



Parker Reports Record Quarterly Sales, Net Income, Earnings Per Diluted Share and Cash Flow from Operations

April 22, 2008

- Company raises earnings guidance for fiscal year 2008

CLEVELAND, April 22, 2008 /PRNewswire-FirstCall via COMTEX News Network/ -- Parker Hannifin (NYSE: PH), the world leader in motion and control technologies, today reported record third quarter sales, net income, earnings per diluted share and cash flow from operations.

(Logo: <http://www.newscom.com/cgi-bin/prnh/19990816/PHLOGO>)

For the third quarter of fiscal year 2008, which ended on March 31, 2008, sales were \$3.2 billion, an increase of 14.4 percent from \$2.8 billion in the same quarter a year ago. Net income increased 22.0 percent to \$255.4 million from \$209.3 million in the same quarter a year ago. Earnings per diluted share increased 25.2 percent to \$1.49 as compared to \$1.19 in the same quarter a year ago. Cash flow from operations was \$863.8 million, or 9.8 percent of sales.

"We are clearly headed to another record year for Parker, which will be the fifth record year in a row. The company continues to perform very well, showing strength during an economic cycle that has resulted in a challenging economic environment, particularly in North America. This is clearly the result of the dedication of our nearly 60,000 empowered employees who continue to stay focused on the Win Strategy, which is the clear roadmap that defines the goals, sets the strategies for achieving them, and identifies how progress will be measured," said Chairman, CEO and President Don Washkewicz. "First among those goals is one which serves Parker well independent of the economic cycle - to continually provide premier customer service. At Parker this means not just providing quality products on-time, but partnering with our customers all over the world to help them become more productive and profitable."

"Our consistent profitable growth also clearly demonstrates the power behind Parker's globally balanced assets and capabilities to serve customers in key regions of the world," Washkewicz continued. "This allows for more consistent financial performance, and coupled with our strong global distribution network, also allows Parker to serve its customers, and their customers, anywhere in the world. This is a distinctive business model that we believe separates Parker from others in our industry."

"Of the 14.4 percent sales growth this quarter, 4.3 percent was organic, 4.0 percent was the result of strategic acquisitions, and the remainder was from the movement of foreign currency exchange rates. Parker is benefiting today from the many strategic actions taken earlier in this decade. We have demonstrated our ability to profitably grow both organically and through strategic acquisitions of quality companies, and will continue to do so as further opportunities arise," continued Washkewicz.

"Particularly strong results were again delivered this quarter by the Industrial International segment, with robust organic growth and an increase in operating income by over 50 percent as compared to the same period a year ago," added Washkewicz.

"Adding high growth, advanced technologies and systems to our portfolio through acquisitions is an important part of the Win Strategy," said Washkewicz. "Strong cash flow is leveraged to selectively add to the portfolio. We made two recent strategic acquisitions, which added approximately \$270 million in sales. These acquisitions included Vansco Electronics, a global leader in the design and manufacture of electronic controls, displays and terminals, communication and operator interfaces, and sensors. Vansco adds to our total systems capabilities to serve the mobile equipment market with applications for agricultural, construction, material handling, bus, RV, and specialty truck equipment. The other recent acquisition was HTR Holdings Corp., which provides Parker greater access to the life sciences market. It adds to our capability to provide precision elastomeric components for medical devices such as intravenous equipment, drug infusion pumps, masks, septums, respirator hoses, catheters and diaphragms sold directly to original equipment manufacturers."

Segment Results

In spite of a soft overall economy in the Industrial North America segment, third-quarter sales increased 3.7 percent to \$1.1 billion, and operating income increased 0.8 percent to \$148.0 million, as compared to the same period a year ago.

In the Industrial International segment, third-quarter sales increased 32.2 percent to \$1.3 billion, and operating income increased 54.7 percent to \$217.2 million, as compared to the same period a year ago.

In the Aerospace segment, third-quarter sales increased 7.7 percent to \$470.1 million, and operating income increased 3.2 percent to \$68.3 million, as compared to the same period a year ago. During the quarter, this segment was awarded a \$2 billion long-term contract to supply the fuel package and hydraulic system for the new Airbus A350 XWB aircraft.

In the Climate & Industrial Controls segment, third-quarter sales increased 0.5 percent to \$279.6 million, and operating income decreased 4.9 percent to \$18.3 million, as compared to the same period a year ago. This segment continues to be impacted by the ongoing weakness in the automotive, residential construction, and heavy duty truck markets.

Orders

In addition to financial results, for the quarter ending March 31, 2008, Parker also reported an increase of 9 percent in total orders before the effect of foreign currency and acquisitions, as compared to the same quarter a year ago. Parker reported the following orders by operating segment:

- Orders increased 2 percent in the Industrial North America segment versus the same quarter a year ago.
- Orders increased 11 percent in the Industrial International segment versus the same quarter a year ago.
- Orders increased 28 percent in the Aerospace segment on a rolling 12 month average basis.
- Orders decreased 1 percent in the Climate and Industrial Controls segment versus the same quarter a year ago.

Outlook

For fiscal year 2008, the company increased its guidance for earnings to the range of \$5.40 to \$5.60 per diluted share. Previous guidance for earnings was \$5.15 to \$5.40 per diluted share.

"Since fiscal 2008 continues to be strong overall, we have again raised our earnings guidance," said Washkewicz. "Orders are growing in Europe, Asia, Latin America and North America. Many of our key markets, including Aerospace, continue to grow. For other markets, especially those in North America which have been in recession, we are positioned to benefit when they return to more normal growth levels."

"We will continue to invest to take advantage of the many growth opportunities we see," continued Washkewicz. "To further this investment, we are pleased to have had our syndicated credit facility, comprised of 18 creditors around the world, increased by nearly 50 percent over previous levels to \$1.5 billion. Given today's tight credit markets, we believe it signals our creditors' trust in Parker's ability to deliver on the profitable growth and financial performance measures of the Win Strategy."

"We were also pleased to receive an important third-party recognition this quarter. Parker was honored with IR Magazine's "Most Progress in Investor Relations" award at its annual recognition dinner for publicly held companies in New York City. The awards dinner recognizes outstanding communications between companies and their shareholders based on independent research conducted among more than 2,600 buy-side analysts, sell-side analysts, and portfolio managers in the U.S."

Concluded Washkewicz, "Our financial results, along with our proven business model and the Win Strategy, give us confidence about the continuing growth potential we see in our future."

NOTICE OF CONFERENCE CALL: Parker Hannifin's conference call and slide presentation to discuss its fiscal third-quarter results is available to all interested parties via live webcast today at 10:00 a.m. ET, on the company's investor information web site, <http://www.phstock.com>. To access the call, click on the "Live Webcast" link. From this link, users also may complete a pre-call system test and register for e-mail notification of future events and information available from Parker.

With annual sales exceeding \$10 billion, Parker Hannifin is the world's leading diversified manufacturer of motion and control technologies and systems, providing precision-engineered solutions for a wide variety of commercial, mobile, industrial and aerospace markets. The company employs more than 57,000 people in 43 countries around the world. Parker has increased its annual dividends paid to shareholders for 52 consecutive years, among the top five longest-running dividend-increase records in the S&P 500 index. For more information, visit the company's web site at <http://www.parker.com>, or its investor information site at <http://www.phstock.com>

Notes on Orders

Orders provide near-term perspective on the company's outlook, particularly when viewed in the context of prior and future quarterly order rates. However, orders are not in themselves an indication of future performance. All comparisons are at constant currency exchange rates, with the prior year restated to the current-year rates. All exclude acquisitions until they can be reflected

in both the numerator and denominator. Aerospace comparisons are rolling 12-month average computations. The Total Parker orders number is derived from a weighted average of the year-over-year quarterly percent change in orders for the Industrial North America, Industrial International, and Climate and Industrial Controls segments, and the year-over-year 12-month rolling average of orders in the Aerospace segment.

Forward-Looking Statements:

Forward-looking statements contained in this and other written and oral reports are made based on known events and circumstances at the time of release, and as such, are subject in the future to unforeseen uncertainties and risks. All statements regarding future performance, earnings projections, events or developments are forward-looking statements. It is possible that the future performance and earnings projections of the company and individual segments may differ materially from current expectations, depending on economic conditions within both its industrial and aerospace markets, and the company's ability to maintain and achieve anticipated benefits associated with announced realignment activities, strategic initiatives to improve operating margins, and growth, innovation and global diversification initiatives. A change in economic conditions in individual markets may have a particularly volatile effect on segment results. Among the 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 or significant changes in financial condition; 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 employee retirement and health care benefits and insurance; and global economic factors, including manufacturing activity, air travel trends, currency exchange rates, difficulties entering new markets and general economic conditions such as inflation, interest rates and credit availability. The company makes these statements as of the date of this disclosure, and undertakes no obligation to update them.

PARKER HANNIFIN CORPORATION - MARCH 31, 2008

CONSOLIDATED STATEMENT OF INCOME

(Unaudited)

| (Dollars in thousands except per share amounts) | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|--|---------------------------------|-------------|--------------------------------|-------------|
| | 2008 | 2007 | 2008 | 2007 |
| Net sales | \$3,182,537 | \$2,780,969 | \$8,798,853 | \$7,843,694 |
| Cost of sales | 2,447,216 | 2,163,828 | 6,763,650 | 6,049,193 |
| Gross profit | 735,321 | 617,141 | 2,035,203 | 1,794,501 |
| Selling, general and administrative expenses | 347,022 | 308,562 | 990,944 | 893,427 |
| Interest expense | 25,540 | 22,403 | 73,977 | 61,879 |
| Other expense (income), net | 4,965 | (8,750) | (1,424) | (22,153) |
| Income before income taxes | 357,794 | 294,926 | 971,706 | 861,348 |
| Income taxes | 102,353 | 85,617 | 274,805 | 248,488 |
| Net income | \$255,441 | \$209,309 | \$696,901 | \$612,860 |
| Earnings per share: | | | | |
| Basic earnings per share | \$1.52 | \$1.21 | \$4.14 | \$3.50 |
| Diluted earnings per share | \$1.49 | \$1.19 | \$4.05 | \$3.45 |
| Average shares outstanding during period - Basic | 167,750,603 | 173,176,299 | 168,532,262 | 175,031,276 |

| | | | | |
|--|-------------|-------------|-------------|-------------|
| Average shares outstanding during period - Diluted | 170,892,454 | 176,210,661 | 171,878,223 | 177,829,325 |
| Cash dividends per common share | \$.21 | \$.173 | \$.63 | \$.52 |

BUSINESS SEGMENT INFORMATION BY INDUSTRY

| (Unaudited) | Three Months Ended | | Nine Months Ended | |
|--|--------------------|-------------|-------------------|-------------|
| (Dollars in thousands) | March 31, | | March 31, | |
| | 2008 | 2007 | 2008 | 2007 |
| Net sales | | | | |
| Industrial: | | | | |
| North America | \$1,086,986 | \$1,048,474 | \$3,084,233 | \$3,008,902 |
| International | 1,345,849 | 1,017,953 | 3,624,486 | 2,817,668 |
| Aerospace | 470,109 | 436,476 | 1,328,097 | 1,240,873 |
| Climate & Industrial Controls | 279,593 | 278,066 | 762,037 | 776,251 |
| Total | \$3,182,537 | \$2,780,969 | \$8,798,853 | \$7,843,694 |
| Segment operating income | | | | |
| Industrial: | | | | |
| North America | \$148,019 | \$146,794 | \$444,881 | \$433,822 |
| International | 217,243 | 140,456 | 575,903 | 389,756 |
| Aerospace | 68,323 | 66,219 | 177,676 | 202,622 |
| Climate & Industrial Controls | 18,282 | 19,232 | 39,209 | 57,019 |
| Total segment operating income | \$451,867 | \$372,701 | \$1,237,669 | \$1,083,219 |
| Corporate general and administrative expenses | 48,157 | 40,538 | 133,505 | 121,168 |
| Income from operations before interest expense and other | 403,710 | 332,163 | 1,104,164 | 962,051 |
| Interest expense | 25,540 | 22,403 | 73,977 | 61,879 |
| Other expense | 20,376 | 14,834 | 58,481 | 38,824 |
| Income before income taxes | \$357,794 | \$294,926 | \$971,706 | \$861,348 |

CONSOLIDATED BALANCE SHEET

| (Unaudited) | | |
|---------------------------|-----------|-----------|
| (Dollars in thousands) | March 31, | |
| | 2008 | 2007 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$182,134 | \$183,727 |
| Accounts receivable, net | 1,985,894 | 1,717,153 |
| Inventories | 1,488,799 | 1,270,971 |
| Prepaid expenses | 70,334 | 64,200 |
| Deferred income taxes | 145,013 | 132,261 |
| Total current assets | 3,872,174 | 3,368,312 |

| | | |
|--------------------------|-------------|-------------|
| Plant and equipment, net | 1,861,893 | 1,709,239 |
| Goodwill | 2,652,727 | 2,169,631 |
| Intangible assets, net | 724,607 | 491,383 |
| Other assets | 497,776 | 969,972 |
| Total assets | \$9,609,177 | \$8,708,537 |

Liabilities and shareholders' equity

Current liabilities:

| | | |
|--|-------------|-------------|
| Notes payable | \$621,168 | \$293,456 |
| Accounts payable | 879,169 | 734,801 |
| Accrued liabilities | 820,720 | 720,770 |
| Accrued domestic and foreign taxes | 166,229 | 147,734 |
| Total current liabilities | 2,487,286 | 1,896,761 |
| Long-term debt | 1,189,736 | 1,115,987 |
| Pensions and other postretirement benefits | 362,865 | 833,123 |
| Deferred income taxes | 140,077 | 122,942 |
| Other liabilities | 310,220 | 219,282 |
| Shareholders' equity | 5,118,993 | 4,520,442 |
| Total liabilities and shareholders' equity | \$9,609,177 | \$8,708,537 |

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

(Dollars in thousands)

Nine Months Ended March 31,
2008 2007

Cash flows from operating activities:

| | | |
|--|-----------|-----------|
| Net income | \$696,901 | \$612,860 |
| Depreciation and amortization | 231,680 | 222,019 |
| Stock-based compensation | 37,934 | 28,517 |
| Net change in receivables, inventories, and trade payables | (163,824) | (179,683) |
| Net change in other assets and liabilities | 87,582 | (71,970) |
| Other, net | (26,501) | (74,864) |
| Net cash provided by operating activities | 863,772 | 536,879 |
| Cash flows from investing activities: | | |
| Acquisitions (net of cash of \$13,668 in 2008 and \$1,088 in 2007) | (467,686) | (188,340) |
| Capital expenditures | (188,172) | (174,946) |
| Proceeds from sale of plant and equipment | 16,120 | 35,389 |
| Other, net | (3,554) | (2,839) |
| Net cash (used in) investing activities | (643,292) | (330,736) |
| Cash flows from financing activities: | | |
| Net (payments for) common share activity | (521,262) | (361,651) |
| Net proceeds from debt | 414,363 | 254,196 |
| Dividends | (107,077) | (91,187) |
| Net cash (used in) financing activities | (213,976) | (198,642) |

| | | |
|--|-----------|-----------|
| Effect of exchange rate changes on cash | 2,924 | 4,673 |
| Net increase in cash and cash equivalents | 9,428 | 12,174 |
| Cash and cash equivalents at beginning of period | 172,706 | 171,553 |
| Cash and cash equivalents at end of period | \$182,134 | \$183,727 |

SOURCE Parker Hannifin Corporation

<http://www.phstock.com/>