



Parker Reports Q4 Earnings Of 84 Cents Per Share

July 29, 1999

Full-Year Record Sales and Cash Flow Despite Fiscal '99's Softer Demand

CLEVELAND--(BUSINESS WIRE)--July 29, 1999--Parker Hannifin Corporation today reported net income for the fiscal year ended June 30 of \$310.5 million, or \$2.83 per diluted share, on record sales of \$4.96 billion, up seven percent from the prior year. In fiscal 1998, the company earned \$319.6 million in net income, or \$2.85 per diluted share, on sales of \$4.63 billion. The prior-year comparison included 12 cents in charges primarily for acquisition-related, in-process research and development.

Continued growth in the aerospace business and industrial acquisitions the company made last year contributed to the sales record, while earnings reflect the year's reduced industrial demand and corresponding actions the company took to pare down inventories and workforce hours.

The company generated a record \$459 million in cash from operations during the year, up 43 percent from fiscal 1998. "With our strong balance sheet, we are more than ready when the right acquisition opportunities arise," said Parker President and CEO Duane Collins. "We have a good track record with acquisitions, and that makes Parker the clear choice for companies looking to gain the strengths of a larger partner."

Aerospace posted an 11-percent gain in operating income during the year, offset by the North American and international industrial segments, which combined posted operating profits nine-percent lower than last year.

Quarterly Results

Fourth-quarter net income was \$92.3 million, or 84 cents per diluted share, on sales of \$1.29 billion, compared with \$86.8 million, or 77 cents per diluted share, on sales of \$1.24 billion last year.

"Net income was just shy of our most profitable quarter on record," said Collins. "Our employees managed very well through a mediocre year for industrials. We got \$100 million leaner in inventories in the second half, and domestically, we're already seeing positive results from the proactive belt-tightening we've done."

The company improved return on sales to 7.2 percent in the quarter, its highest level since the quarter ended in September 1997. Volume gains in aerospace and a healthy rebound in semiconductor-related business contributed to higher sales, which were partially offset by slower volume in the company's international industrial segment and a one-percent negative currency effect. Aerospace posted a 13.9-percent increase in operating income, primarily reflecting higher aircraft-build rates.

Collins said, "Three months ago, we said Europe typically lags the U.S. industrial cycle by about six months, and sure enough, we haven't yet seen signs of recovery. With an anticipated slowing in aerospace as well, we're taking more aggressive steps right now to resize our business and further reduce costs in these areas."

Other Business Developments

Parker is now establishing a second wholly-owned enterprise in China, while initiating major expansions of low-cost manufacturing facilities in the Czech Republic and Poland. All three of the Korean businesses in which the company recently secured full ownership are performing ahead of expectations. And the company is expanding into India with the establishment of its first trading subsidiary and distribution facility to serve that market locally.

The company completed four acquisitions during the year totaling roughly \$115 million in annualized sales. They include:

- Veriflo Corporation, which strengthens Parker's position in the medical, analytical, petrochemical and semiconductor industries;
- Fluid Power Systems, a leading provider of systems solutions to global mobile equipment manufacturers;

- Cougar Valves and Fittings, which broadens the company's product offerings in the Australian-Asian market and provides an operating platform to support customers in the region; and
- Jinyoung Electric Machinery, a leading Korean manufacturer of automation components that is an important manufacturing base to serve Asian and European customers.

Parker also completed a 33.4-percent equity investment in Japan via a strategic alliance with Tokyo-based Kuroda Precision Industries. The stake in the \$120-million company establishes a strong base for the company to serve and develop pneumatic products in the important Japanese market, with additional opportunities for Parker to market Kuroda products outside Japan at a time of growing global demand for factory automation products.

Outlook

The company said it expects to increase sales in the first quarter, and maintains an upbeat outlook on the full year, following the immediate effect of costs associated with the operating adjustments now under way in the international industrial and aerospace segments.

Collins stressed that these actions will be self-funded -- by direct benefits realized through the balance of the year rather than a restructuring charge - and said that while they will curtail first- quarter earnings, they will positively affect the company's capacity for both volume and earnings growth in fiscal 2000.

Collins said, "Development around the world is a certainty, and wherever the standard and quality of living is being raised, Parker is there. We have both market leadership and a global presence. We have a complete and competitively advantageous business model built for growth. Everything is in place - from our focus on returns to capacity for acquisitions - we have the means to grow volume and profit from a position of strength in the diverse and expansive market for motion and control."

With annual sales approaching \$5 billion, Parker Hannifin Corporation is the world's leading diversified manufacturer of motion and control technologies, providing systematic, precision-engineered solutions for a wide variety of commercial, industrial and aerospace markets. For more information, visit the company's web site at www.parker.com.

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, events or developments are forward-looking statements. It is possible that the company's future performance may differ materially from current expectations expressed in these forward- looking statements, due to a variety of factors such as changes in: business relationships with and purchases by or from major customers or suppliers; competitive market conditions and resulting effects on sales and pricing; increases in raw-material costs which cannot be recovered in product pricing; and global economic factors, including currency exchange rates and difficulties entering new markets.

PARKER HANNIFIN CORPORATION - JUNE 30, 1999

CONSOLIDATED STATEMENT OF INCOME

Unaudited

(Dollars in thousands except per share amounts)	Three Months Ended June 30,	
	1999	1998
Net sales	\$ 1,285,266	\$ 1,238,358
Cost of sales	989,759	949,322
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Gross profit	295,507	289,036
Selling, general and administrative expenses	138,875	135,440
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Income from operations	156,632	153,596
Other income (deductions):		

Interest expense	(14,647)	(15,756)
Interest and other income, net	78	2,356
	-----	-----
	(14,569)	(13,400)
	-----	-----
Income before income taxes	142,063	140,196
Income taxes	49,722	49,770
	-----	-----
Income before extraordinary item	92,341	90,426
Extraordinary item - extinguishment of debt	-	(3,675)
	-----	-----
Net income	\$ 92,341	\$ 86,751
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	-----	-----
Earnings per share:		
Basic earnings per share		
before extraordinary item	\$.84	\$.81
Extraordinary item - extinguishment of debt	-	(.03)
	-----	-----
Basic earnings per share	\$.84	\$.78
	-----	-----
	-----	-----
Diluted earnings per share		
before extraordinary item	\$.84	\$.80
Extraordinary item - extinguishment of debt	-	(.03)
	-----	-----
Diluted earnings per share	\$.84	\$.77
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Average shares outstanding		
during period - Basic	108,788,284	110,263,237
Average shares outstanding		
during period - Diluted	109,829,144	111,393,902
Cash dividends per common share	\$.17	\$.15

PARKER HANNIFIN CORPORATION - JUNE 30, 1999
CONSOLIDATED STATEMENT OF INCOME

(Dollars in thousands except per share amounts)	Year Ended June 30,	
	1999	1998
Net sales	\$ 4,958,800	\$ 4,633,023
Cost of sales	3,869,370	3,550,992
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Gross profit	1,089,430	1,082,031
Selling, general and administrative expenses	550,681	532,134
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Income from operations	538,749	549,897
Other income (deductions):		
Interest expense	(63,697)	(52,787)
Interest and other income, net	2,642	6,878
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	(61,055)	(45,909)
	-----	-----
Income before income taxes	477,694	503,988
Income taxes	167,193	180,762
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Income before extraordinary item	310,501	323,226
Extraordinary item - extinguishment of debt	-	(3,675)
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Net income	\$ 310,501	\$ 319,551
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	-----	-----
Earnings per share:		
Basic earnings per share before extraordinary item	\$ 2.85	\$ 2.91
Extraordinary item - extinguishment of debt	-	(.03)
	-----	-----
Basic earnings per share	\$ 2.85	\$ 2.88
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	-----	-----
Diluted earnings per share before extraordinary item	\$ 2.83	\$ 2.88
Extraordinary item - extinguishment of debt	-	(.03)
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Diluted earnings per share	\$ 2.83	\$ 2.85
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Average shares outstanding during period - Basic	108,799,974	110,868,834
Average shares outstanding during period - Diluted	109,678,959	111,959,271
Cash dividends per common share	\$.64	\$.60

Cost of sales for 1998 includes a non-cash, non-recurring pretax charge of \$10.6 million for the quarter for in-process R&D purchased as part of an Industrial International acquisition. In addition, Cost of sales for the year includes a similar charge for \$5.2 million for an Industrial North American acquisition, making the total year charge \$15.8 million. After taxes these charges were \$6.8 million, or \$.06 per share, for the quarter and \$12.0 million, or \$.11 per share, for the year.

BUSINESS SEGMENT INFORMATION BY INDUSTRY

Unaudited	Three Months Ended June 30,	
(Dollars in thousands)	1999	1998

Net sales		
Industrial:		
North America	\$ 679,317	\$ 647,187
International	296,958	326,426
Aerospace	308,991	264,745
	-----	-----
Total	\$ 1,285,266	\$ 1,238,358
	-----	-----
Income from operations		
Industrial:		
North America	\$ 99,709	\$ 96,527
International	14,348	19,977
Aerospace	48,111	42,241
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Total	162,168	158,745
Corporate general and administrative expenses	11,936	10,981
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Income from operations before interest expense and other	150,232	147,764
Interest expense	14,647	15,756
Other	(6,478)	(8,188)
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Income before income taxes	\$ 142,063	\$ 140,196
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BUSINESS SEGMENT INFORMATION BY INDUSTRY

(Dollars in thousands)	Year Ended June 30,	
	1999	1998
Net sales		
Industrial:		
North America	\$ 2,565,154	\$ 2,454,558
International	1,241,256	1,185,584
Aerospace	1,152,390	992,881
	-----	-----
Total	\$ 4,958,800	\$ 4,633,023
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Income from operations		
Industrial:		
North America	\$ 335,259	\$ 365,880
International	82,245	92,783
Aerospace	177,213	159,580
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Total	594,717	618,243
Corporate general and administrative expenses	54,176	61,829
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Income from operations before interest expense and other	540,541	556,414

Interest expense	63,697	52,787
Other	(850)	(361)
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Income before income taxes	\$ 477,694	\$ 503,988
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CONSOLIDATED BALANCE SHEET
(Dollars in thousands)

	June 30,	1999	1998
Assets			
Current assets:			
Cash and cash equivalents	\$	33,277	\$ 30,488
Accounts receivable, net		738,773	699,179
Inventories		915,130	944,271
Prepaid expenses		22,928	22,035
Deferred income taxes		64,576	84,102
		-----	-----
Total current assets		1,774,684	1,780,075
Plant and equipment, net		1,200,869	1,135,225
Other assets		730,335	609,521
		-----	-----
Total assets	\$	3,705,888	\$ 3,524,821
		-----	-----
		-----	-----
Liabilities and shareholders' equity			
Current liabilities:			
Notes payable	\$	60,609	\$ 265,485
Accounts payable		313,173	338,249
Accrued liabilities		328,147	350,662
Accrued domestic and foreign taxes		52,584	34,374
		-----	-----
Total current liabilities		754,513	988,770
Long-term debt		724,757	512,943
Pensions and other postretirement benefits		276,637	265,675
Deferred income taxes		30,800	29,739
Other liabilities		65,319	44,244
Shareholders' equity		1,853,862	1,683,450
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Total liabilities and shareholders' equity	\$	3,705,888	\$ 3,524,821
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CONSOLIDATED STATEMENT OF CASH FLOWS

(Dollars in thousands)	Year Ended June 30,	
	1999	1998
Cash flows from operating activities:		

Net income	\$ 310,501	\$ 319,551
Depreciation and amortization	202,046	182,679
Net effect of extraordinary loss	-	3,675
Write-off of purchased in-process R&D	-	15,800
Net change in receivables, inventories, and trade payables	(33,865)	(203,656)
Net change in other assets and liabilities	(24,694)	(9,118)
Other, net	5,109	11,668
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Net cash provided by operating activities	459,097	320,599
Cash flows from investing activities:		
Acquisitions (less cash acquired of \$2,609 and \$4,260 in 1999 and 1998)	(89,865)	(232,953)
Capital expenditures	(230,122)	(236,945)
Other, net	6,930	10,781
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Net cash used in investing activities	(313,057)	(459,117)
Cash flows from financing activities:		
Net proceeds from (payments for) common shares activity	74,076	(96,887)
Net (payments for) proceeds from debt	(148,407)	264,896
Dividends	(69,461)	(66,501)
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Net cash (used in) provided by financing activities	(143,792)	101,508
Effect of exchange rate changes on cash	541	(1,499)
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Net increase (decrease) in cash and cash equivalents	2,789	(38,509)
Cash and cash equivalents at beginning of period	30,488	68,997
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Cash and cash equivalents at end of period	\$ 33,277	\$ 30,488
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Noncash activities: In 1999 assumption of ESOP debt guarantee for \$112,000 and capital lease obligations of \$7,346. In 1998 Treasury stock of \$11,950 was issued for acquisitions.

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