



Parker Posts New Third Quarter Records; Income Up 39.5 Percent; Sales Up 11 Percent; EPS of 97 Cents

April 18, 2000

CLEVELAND, April 18 /PRNewswire/ -- Parker Hannifin Corporation (NYSE: PH) today reported a 39.5-percent increase in third-quarter net income for the period ended March 31, 2000. The company earned \$106.7 million, or 97 cents per diluted share, on sales of \$1.39 billion, compared with net income of \$76.5 million, or 70 cents per diluted share, earned on sales of \$1.26 billion last year.

With an across-the-board rise in sales, all segments recorded double-digit increases in operating income during the quarter. Sales among the North American Industrial businesses were 17.3-percent higher, with an operating margin of 14.9 percent. Continuing momentum in the semiconductor and telecommunications markets led the improvement, which also reflected overall strength in industrial and mobile markets.

The International Industrial operations posted a 6.1-percent increase in sales and operating margin of 8.8 percent. The company attributed the improvement to continuing strength in the Asia-Pacific region and rebounding volume in Europe and Latin America, but noted it still aims to return the International units to double-digit margins. Currency translation reduced International Industrial sales by 9.4 percent.

Parker Aerospace reported a modest sales increase, but posted higher-than-expected operating income, with a 17-percent return on sales. The company said this reflects a shift toward more profitable volume in aerospace-system sales and a higher mix of maintenance, repair and overhaul business.

Parker Chairman and CEO Duane Collins said, "This was one of those quarters best summarized by saying 'everything was up.' We are delighted by the strength our people have demonstrated to drive volume and increase profitability." Collins added that the company's order rates suggest the growth momentum will continue for the foreseeable future. "Financially and operationally, Parker's never been stronger. We're staying focused on improving international profitability and integrating the Gresen and Commercial Intertech acquisitions to achieve greater value."

Nine-Months' Results

Sales in the first nine months of fiscal 2000 were \$3.88 billion, compared with \$3.67 billion last year. Year-to-date net income was \$255.3 million, or \$2.32 per diluted share, compared with \$218.2 million or \$1.99 per share. The increase in the current year-to-date results reflects the strong performance by the North American Industrial operations and rebounding international markets, partially offset by realignment costs recorded in the first quarter in the International and Aerospace businesses.

The company recorded \$365 million in cash from operations in the nine-month period, resulting in reduced debt and interest expense. For the same period last year, cash from operations was \$279 million. Despite the issuance of approximately \$235 million of debt to complete the Commercial Intertech merger on April 11, the Company remains in an excellent position to invest in product development and acquisition opportunities in its core markets.

Outlook

"The third quarter was the first quarter in which we realized sales from the accelerating orders we've taken in past months and we expect this to continue into the fourth quarter," said Collins. "Adding our acquisitions and ever-increasing system strength, we have solidly positioned ourselves for double-digit compound sales growth, and we have real value-creation capacity in our business plan for the coming years."

With over \$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, or its investor information site at www.phstock.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 - MARCH 31, 2000
CONSOLIDATED STATEMENT OF INCOME

Unaudited (Dollars in thousands except per share amounts)	Three Months Ended March 31, Nine Months Ended March 31,			
	2000	1999	2000	1999
Net sales	\$1,393,659	\$1,255,789	\$3,875,159	\$3,673,534
Cost of sales	1,074,133	989,137	3,022,052	2,879,611
Gross profit	319,526	266,652	853,107	793,923
Selling, general and administrative expenses	141,254	136,278	419,559	411,806
Income from operations	178,272	130,374	433,548	382,117
Other income (deductions):				
Interest expense	(14,571)	(15,634)	(43,142)	(49,050)
Interest and other income, net	(796)	2,970	(696)	2,564
Total	(15,367)	(12,664)	(43,838)	(46,486)
Income before income taxes	162,905	117,710	389,710	335,631
Income taxes	56,202	41,199	134,450	117,471
Net income	\$106,703	\$76,511	\$255,260	\$218,160
Earnings per share:				
Basic earnings per share	\$.98	\$.71	\$2.34	\$2.01
Diluted earnings per share	\$.97	\$.70	\$2.32	\$1.99
Average shares outstanding during period				
- Basic	109,373,820	108,503,957	109,210,607	108,803,871
Average shares outstanding during period				
- Diluted	110,200,880	109,336,467	110,165,777	109,628,898
Cash dividends per common share	\$.17	\$.17	\$.51	\$.47

BUSINESS SEGMENT INFORMATION BY INDUSTRY

Unaudited

Three Months Ended
March 31,

Nine Months Ended
March 31,

(Dollars in thousands)	2000	1999	2000	1999
Net sales				
Industrial:				
North America	\$774,353	\$660,368	\$2,100,564	\$1,885,837
International	331,104	312,166	933,485	944,298
Aerospace	288,202	283,255	841,110	843,399
Total	\$1,393,659	\$1,255,789	\$3,875,159	\$3,673,534

Segment operating income

Industrial:				
North America	\$115,123	\$86,225	\$296,006	\$235,550
International	29,015	19,760	62,014	67,897
Aerospace	49,126	43,326	121,113	129,102
Total segment operating income	193,264	149,311	479,133	432,549
Corporate general and administrative expenses	13,935	14,608	42,135	42,240
Income from operations before interest expense and other	179,329	134,703	436,998	390,309
Interest expense	14,571	15,634	43,142	49,050
Other	1,853	1,359	4,146	5,628
Income before income taxes	\$162,905	\$117,710	\$389,710	\$335,631

CONSOLIDATED BALANCE SHEET

Unaudited

(Dollars in thousands)

	March 31,	2000	1999
Assets			
Current assets:			
Cash and cash equivalents		\$60,715	\$41,077
Accounts receivable, net		800,241	718,711
Inventories		909,835	939,041
Prepaid expenses		18,029	19,554
Deferred income taxes		65,725	80,828
Total current assets		1,854,545	1,799,211
Plant and equipment, net		1,237,603	1,186,772
Other assets		810,173	705,344
Total assets		\$3,902,321	\$3,691,327
Liabilities and shareholders' equity			
Current liabilities:			
Notes payable		\$83,351	\$172,752
Accounts payable		301,193	268,193
Accrued liabilities		322,869	312,903
Accrued domestic and foreign taxes		65,721	46,142
Total current liabilities		773,134	799,990
Long-term debt		706,596	733,504
Pensions and other postretirement benefits		282,642	280,840
Deferred income taxes		30,244	37,004

Other liabilities	73,977	56,359
Shareholders' equity	2,035,728	1,783,630
Total liabilities and shareholders' equity	\$3,902,321	\$3,691,327

CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited (Dollars in thousands)	Nine months ended March 31,	
	2000	1999
Cash flows from operating activities:		
Net income	\$255,260	\$218,160
Depreciation and amortization	157,006	154,018
Net change in receivables, inventories, and trade payables	(47,294)	(72,802)
Net change in other assets and liabilities	7,224	(21,349)
Other, net	(7,280)	1,406
Net cash provided by operating activities	364,916	279,433
Cash flows from investing activities:		
Acquisitions (less cash acquired of \$431 and \$2,609 in 2000 and 1999)	(121,474)	(89,865)
Capital expenditures	(168,131)	(166,835)
Other, net	2,437	2,656
Net cash used in investing activities	(287,168)	(254,044)
Cash flows from financing activities:		
Net (payments for) proceeds from common share activity	(4,410)	64,599
Net proceeds from (payments for) debt	13,974	(28,872)
Dividends	(55,661)	(51,144)
Net cash used in financing activities	(46,097)	(15,417)
Effect of exchange rate changes on cash	(4,213)	617
Net increase in cash and cash equivalents	27,438	10,589
Cash and cash equivalents at beginning of period	33,277	30,488
Cash and cash equivalents at end of period	\$60,715	\$41,077

SOURCE Parker Hannifin Corporation

CONTACT: Media, Lorrie Paul Crum, VP - Corp. Communications, 216-896-2750, or Financial Analysts, Timothy K. Pistell, Treasurer, 216-896-2130, both of Parker Hannifin Corporation/