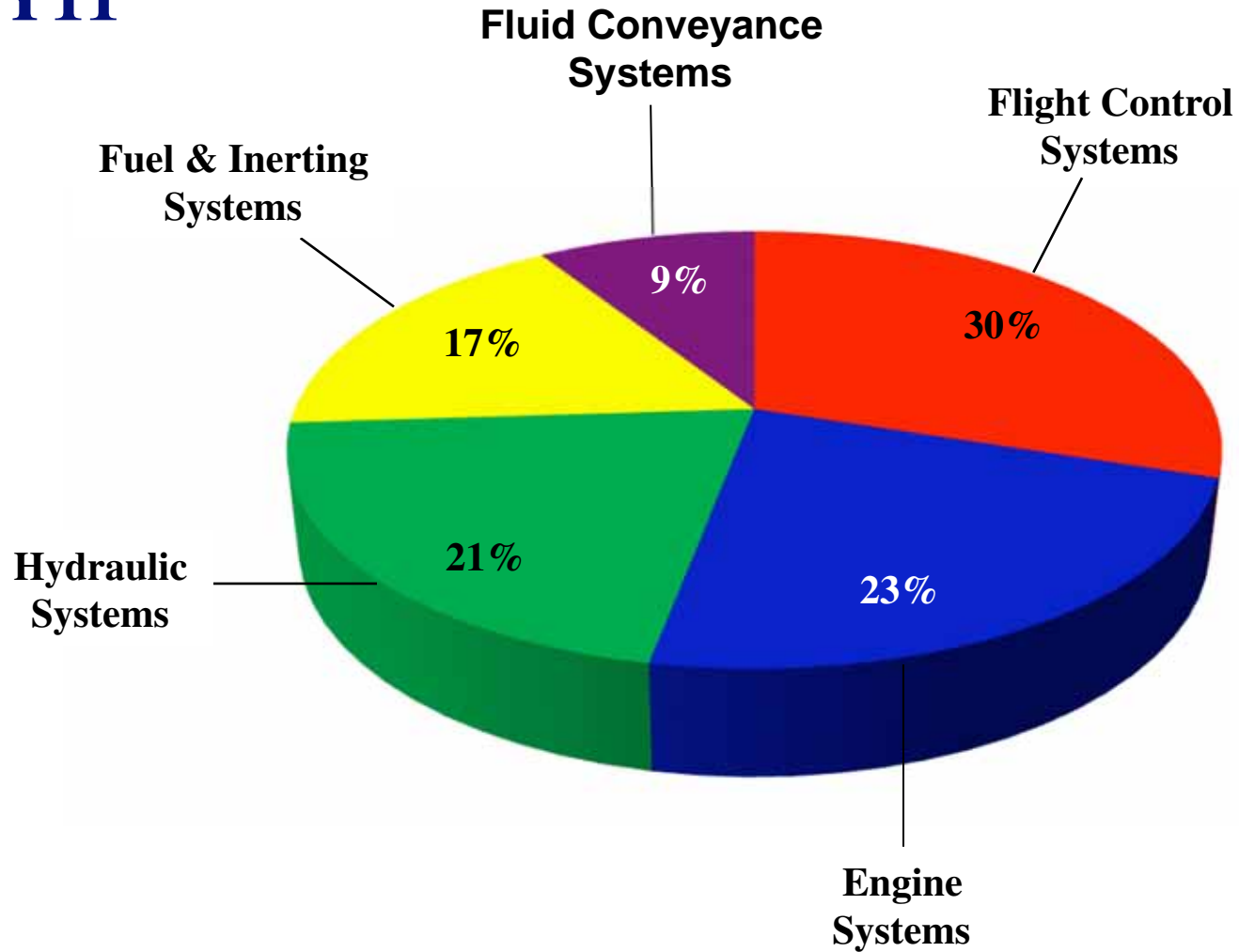
- \$20B in new wins

- High-value systems solutions

- Strongly positioned in global markets

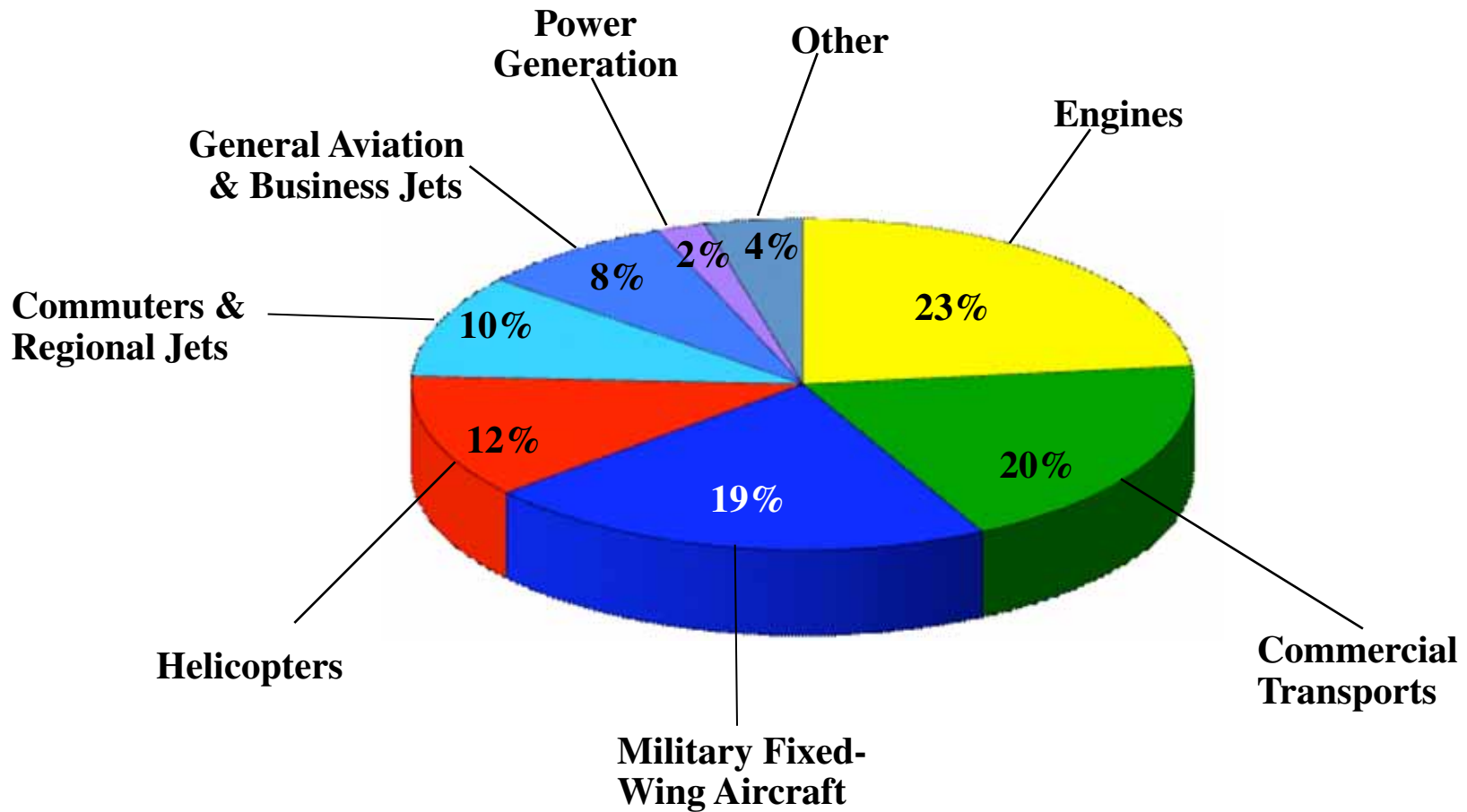
# A Broad Aerospace Product Line

**FY11**



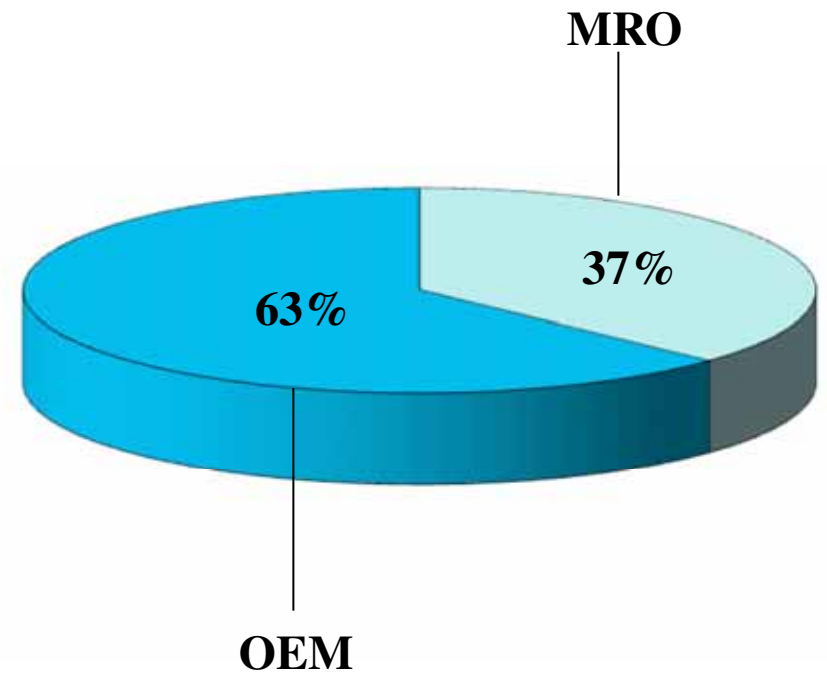
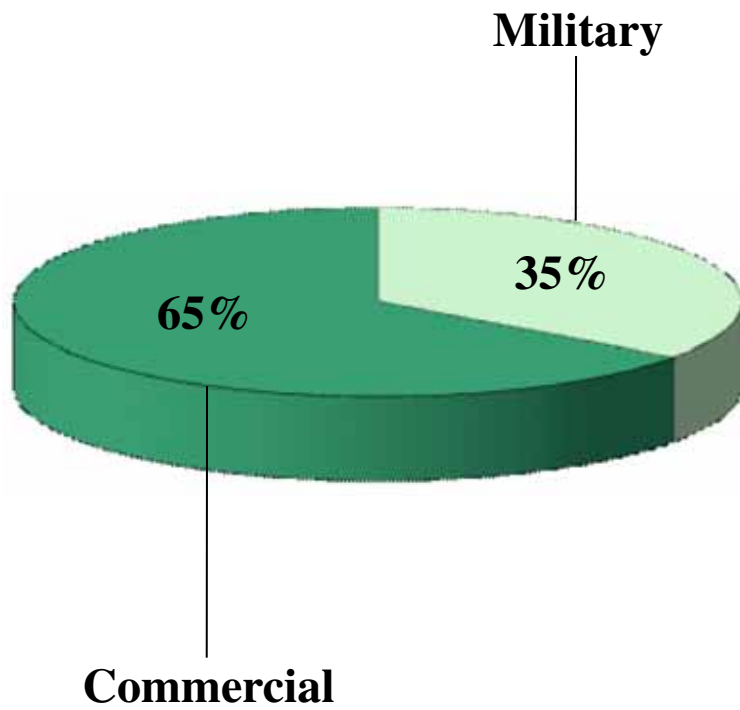
# Our Market Segments

**FY11**

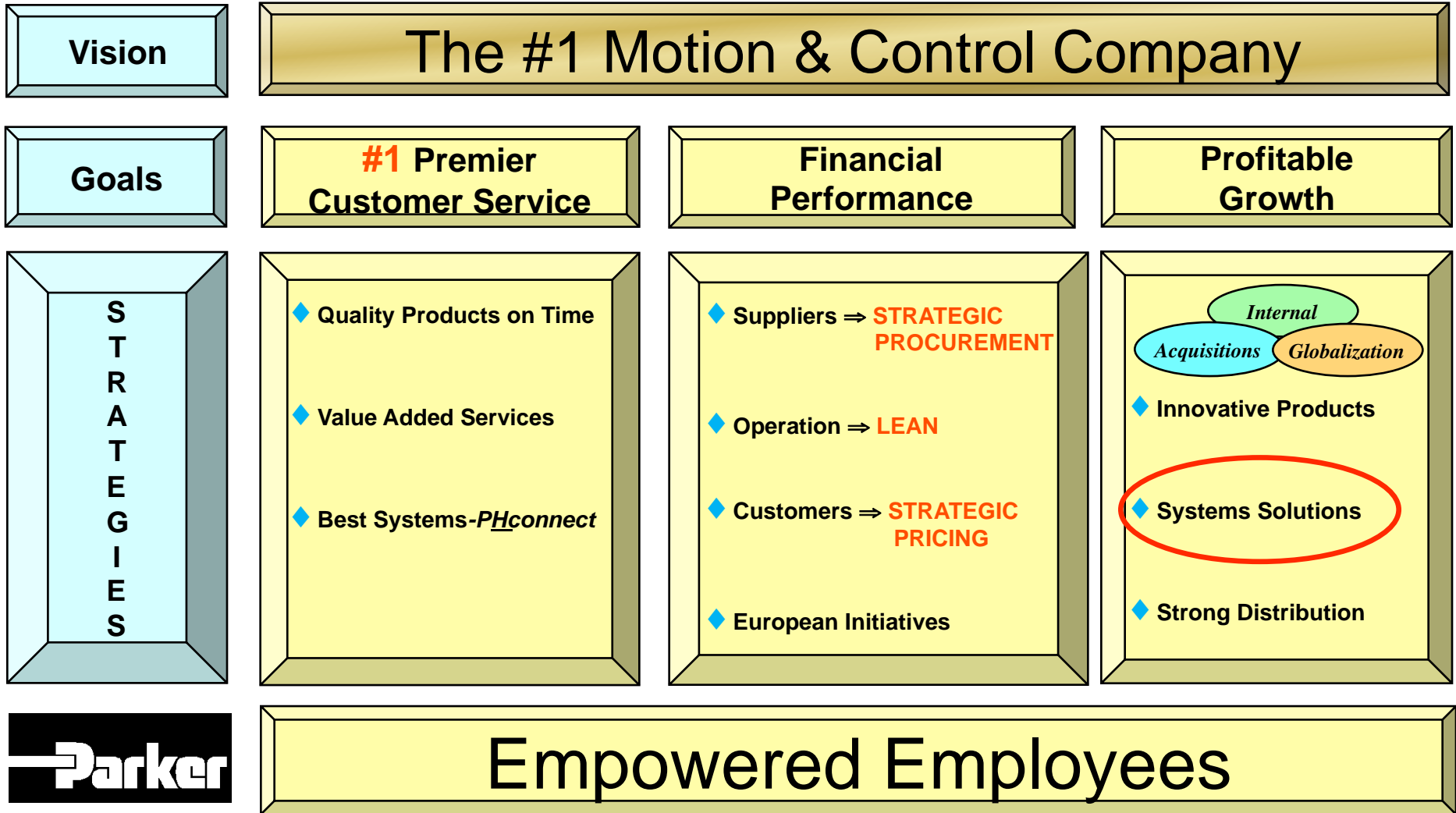


# Our Market Mix

**FY11**



# A Clear Roadmap – “Win Strategy”



# Aerospace Group Wins FY08 - FY11

**Systems Wins  
\$18 Billion**



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

**Total Wins: \$20 Billion!**

# Exceptional Level of New Platform Launches

## Airbus A350XWB

- Hydraulic System
- Fuel Systems
- Fuel Tank Inerting System



## COMAC C919

- Flight Control System
- Hydraulic System
- Fuel System



## Bombardier CSeries

- Flight Control System
- Hydraulic System
- Fuel System



## Rolls-Royce Trent XWB

- Pneumatic Valve Suite
- Main Oil Pump
- Hydraulic EBU



## Gulfstream G650

- Flight Control System
- Fuel Management Measurement System



## Embraer Legacy 450/500

- Flight Control System
- Hydraulic System
- Fuel System



# Systems Approach Increases Parker Content

Relative Shipset Value

1

3x

Legacy Products

New Systems



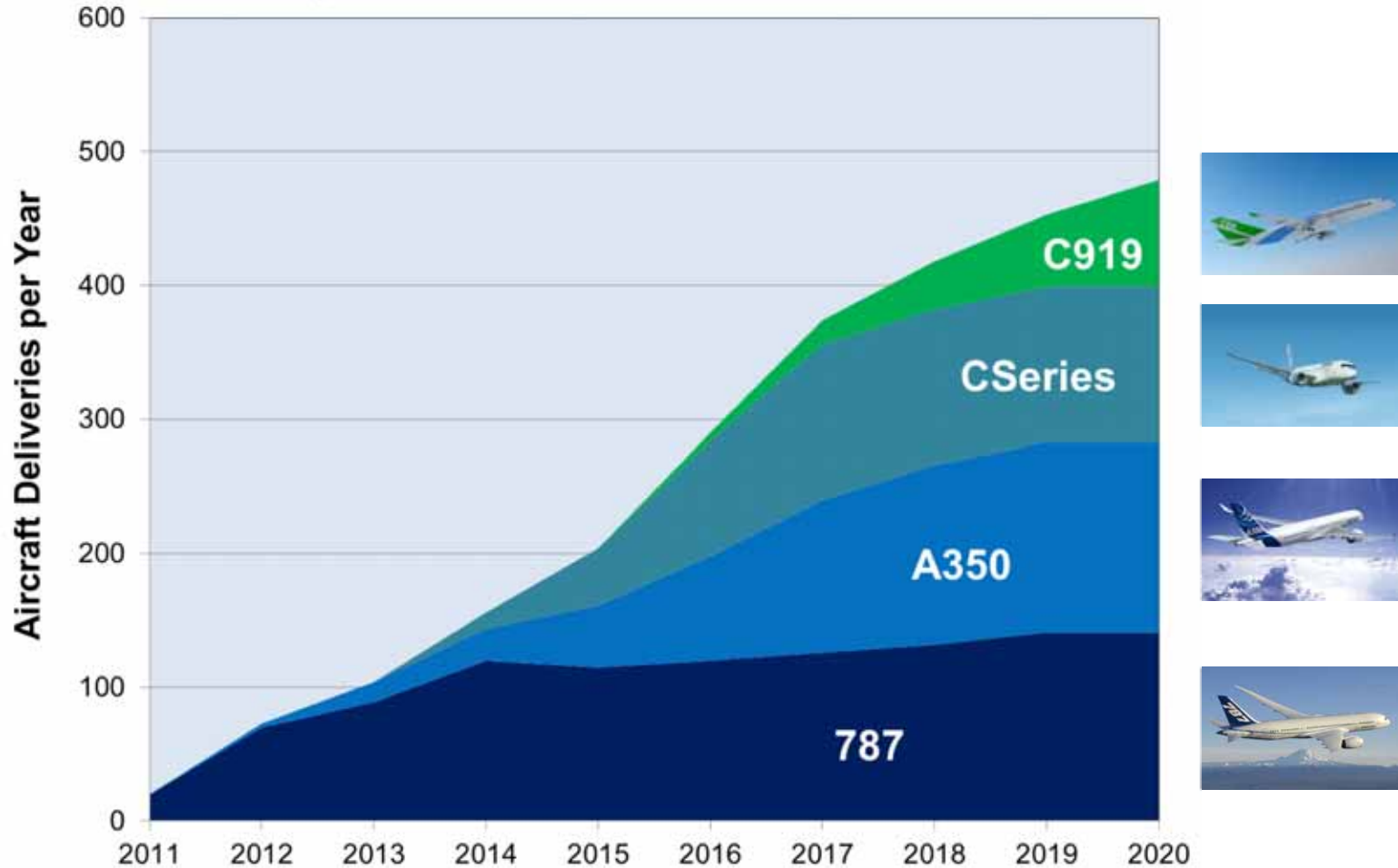
On the right programs with high-value system solutions





# Significant Growth with New System Wins

## Aircraft Delivery Forecast

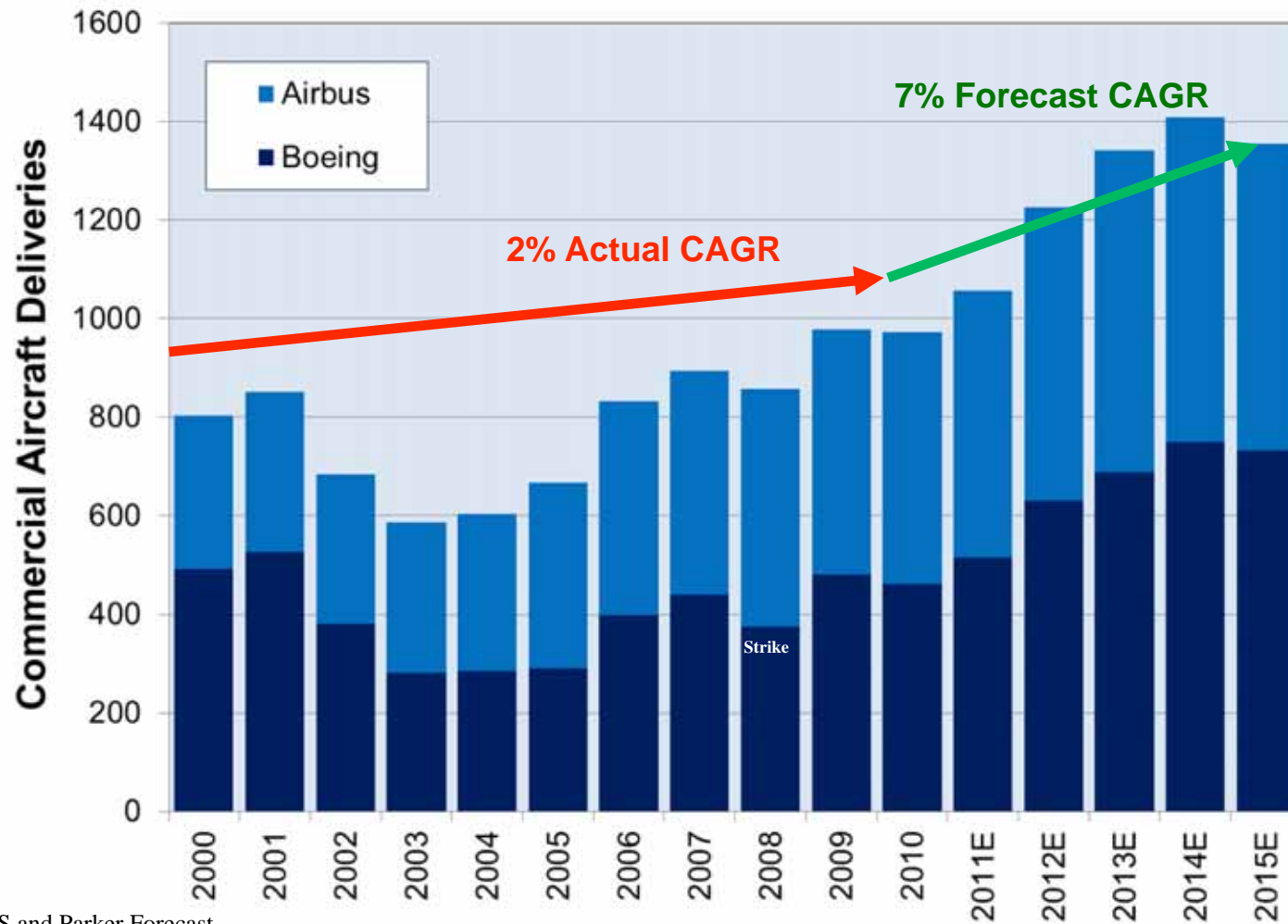


Source: Parker Forecast

**New growth in addition to production ramp-up on legacy programs**



# Rate Increase Drives Growth



Source: ACAS and Parker Forecast

**Growth in addition to new system wins and re-engine opportunities**



# Narrowbody Re-Engine Programs

## Balancing New Technology and Commonality Benefits

**737 MAX**



**A320 neo**



### Opportunities for Parker Products

**Flight Control Systems**



**Hydraulic Systems**



**Fuel & Inerting Systems**



**Fluid Conveyance Systems**

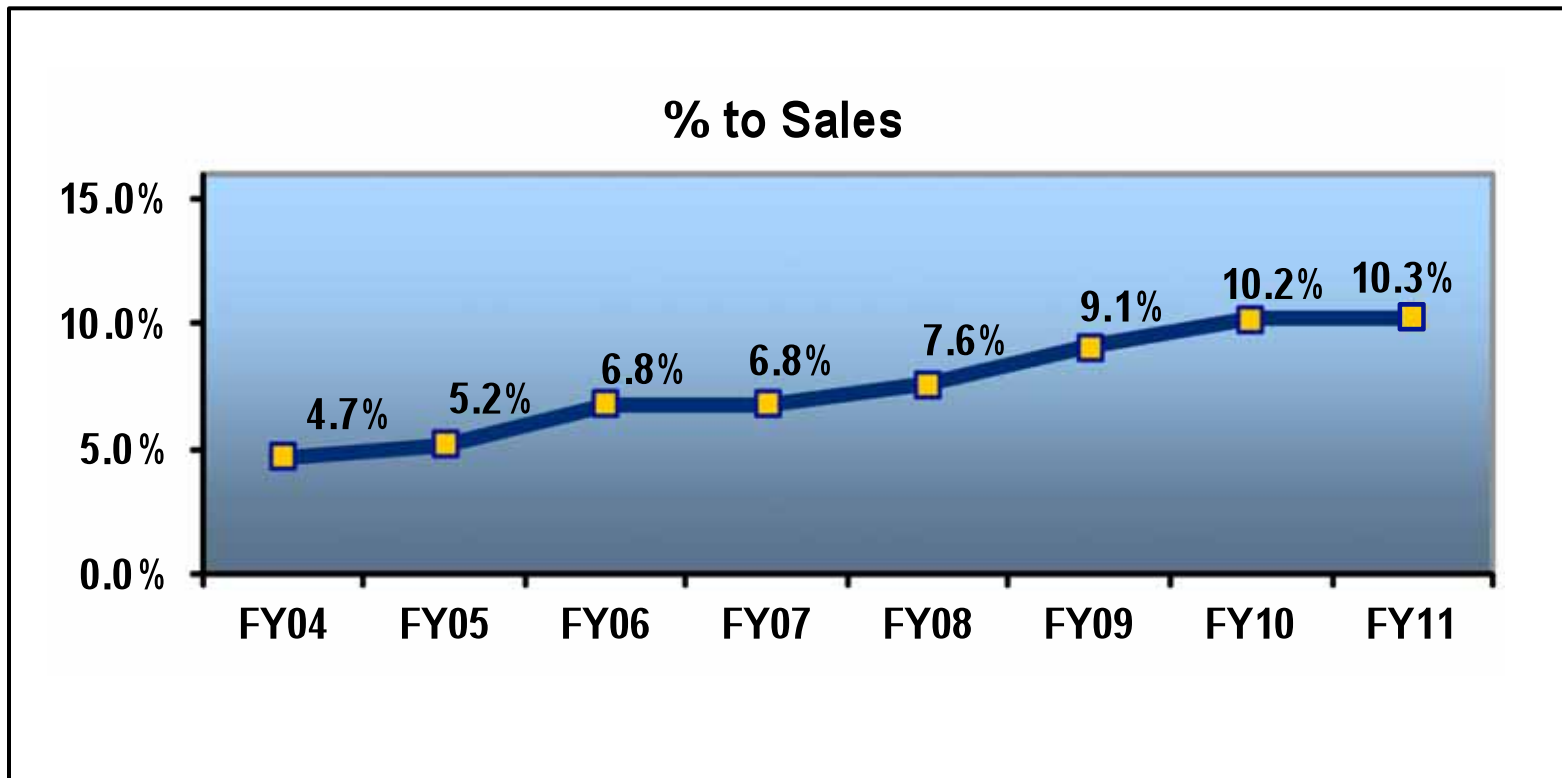


**Engine Systems**



# Product Development Costs

## Investing in Future Growth



# Technology Partnership with Airbus

## Fuel Cell Integrated Power System (FCIPS)

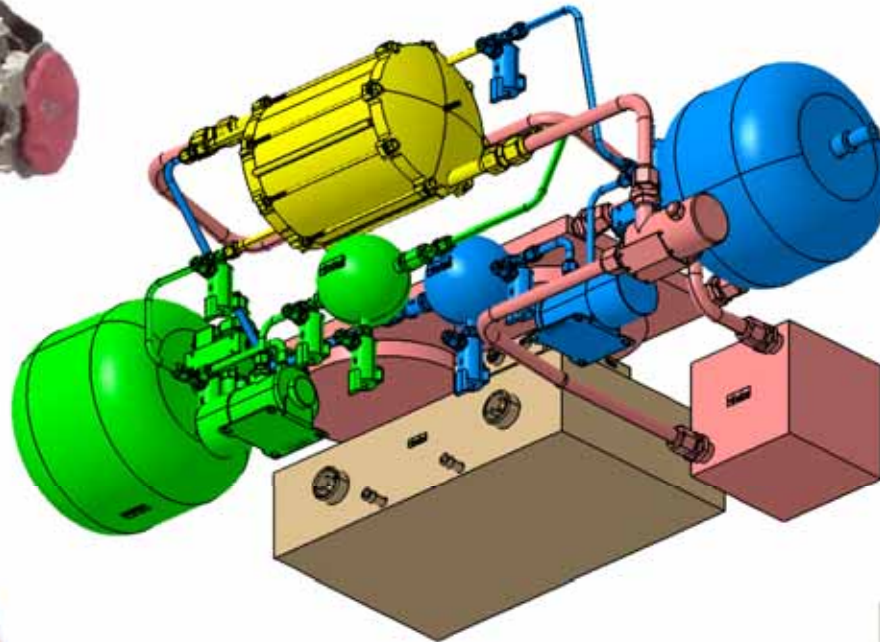
APU



Ram Air Turbine



Potable Water



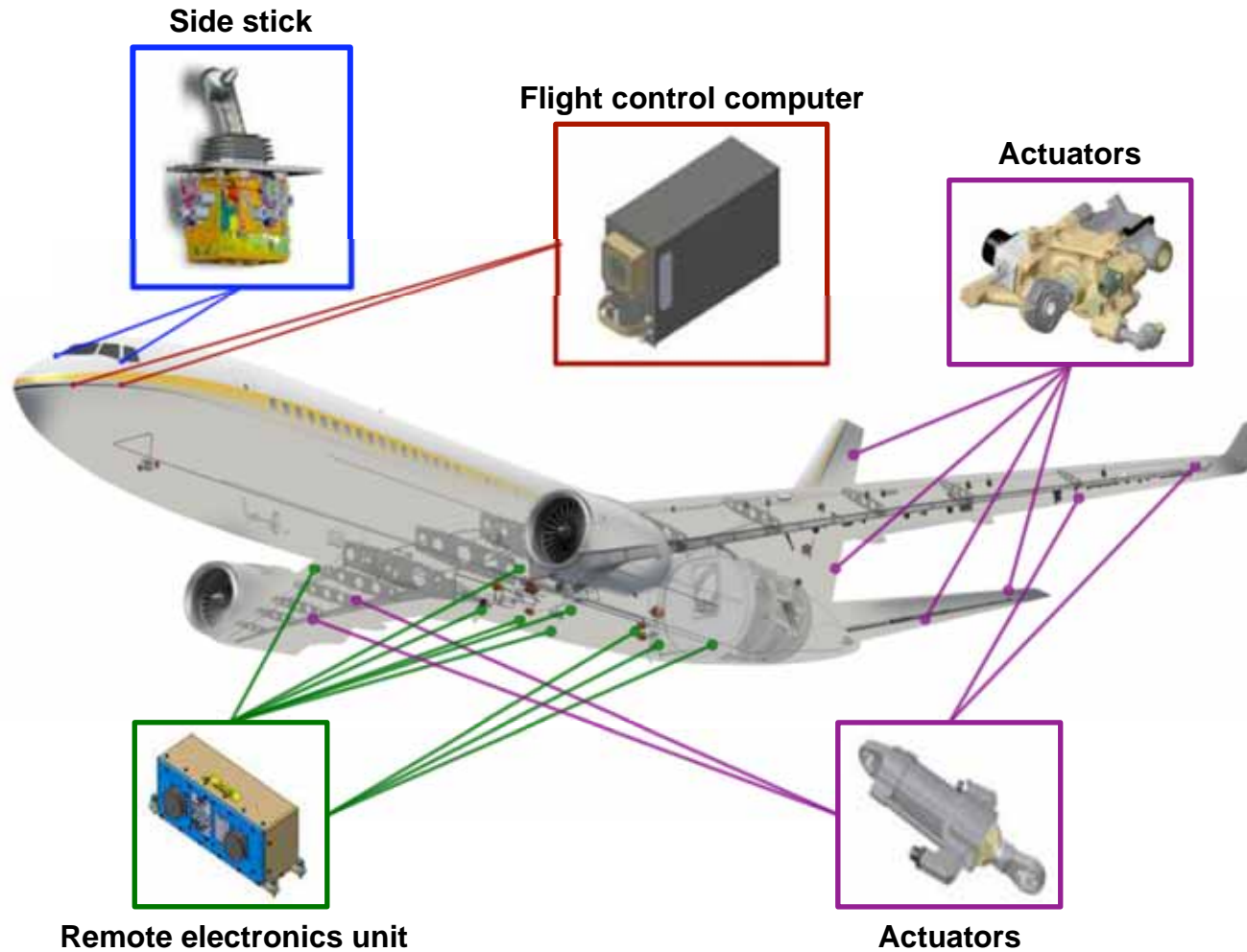
Fuel Tank Inerting



**Fuel Cell is a Game Changing Technology**

# Stick-to-Surface Flight Control Systems

## *Fly-by-wire Architecture*



## Value Proposition

- Systems integration role **reduces suppliers** for the aircraft OEM
- **Scalable architecture** supports multiple aircraft sizes
- Design reuse **minimizes cost** and reduces configuration risk

**Fully Integrated System – Parker Single Point Procurement**

# Positioned on All the Right Programs

## Years of Innovation & Experience

Commercial Aircraft	Military Aircraft	Regional, Business & General Aviation	Commercial Engines	Military Engines	Helicopters	
717	A-10	ARJ21	AE2100	RB211	AE1107	AH-64
737	A400M	Cessna	AE3007	SM146	F100	CH-47
747	AV-8B	Challenger	BR 700	Trent 500	F110	CH/MH-53
757	B-2	CRJ	CF6-80	Trent 700	F117	NH-90
767	B-52	EMB-120	CF 34	Trent 800	F119	MH-60
777	C-130J	Embraer 170/190	CFM56	Trent 900	F135	SH-60
787	C-17	ERJ-135/140/145	GE90	Trent 1000	F136	UH-60
A320	F-15	Embraer Legacy	GENx	Trent XWB	F404	S-76
A330	F-16	Falcon Jets	GP7200	TFE 731	F414	S-92
A340	F/A-18	Global Express	PW2000	V2500	Liftfan	V-22
A350 XWB	F-22	Gulfstream	PW4000		T56	
A380	F-35	Hawker Beechcraft	PW6000		T700	
COMAC C919	KC-10	Learjet			TP400	
CSeries	KC-135	Piper				
	KC-46A	Phenom 100 & 300				
	P-8A	Raytheon				
	UAVs	Superjet 100				
		Q-400				



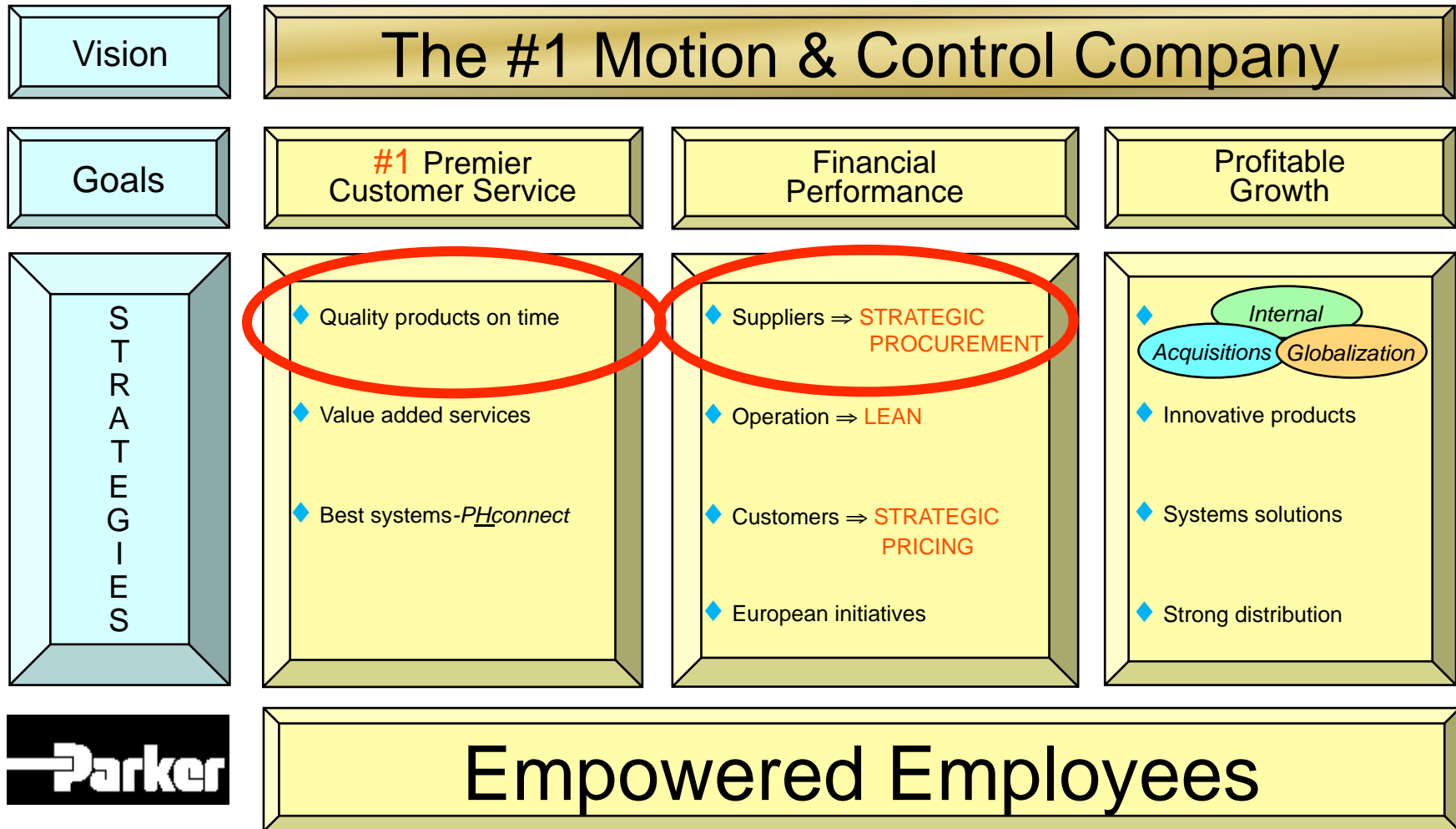
# Parker Aerospace Supplier Development



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# Parker's Win strategy



# Aerospace Group Supply Chain Strategy

	Historical Focus	Tactical Performance Customer Service / Past Due Sales & Receipts / DSI / PPM			
Corporate Supply Chain Initiatives	People	<ul style="list-style-type: none"> <li>• Leadership Development / Skills Assessments</li> <li>• Supply Chain Fundamentals - Contract Law / T&amp;C's and Price/Cost Analysis</li> </ul>			
	Process	Internal Lean	Spend Management	Low Cost & Offset Sourcing	Risk Management External Lean
	<i>Group Strategic Process Initiatives and Future State Focus</i>	<ul style="list-style-type: none"> <li>▪ Standardization of best practices</li> <li>➢ PFEP</li> <li>➢ Kanban</li> <li>➢ E-Systems                             <ul style="list-style-type: none"> <li>• PH Connect</li> <li>• S&amp;OP</li> </ul> </li> <li>➢ Barcoding</li> <li>➢ Material Handling</li> <li>➢ Demand Management</li> </ul>	<ul style="list-style-type: none"> <li>▪ Common strategies                             <ul style="list-style-type: none"> <li>➢ Decentralized Execution</li> </ul> </li> <li>▪ Commodity councils                             <ul style="list-style-type: none"> <li>➢ Direct Material</li> <li>➢ Indirect Material</li> <li>➢ Services</li> <li>➢ Transportation</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Coordinated strategy</li> <li>▪ Regional focus                             <ul style="list-style-type: none"> <li>➢ China</li> <li>➢ Mexico</li> <li>➢ India</li> <li>➢ Other Asia</li> </ul> </li> <li>▪ Coordinated international participation plan</li> </ul>	<ul style="list-style-type: none"> <li>▪ Common assessment tools</li> <li>▪ Rate readiness assessments</li> <li>▪ Lean enablement</li> <li>➢ Supplier coaching</li> <li>➢ 3<sup>rd</sup> Party engagements</li> <li>➢ Supplier Kaizens</li> </ul>
	<i>Metrics of Success</i>	<ul style="list-style-type: none"> <li>▪ DSI</li> <li>▪ L/T Reduction</li> </ul>	<ul style="list-style-type: none"> <li>▪ Deflation</li> <li>▪ PPI</li> <li>▪ WADPO</li> </ul>	<ul style="list-style-type: none"> <li>▪ Deflation</li> <li>▪ PPI</li> <li>▪ Offset performance</li> </ul>	<ul style="list-style-type: none"> <li>▪ L/T reduction</li> <li>▪ Supplier O/T</li> <li>▪ Supplier PPM</li> <li>▪ Div customer service &amp; past due</li> <li>▪ Kanban deployment</li> </ul>
	Info Tech Tools	• S&OP	• SIC Database	• PHConnect	PHConnect/SQS
	Organization	<ul style="list-style-type: none"> <li>• Supply Chain Structure / Job Descriptions</li> <li>• Major Subcontracting</li> </ul>			
	Communications	Corporate / Group / Division Meetings / Sharepoint			

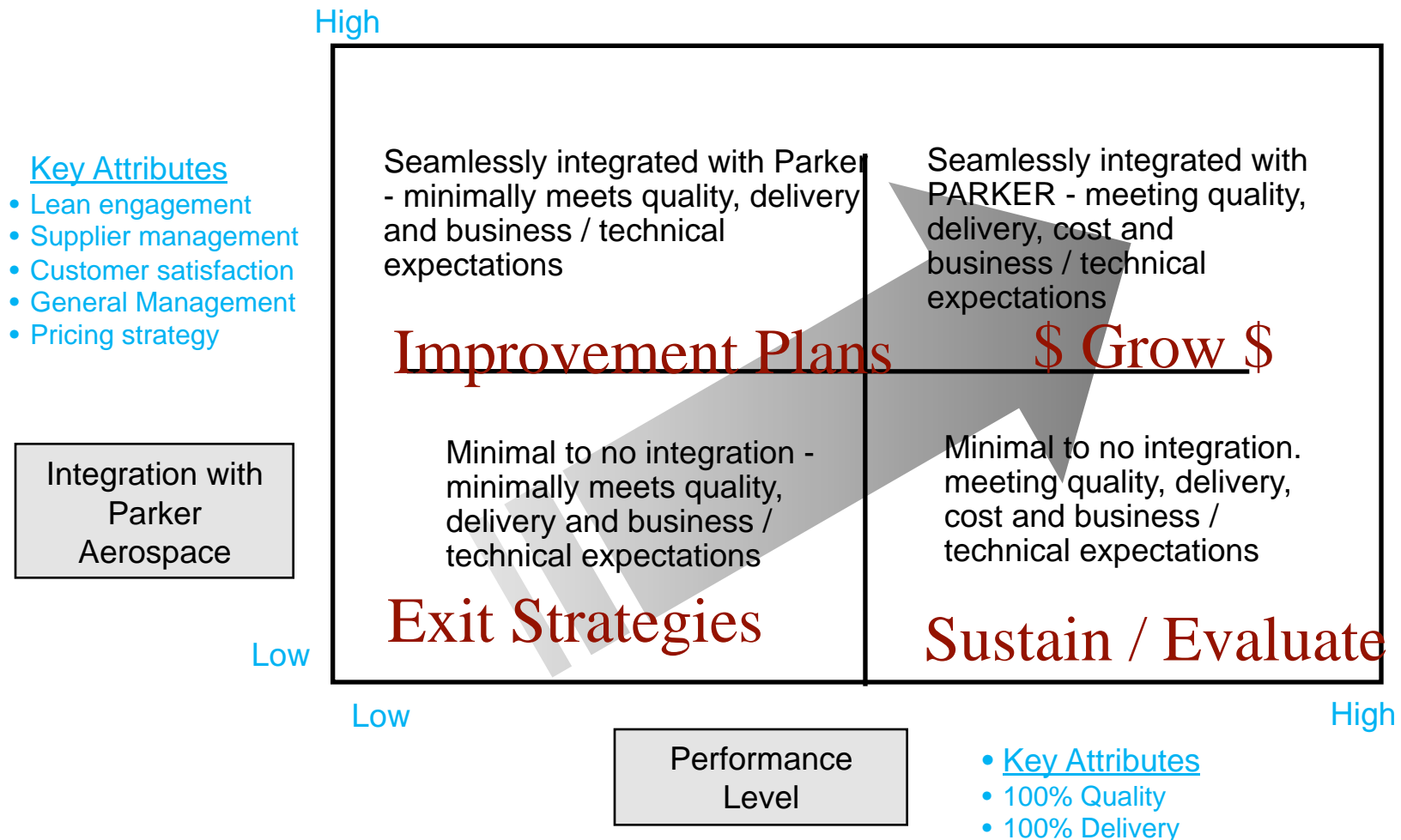
Supply Chain Vision

Leveraging resource that is aligned with the business

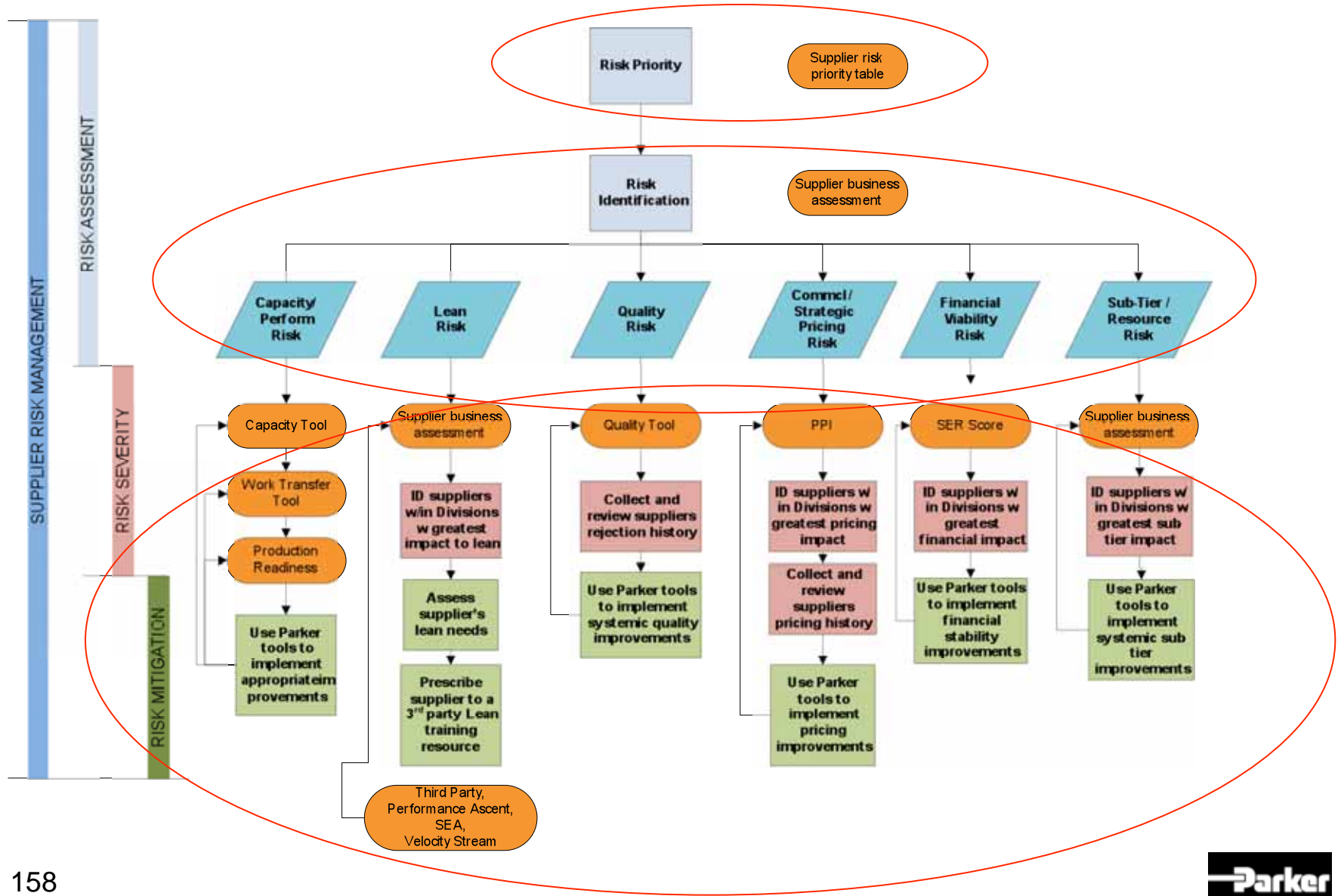
# Supplier management strategy

Corporate Supplier Development Initiatives	People	Leadership development / Skills assessment / Certification / PPPs 6SigmaBB / SCMDP / CQA / CSCP			
	Lead role	Supply Chain	Supply Chain	Supplier Quality	Supply Chain
	Process				
	Group Strategic Process Initiatives and Future State Focus	A-3 tool PH risk management tool Work transfer D&B SER score Business risk audit	PFEP Design for Mfg Notice of chg	Quality clinic P.V.A. / QMS Audits Product verification R.C.C.A.	Quality clinic Capacity planning Work transfer
	Metrics of Success	PH risk management tool	PH business risk assessment score	RPPM Audit findings CAR quantity	On-Time Delivery
	Info / Tech tools	POL	Parker Lean	Solumina/ Discus/ PHConnect	PHConnect
	Organization	Supply Chain / Lean / Quality / Mfg Eng / Group Supplier Development			
	Communication	Corporate / Group / Division Meetings / Sharepoint			

# Supplier development strategy



# Supplier risk management profile



# Supplier Risk Dashboard

Search By:		SIC >	Public/Private >	Business Size >	X ?			
Aerospace Group: All Divisions: (Fiscal Year 2011)								
Supplier ID	Supplier Name	Spend	Performance	Financial	Business	Overall Risk, current Qtr	Trend	
000071220	A & A MANUFACTURING CO	44540	100	76	100	92		
008000115	A PLUS PRECISION MACHINING INC	125102	94	26	94	71.5		
009660001	A TP PRECISION DEBURRING	14104	95	58	95	82.8		
000045132	A&A MANUFACTURING CO. INC.	55001	0	7	0	2.3		
000309075	A&B ABRASIVES INC	513640	93	76	93	87.7		
006965904	A&M MOLD AND TOOL	2500	72	50	72	64.6		
035221808	A.C. FILGER MANUFACTURING INC	575088	100	6	100	68.7		
000990516	A.C.I. CONTROLS INC.	307576	60	69	60	62.8		
001339985	A.C.T. SUPPLY CORPORATION	116945	100	76	100	92.0		
031817220	A.E. EHRKE COMPANY	22539	89	70	89	82.8		
007022900	A.M. PRECISION MACHINING INC.	1184	98	-13	98	60.7		
040463154	A.O. GRUMNEY CO INC	278076	96	50	96	80.9		
000030250	AAA PLATING AND INSPECTION INC	1453000	100	30	100	76.7		
000350917	AB & F SHEET METAL PRODUCT INC	3649	68	46	68	60.7		
000252332	ABC CERTIFIED WELDING INC	839045	0	-13	0	-4.3		
000553505	ABSOLUTE TECHNOLOGIES, INC.	1174	83	26	83	63.8		
002655263	ACCO ENGINEERED SYSTEMS INC.	153090	83	27	83	64.0		
000635531	ACCRO GASKET INC	8911	92	7	92	63.8		
000635715	ACCROMET INC	375842	98	88	98	94.5		
000852001	ACCU TECH MANUFACTURING INC	30954	85	50	85	73.5		

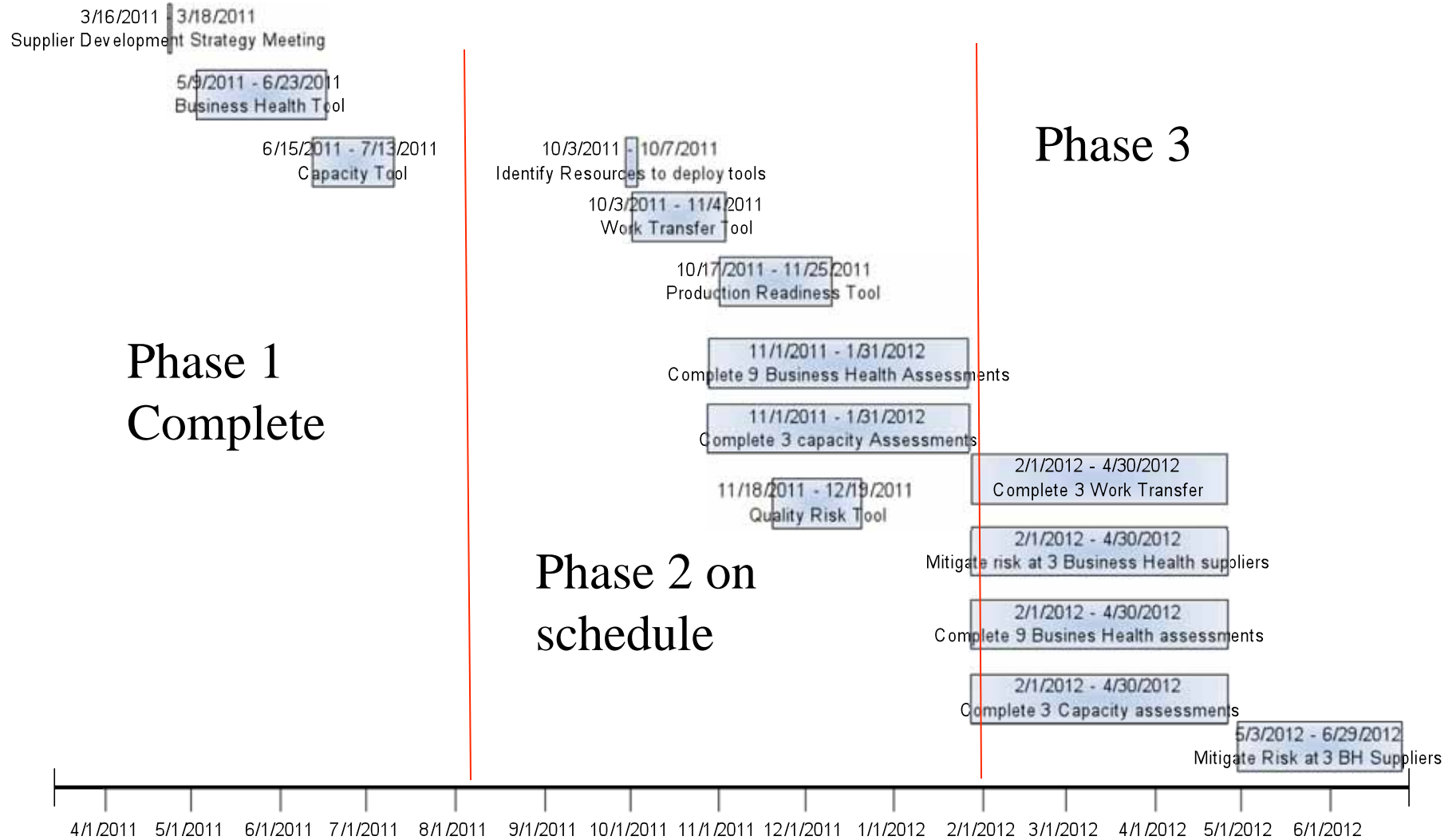
Focus:
Group >
Division >
Location >

Date Range
View By: FY >
Year: 2011 >
Refresh

Supply Chain
(+) Alerts
(+) Continuous Improvement
(+) PPI
(+) SC Technology
(+) Supplier Metrics
(+) SQS
(-) Supplier Risk
By Supplier
(+) Wadpo

Sample format – noted performance is not real

# Supplier Development Plan



# Supplier value via improved performance

**Parker** Supply Chain Management

Home Management Portal Metrics Process Supplier Account Journey Assessment Contracts Commodities Purch. Exchange People Supplier Diversity NP Supplier Search Invest

**Continuous Improvement System: By Supplier**

Country/Region: All Countries/Regions

Focus: Aerospace, All Divisions

Date Range: View by: Fiscal Year, Fiscal Year: 2012

Supply Chain: Alerts, Continuous Improvement, Dashboard, Summary, Organization Comparison, By Proposal, By Supplier, Purchase Price Index, SC Technology Deployment, Supplier Metrics, Supplier Profile, Supplier Qualification System, Supplier Risk, WADPO

Search By: Supplier  Go

All Countries/Regions: Aerospace Group: All Divisions - (Fiscal Year 2012)  
\* Savings does not include draft dollars

Supplier ID	Supplier Name	Previous FY Spend (\$)	Target %	Target	# of Ideas	% of Target Met	Savings *
014095155		\$1,950,930	2.00 %	\$39,018	5	30.37%	\$11,850
014675010		\$7,449,438	6.00 %	\$446,966	1	0.00%	\$1
027906015		\$177,398	0.00 %	\$0	1	564.00%	\$10,000
029766351		\$609,495	0.00 %	\$0	1	6.00%	\$339
036940244		\$6,404	15.00 %	\$960	1	4,987.50%	\$47,880
040051540		\$4,273,160	6.00 %	\$256,389	2	3.51%	\$8,989
054958744		\$1,695,842	0.00 %	\$0	2	0.00%	\$2
061840145		\$7,293,331	6.00 %	\$437,599	12	51.52%	\$225,453
064674789		\$0	N/A	N/A	1	N/A	\$21,754
071362350		\$15,805	0.00 %	\$0	1	3,163.00%	\$5,000
079469200		\$3,925,135	6.00 %	\$235,508	1	0.99%	\$2,331
079710615		\$54,928	10.00 %	\$5,492	1	0.00%	\$0
089101133		\$431,264	6.00 %	\$25,875	3	31.96%	\$8,270



# Why are we all here?



# The World Leader in Motion and Control



***Thank You!***

