



Parker Posts 18-Percent Increase in Fiscal Q2 Net Income; EPS of 68 Cents Strong Order Trends Continue for Favorable Full-Year Outlook

January 18, 2000

CLEVELAND, Jan. 18 /PRNewswire/ -- Parker Hannifin Corporation (NYSE: PH) today reported an 18-percent increase in second-quarter net income for the period ended December 31, 1999. The company earned \$75.0 million, or 68 cents per diluted share, on sales of \$1.24 billion, compared with net income of \$63.5 million, or 58 cents per diluted share, earned on sales of \$1.20 billion in the prior year.

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

The 3.4-percent increase in sales marks an overall upturn in the company's North American Industrial business, with the semiconductor and telecommunications markets leading the trend. Aerospace sales were relatively flat, which was better than expected in light of a downturn in the original-equipment market for large aircraft. In the International Industrial segment, the effect of foreign currency rates more than offset higher volume achieved by Parker's business units in the Asia-Pacific region.

The North American Industrial segment posted a 30-percent increase in operating income, driven by higher sales volume. Operating income in the International Industrial segment was up slightly, while Aerospace recorded a 12-percent decrease, reflecting the volume and the mix of original-equipment programs, as well as lower capacity utilization.

Parker Chairman and CEO Duane Collins said, "Industrial activity in North America is making a nice recovery, and we are pleased with the strong income improvement our businesses have achieved. Looking ahead at our order activity, we also are encouraged at the signs of life we're seeing in our international industrial markets."

"This quarter's results bode well for us to achieve our sales and earnings objectives for the year," Collins said. "Casting aside a negative currency effect, we are on plan, and looking forward to further growth opportunities in light of our announcement of our merger agreement with Commercial Intertech."

First-Half Results

Parker first-half sales for fiscal 2000 were \$2.48 billion, compared with \$2.42 billion in the prior year period. First-half net income was \$148.6 million or \$1.35 per diluted share compared with \$141.6 million or \$1.29 per share. The increase in the current year first-half results reflects the strong performance by the North American Industrial operations partially offset by realignment costs recorded in the first quarter in the International and Aerospace segments.

The company recorded \$213 million in cash from operations in the first half, resulting in reduced debt and interest expense. For the same period last year, cash from operations was \$123 million. As the company has said before, it is in an excellent position to invest that cash in product development and acquisition opportunities in its core markets.

Outlook

"The second half is when we'll realize sales from the terrific momentum we've seen in orders," said Collins. "We're pleased to note North American industrials are leading the positive order trend, and also that European orders are showing steady improvement." Collins said that the long-term outlook for Aerospace remains positive. "Even as large aircraft builds decline, demand for regional and business jets is strong, and we've won some great system-business on these planes. And for Parker, that's a more profitable piece of the original-equipment market."

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 - DECEMBER 31, 1999

CONSOLIDATED STATEMENT OF INCOME

(Unaudited)

(Dollars in thousands except per share amounts)	Three Months Ended December 31,		Six Months Ended December 31,	
	1999	1998	1999	1998
Net sales	\$1,239,207	\$1,199,021	\$2,481,500	\$2,417,745
Cost of sales	971,298	943,167	1,947,919	1,890,474
Gross profit	267,909	255,854	533,581	527,271
Selling, general and administrative expenses	140,157	141,370	278,305	275,528
Income from operations	127,752	114,484	255,276	251,743
Other income (deductions):				
Interest expense	(14,028)	(17,341)	(28,571)	(33,416)
Interest and other income, net	724	(333)	100	(406)
	(13,304)	(17,674)	(28,471)	(33,822)
Income before income taxes	114,448	96,810	226,805	217,921
Income taxes	39,485	33,278	78,248	76,272
Net income	\$74,963	\$63,532	\$148,557	\$141,649
Earnings per share:				
Basic earnings per share	\$.69	\$.59	\$1.36	\$1.30
Diluted earnings per share	\$.68	\$.58	\$1.35	\$1.29
Average shares outstanding during period - Basic	109,188,711	108,541,603	109,129,000	108,953,828
Average shares outstanding during period - Diluted	110,205,954	109,422,212	110,150,338	109,775,114
Cash dividends per common share	\$.17	\$.15	\$.34	\$.30

BUSINESS SEGMENT INFORMATION BY INDUSTRY

(Unaudited)

(Dollars in thousands)	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	1999	1998	1999	1998
Net sales				
Industrial:				
North America	\$658,542	\$603,874	\$1,326,211	\$1,225,469
International	303,918	316,902	602,381	632,132
Aerospace	276,747	278,245	552,908	560,144
Total	\$1,239,207	\$1,199,021	\$2,481,500	\$2,417,745
Segment operating income				
Industrial:				
North America	\$87,200	\$67,170	\$180,883	\$149,325
International	21,787	21,315	32,999	48,137
Aerospace	36,939	41,937	71,987	85,776
Total segment operating income	145,926	130,422	285,869	283,238
Corporate general and administrative expenses	14,087	15,337	28,200	27,632
Income from operations before interest expense and other	131,839	115,085	257,669	255,606
Interest expense	14,028	17,341	28,571	33,416
Other	3,363	934	2,293	4,269
Income before income taxes	\$114,448	\$96,810	\$226,805	\$217,921

CONSOLIDATED BALANCE SHEET

Unaudited

(Dollars in thousands)	December 31,	1999	1998
Assets			
Current assets:			
Cash and cash equivalents		\$74,353	\$39,940
Accounts receivable, net		692,357	661,261
Inventories		915,037	1,011,723
Prepaid expenses		19,021	20,628
Deferred income taxes		66,722	87,567
Total current assets		1,767,490	1,821,119
Plant and equipment, net		1,214,202	1,191,294
Other assets		740,719	708,939
Total assets		\$3,722,411	\$3,721,352
Liabilities and shareholders' equity			
Current liabilities:			
Notes payable		\$61,123	\$350,604
Accounts payable		253,798	282,166
Accrued liabilities		299,742	290,818
Accrued domestic and foreign taxes		39,130	26,266
Total current liabilities		653,793	949,854

Long-term debt	713,592	634,203
Pensions and other postretirement benefits	279,760	280,415
Deferred income taxes	31,247	38,055
Other liabilities	75,075	49,078
Shareholders' equity	1,968,944	1,769,747
Total liabilities and shareholders' equity	\$3,722,411	\$3,721,352

CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited
(Dollars in thousands)

Six months ended December 31,
1999 1998

Cash flows from operating activities:		
Net income	\$148,557	\$141,649
Depreciation and amortization	106,962	104,782
Net change in receivables, inventories, and trade payables	(14,099)	(41,270)
Net change in other assets and liabilities	(21,637)	(74,904)
Other, net	(6,531)	(7,412)
Net cash provided by operating activities	213,252	122,845
Cash flows from investing activities:		
Acquisitions (less cash acquired of \$2,609 in 1998)	(5,711)	(89,865)
Capital expenditures	(114,114)	(114,650)
Other, net	(9,897)	3,409
Net cash used in investing activities	(129,722)	(201,106)
Cash flows from financing activities:		
Net proceeds from (payments for) common share activity	3,649	(47,863)
Net (payments for) proceeds from debt	(5,698)	166,295
Dividends	(37,081)	(32,700)
Net cash (used in) provided by financing activities	(39,130)	85,732
Effect of exchange rate changes on cash	(3,324)	1,981
Net increase in cash and cash equivalents	41,076	9,452
Cash and cash equivalents at beginning of period	33,277	30,488
Cash and cash equivalents at end of period	\$74,353	\$39,940

SOURCE Parker Hannifin Corporation

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