



Parker Earns 67 Cents in Q1 with Operating Alignment Completed as Planned

October 18, 1999

CLEVELAND, Oct. 18 /PRNewswire/ -- Parker Hannifin Corporation (NYSE: PH) today reported first-quarter net income for the period ended September 30, 1999 of \$73.6 million, or 67 cents per diluted share, on record first-quarter sales of \$1.24 billion. In the first quarter of fiscal 1999, the company earned \$78.1 million in net income, or 71 cents per diluted share, on sales of \$1.22 billion. The current period's results reflect costs associated with completion of the company's previously announced plan to realign operations in its International and Aerospace segments. These costs, which include a mix of asset impairment and severance expenses, were partially offset by gains on the sale of properties.

The modest sales increase is attributed to industrial acquisitions completed in the last fiscal year, coupled with growth in the telecommunications and filtration markets and a robust rebound in semiconductors. Internationally, real volume was flat, and the decline in sales reflects negative currency translation.

Parker's North American Industrial segment posted a 14-percent increase in operating income, accruing benefits from higher volume and a stabilized production environment. The International and Aerospace segments recorded lower operating income in the quarter as a result of consolidation costs incurred as planned. In the International segment, the company noted encouraging growth in the Asia-Pacific region, as acquisitions continued to perform ahead of expectations.

President and CEO Duane Collins said, "We did what we said we would in the quarter: We completed operating adjustments to improve profitability in our international units and we realigned aerospace in anticipation of slower original-equipment demand for large aircraft. The implementation costs for these actions are fully absorbed in this quarter's income statement."

Cash from operations in the quarter was \$118 million, compared with \$19 million last year. The proactive effort to manage inventories and accounts payable fueled the increase, and the company said it is positioned for acquisition opportunities in its core markets.

Outlook

The company maintains a positive outlook for fiscal 2000, noting a substantive increase across the board in September's industrial orders, which have yet to be realized in sales. The North American sector, which is the most profitable, leads the upward order trend evidenced in recent months, while it appears that European orders may be beginning to follow suit. In Aerospace, the company is seeing slowing orders for large-airframe equipment as expected. Prospects for other original-equipment markets and for higher-margin maintenance, repair and overhaul work remain favorable.

"The next quarter will be telling," said Collins. "We should finally begin to see margin improvement in our international units, and we expect our adjustments in aerospace to moderate the downturn. By the second half, we'll be well positioned for what is traditionally our strongest sales and earnings period."

"Having finished one quarter, we like where we are, but we've still got ground to cover to meet our growth objectives in the international segment. We have confidence in our people and the good work they're doing to keep us on plan for sales and earnings growth this year," Collins said.

With nearly \$5 billion in annual sales, 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 - SEPTEMBER 30, 1999

CONSOLIDATED STATEMENT OF INCOME

Unaudited (Dollars in thousands except per share amounts)	Three Months Ended September 30,	
	1999	1998
Net sales	\$1,242,293	\$1,218,724
Cost of sales	976,621	947,307
Gross profit	265,672	271,417
Selling, general and administrative expenses	138,148	134,158
Income from operations	127,524	137,259
Other income (deductions):		
Interest expense	(14,543)	(16,075)
Interest and other income, net	(624)	(73)
Total	(15,167)	(16,148)
Income before income taxes	112,357	121,111
Income taxes	38,763	42,994
Net income	\$73,594	\$78,117
Earnings per share:		
Basic earnings per share	\$.67	\$.71
Diluted earnings per share	\$.67	\$.71
Average shares outstanding during period - Basic	109,069,288	109,366,054
Average shares outstanding during period - Diluted	110,094,722	110,128,017
Cash dividends per common share	\$.17	\$.15

BUSINESS SEGMENT INFORMATION BY INDUSTRY

Unaudited (Dollars in thousands)	Three Months Ended September 30,	
	1999	1998
Net sales		
Industrial:		
North America	\$667,669	\$621,595
International	298,463	315,230
Aerospace	276,161	281,899
Total	\$1,242,293	\$1,218,724
Segment operating income		
Industrial:		
North America	\$93,683	\$82,155
International	11,212	26,822
Aerospace	35,048	43,839
Total segment operating income	139,943	152,816
Corporate general and administrative expenses	14,113	12,295
Income from operations before interest expense and other	125,830	140,521
Interest expense	14,543	16,075
Other	(1,070)	3,335
Income before income taxes	\$112,357	\$121,111

CONSOLIDATED BALANCE SHEET

Unaudited	September 30,	
(Dollars in thousands)	1999	1998
Assets		
Current assets:		
Cash and cash equivalents	\$64,421	\$44,201
Accounts receivable, net	739,682	714,364
Inventories	920,843	1,010,062
Prepaid expenses	21,141	20,583
Deferred income taxes	65,907	86,577
Total current assets	1,811,994	1,875,787
Plant and equipment, net	1,207,012	1,177,344
Other assets	751,356	706,939
Total assets	\$3,770,362	\$3,760,070

Liabilities and shareholders' equity

Current liabilities:		
Notes payable	\$59,462	\$355,218
Accounts payable	288,521	285,642
Accrued liabilities	308,951	305,206
Accrued domestic and foreign taxes	84,159	64,753
Total current liabilities	741,093	1,010,819
Long-term debt	717,599	639,049
Pensions and other		
postretirement benefits	280,101	277,122
Deferred income taxes	32,813	37,797
Other liabilities	68,582	54,189
Shareholders' equity	1,930,174	1,741,094
Total liabilities and		
shareholders' equity	\$3,770,362	\$3,760,070

CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited	Three Months Ended September 30,	
(Dollars in thousands)	1999	1998
Cash flows from		
operating activities:		
Net income	\$73,594	\$78,117
Depreciation and amortization	53,203	49,579
Net change in receivables,		
inventories, and trade payables	(19,438)	(90,743)
Net change in other assets		
and liabilities	16,542	(16,107)
Other, net	(6,115)	(1,642)
Net cash provided by		
operating activities	117,786	19,204
Cash flows from investing activities:		
Acquisitions (less cash acquired		
of \$2,609 in 1998)	(3,007)	(89,466)
Capital expenditures	(50,124)	(56,668)
Other, net	(11,980)	5,230
Net cash used in investing activities	(65,111)	(140,904)
Cash flows from financing activities:		
Net proceeds from (payments for)		
common share activity	1,871	(29,581)

Net (payments for) proceeds from debt	(3,526)	179,968
Dividends	(18,521)	(16,429)
Net cash (used in) provided by financing activities	(20,176)	133,958
Effect of exchange rate changes on cash	(1,355)	1,455
Net increase in cash and cash equivalents	31,144	13,713
Cash and cash equivalents at beginning of period	33,277	30,488
Cash and cash equivalents at end of period	\$64,421	\$44,201

SOURCE Parker Hannifin Corporation