



Parker Reports Fiscal 2013 First Quarter Sales, Net Income and Earnings per Share

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- Company revises fiscal 2013 earnings outlook

CLEVELAND, Oct. 19, 2012 /PRNewswire/ -- Parker Hannifin Corporation (NYSE: PH), the global leader in motion and control technologies, today reported results for the fiscal 2013 first quarter ended September 30, 2012. Fiscal 2013 first quarter sales were \$3.21 billion compared with \$3.23 billion in the prior year quarter. Net income was \$239.9 million compared with \$298.2 million in the first quarter of fiscal 2012. Fiscal 2013 first quarter earnings per diluted share were \$1.57 compared with \$1.91 in the prior year quarter.

(Logo: <http://photos.prnewswire.com/prnh/19990816/PHLOGO>)

"We delivered a solid level of earnings this quarter, in spite of ongoing weakness in international markets and softness in North America," said Chairman, CEO and President, Don Washkewicz.

Segment Results

In the Industrial North America segment, first quarter sales increased 5.1 percent to \$1.27 billion, and operating income was \$227.2 million compared with \$223.2 million in the same period a year ago.

In the Industrial International segment, first quarter sales decreased 8.7 percent to \$1.18 billion, and operating income was \$151.8 million compared with \$208.2 million in the same period a year ago.

In the Aerospace segment, first quarter sales increased 8.8 percent to \$541.1 million, and operating income was \$61.9 million compared with \$68.6 million in the same period a year ago.

In the Climate and Industrial Controls segment, first quarter sales decreased 4.8 percent to \$230.9 million, and operating income was \$21.7 million compared with \$19.8 million in the same period a year ago.

Orders

Parker reported a decrease of 6 percent in orders for the quarter ending September 30, 2012, compared with the same quarter a year ago. The company reported the following orders by operating segment:

- Orders declined 11 percent in the Industrial North America segment compared with the same quarter a year ago.
- Orders declined 8 percent in the Industrial International segment compared with the same quarter a year ago.
- Orders increased 5 percent in the Aerospace segment on a rolling 12-month average basis.
- Orders increased 2 percent in the Climate and Industrial Controls segment compared with the same quarter a year ago.

Outlook

For the fiscal year ending June 30, 2013, the company has revised guidance for earnings from continuing operations to the range of \$6.15 to \$6.75 per diluted share. Previous guidance for earnings from continuing operations was \$7.10 to \$7.90 per diluted share. Fiscal 2013 guidance includes an expected year-over-year increase in domestic qualified pension expense of approximately \$0.35 per diluted share due to accounting regulations which require the use of a lower discount rate based on current market conditions.

Washkewicz added, "The economic picture remains uncertain going into the first half of calendar year 2013. We will continue to manage our costs and maintain a strong balance sheet. We have revised our estimated range for diluted earnings per share to align with changes in global economic conditions. So far this year, we have strengthened our portfolio by completing five acquisitions and one divestiture. The acquisitions will add approximately \$243 million in annualized sales. The integration costs associated with these acquisitions are included in our full year earnings guidance."

NOTICE OF CONFERENCE CALL: Parker Hannifin's conference call and slide presentation to discuss its fiscal 2013 first quarter results are available to all interested parties via live webcast today at 11:00 a.m. ET, on the company's investor information web site at 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. A replay of the conference call will also be available at www.phstock.com for one year after the call.

With annual sales exceeding \$13 billion in fiscal year 2012, 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 mobile, industrial and aerospace markets. The company employs approximately 60,000 people in 48 countries around the world. Parker has increased its annual dividends paid to shareholders for 56 consecutive fiscal 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 www.parker.com or its investor information web site at 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 for 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, including its individual segments, may differ materially from current expectations, depending on economic conditions within its mobile, industrial and aerospace markets, and the company's ability to maintain and achieve anticipated benefits associated with announced realignment activities, strategic initiatives to improve operating margins, actions taken to combat the effects of the current economic environment, and growth, innovation and global diversification initiatives. A change in the economic conditions in individual markets may have a particularly volatile effect on segment performance. Among other factors which may affect future performance are: changes in business relationships with and purchases by or from major customers, suppliers or distributors, including delays or cancellations in shipments, disputes regarding contract terms or significant changes in financial condition, changes in contract cost and revenue estimates for new development programs and changes in product mix; ability to identify acceptable strategic acquisition targets; uncertainties surrounding timing, successful completion or integration of acquisitions; ability to realize anticipated cost savings from business realignment activities; threats associated with and efforts to combat terrorism; uncertainties surrounding the ultimate resolution of outstanding legal proceedings, including the outcome of any appeals; competitive market conditions and resulting effects on sales and pricing; increases in raw material costs that cannot be recovered in product pricing; the company's ability to manage costs related to insurance and employee retirement and health care benefits; and global economic factors, including manufacturing activity, air travel trends, currency exchange rates, difficulties entering new markets and general economic conditions such as inflation, deflation, interest rates and credit availability. The company makes these statements as of the date of this disclosure, and undertakes no obligation to update them unless otherwise required by law.

CONSOLIDATED STATEMENT OF INCOME

| (Unaudited) | Three Months Ended September 30, | |
|----------------------------------------------------------------|----------------------------------|---------------------|
| (Dollars in thousands except per share amounts) | 2012 | 2011 |
| Net sales | \$ 3,214,935 | \$ 3,233,881 |
| Cost of sales | 2,477,447 | 2,414,442 |
| Gross profit | 737,488 | 819,439 |
| Selling, general and administrative expenses | 381,122 | 386,466 |
| Interest expense | 23,509 | 23,221 |
| Other (income), net | (3,201) | (1,833) |
| Income before income taxes | 336,058 | 411,585 |
| Income taxes | 96,110 | 113,427 |
| Net income | 239,948 | 298,158 |
| Less: Noncontrolling interests | 207 | 1,140 |
| Net income attributable to common shareholders | \$ 239,741 | \$ 297,018 |
| Earnings per share attributable to common shareholders: | | |
| Basic earnings per share | \$ 1.61 | \$ 1.95 |
| Diluted earnings per share | \$ 1.57 | \$ 1.91 |
| Average shares outstanding during period - Basic | 149,285,849 | 152,439,026 |
| Average shares outstanding during period - Diluted | 152,617,110 | 155,429,408 |
| Cash dividends per common share | \$.41 | \$.37 |

BUSINESS SEGMENT INFORMATION BY INDUSTRY

| (Unaudited) | Three Months Ended September 30, | |
|-------------------------------------------------|----------------------------------|---------------------|
| (Dollars in thousands) | 2012 | 2011 |
| Net sales | | |
| Industrial: | | |
| North America | \$ 1,266,047 | \$ 1,204,817 |
| International | 1,176,890 | 1,289,115 |
| Aerospace | 541,083 | 497,492 |
| Climate & Industrial Controls | 230,915 | 242,457 |
| Total | \$ 3,214,935 | \$ 3,233,881 |
| Segment operating income | | |
| Industrial: | | |
| North America | \$ 227,192 | \$ 223,227 |
| International | 151,771 | 208,219 |
| Aerospace | 61,898 | 68,637 |
| Climate & Industrial Controls | 21,710 | 19,792 |
| Total segment operating income | 462,571 | 519,875 |
| Corporate general and administrative expenses | 39,767 | 58,016 |
| Income before interest expense and other | 422,804 | 461,859 |
| Interest expense | 23,509 | 23,221 |
| Other expense | 63,237 | 27,053 |
| Income before income taxes | \$ 336,058 | \$ 411,585 |

CONSOLIDATED BALANCE SHEET

| (Unaudited) | September 30, | June 30, | September 30, |
|------------------------|---------------|----------|---------------|
| (Dollars in thousands) | 2012 | 2012 | 2011 |

Assets**Current assets:**

| | | | |
|-----------------------------|----------------------|----------------------|----------------------|
| Cash and cash equivalents | \$ 436,131 | \$ 838,317 | \$ 424,354 |
| Accounts receivable, net | 1,982,590 | 1,992,284 | 1,881,303 |
| Inventories | 1,489,748 | 1,400,732 | 1,456,078 |
| Prepaid expenses | 161,123 | 137,429 | 93,597 |
| Deferred income taxes | 130,490 | 129,352 | 144,002 |
| Total current assets | 4,200,082 | 4,498,114 | 3,999,334 |
| Plant and equipment, net | 1,803,412 | 1,719,968 | 1,712,870 |
| Goodwill | 3,076,134 | 2,925,856 | 2,904,201 |
| Intangible assets, net | 1,193,815 | 1,095,218 | 1,115,900 |
| Other assets | 861,135 | 931,126 | 589,285 |
| Total assets | \$ 11,134,578 | \$ 11,170,282 | \$ 10,321,590 |

Liabilities and equity**Current liabilities:**

| | | | |
|--------------------------------------------|----------------------|----------------------|----------------------|
| Notes payable | \$ 264,582 | \$ 225,589 | \$ 78,547 |
| Accounts payable | 1,162,797 | 1,194,684 | 1,120,339 |
| Accrued liabilities | 830,034 | 911,931 | 803,158 |
| Accrued domestic and foreign taxes | 109,052 | 153,809 | 233,665 |
| Total current liabilities | 2,366,465 | 2,486,013 | 2,235,709 |
| Long-term debt | 1,511,799 | 1,503,946 | 1,668,600 |
| Pensions and other postretirement benefits | 1,704,291 | 1,909,755 | 845,576 |
| Deferred income taxes | 112,532 | 88,091 | 149,022 |
| Other liabilities | 287,477 | 276,747 | 309,195 |
| Shareholders' equity | 5,141,124 | 4,896,515 | 5,017,264 |
| Noncontrolling interests | 10,890 | 9,215 | 96,224 |
| Total liabilities and equity | \$ 11,134,578 | \$ 11,170,282 | \$ 10,321,590 |

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited) Three Months Ended September 30,
(Dollars in thousands) 2012 2011

Cash flows from operating activities:

| | | |
|------------------------------------------------------------|----------------|----------------|
| Net income | \$ 239,948 | \$ 298,158 |
| Depreciation and amortization | 81,172 | 84,832 |
| Stock incentive plan compensation | 31,261 | 27,898 |
| Net change in receivables, inventories, and trade payables | (23,536) | (83,758) |
| Net change in other assets and liabilities | (389,688) | (11,761) |
| Other, net | 53,872 | (5,873) |
| Net cash (used in) provided by operating activities | (6,971) | 309,496 |

Cash flows from investing activities:

| | | |
|--------------------------------------------------------------------|------------------|-----------------|
| Acquisitions (net of cash of \$20,329 in 2012 and \$5,899 in 2011) | (194,548) | (10,406) |
| Capital expenditures | (76,685) | (43,989) |
| Proceeds from sale of plant and equipment | 8,645 | 5,660 |
| Other, net | 168 | 181 |
| Net cash (used in) investing activities | (262,420) | (48,554) |

Cash flows from financing activities:

| | | |
|--------------------------------------------------|------------------|------------------|
| Net payments for common stock activity | (72,530) | (290,940) |
| Acquisition of noncontrolling interests | - | (76,893) |
| Net payments for debt | (37,773) | (203) |
| Dividends | (61,365) | (63,004) |
| Net cash (used in) financing activities | (171,668) | (431,040) |
| Effect of exchange rate changes on cash | 38,873 | (63,014) |
| Net (decrease) in cash and cash equivalents | (402,186) | (233,112) |
| Cash and cash equivalents at beginning of period | 838,317 | 657,466 |

| | | | | |
|---------------------------------------------------|-----------|----------------|-----------|----------------|
| Cash and cash equivalents at end of period | \$ | 436,131 | \$ | 424,354 |
|---------------------------------------------------|-----------|----------------|-----------|----------------|

SOURCE Parker Hannifin Corporation

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