



Parker Says Strength in Aerospace & Improving International Margins Partially Offset U.S. Industrial Slump; Company Earns 77 Cents in Fiscal Q3

April 17, 2001

CLEVELAND, April 17 /PRNewswire/ -- Parker Hannifin Corporation (NYSE: PH) today reported third-quarter net income for the period ended March 31, 2001 of \$88.1 million, or 77 cents per diluted share, on sales of \$1.53 billion. This compares with \$106.7 million, or 97 cents per diluted share, earned last year, on sales of \$1.39 billion. Earnings in the current period include an extraordinary charge of three cents per share for the early retirement of debt completed in February. These results also reflect higher interest expense and an additional 4.6 million shares outstanding issued in connection with acquisitions completed since last year.

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

"We're cutting back production and inventories in North America so we can retain the strong cash flows that keep us fit for growth," said Parker Chairman and CEO Duane Collins. "What really proves out our strategy is what we see in our other segments this quarter: We managed through a downturn last year in our aerospace business, and now it's performing at record levels."

Among the operating results for the quarter, Parker Aerospace reported a 10-percent increase in sales, 27-percent higher operating income and a return on sales of 19.7 percent. The International Industrial operations posted an 11-percent increase in sales (mostly acquisitions), with an 18-percent increase in operating income and a 9.3-percent operating margin. This is the highest operating margin achieved in years by the company's international operations, the result of improving performance. "Without the negative effects of currency and lower near-term profits from acquisitions, our international business actually reached our 10-percent near-term margin goal this period," noted Collins. "We're pleased to see some substantial improvement, and we're going to keep driving it."

North American Industrial sales were up 10 percent, but without acquisitions, would have been down 12 percent year over year. Operating income was 20-percent lower, with a 10.9-percent return on sales, resulting from the downturn in demand.

Nine-Months' Results

Sales in the first nine months of fiscal 2001 were \$4.47 billion, compared with \$3.88 billion last year. Year-to-date net income was \$291.4 million, or \$2.54 per diluted share, compared with \$255.3 million, or \$2.32 per diluted share, a year ago.

Outlook

Results for the fiscal year ending June 30 are expected to range from \$3.00 to \$3.25 per diluted share, excluding non-recurring items. The company said it plans to record further charges in the fourth quarter for previously announced operating realignments, the costs of which are expected to offset a good amount of the gain recorded on the sale of property in the first quarter.

"Reaction times by manufacturers are accelerating, so as quickly as our domestic industrial markets have dropped off, we are well positioned with our own lean manufacturing initiatives for the possibility of a sharp upturn," said Collins. "Thanks to the excellent enterprise systems we have in place throughout the company, we're able to watch our inventory levels and order trends very closely, so we can adjust production right on pace with demand."

With annual sales of \$6 billion, 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 commercial, mobile, industrial and aerospace markets. The company employs more than 45,000 people in 46 countries around the world. For more information, visit the company's web site at www.parker.com , or its investor information site at www.phstock.com .

NOTICE OF CONFERENCE CALL: Parker Hannifin's conference call to discuss its fiscal quarterly results is available on the day of this release to all interested parties via live webcast at 10 a.m. ET, on the company's investor information web site, www.phstock.com . To access the call, click on the "Live Webcast" link. From this link, users may also complete a pre-call system test and register for e-mail notification of future events and information available from Parker.

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 company's future performance and earnings projections may differ materially from current expectations, depending on economic conditions in its markets and ability to achieve anticipated benefits associated with announced inventory and workforce reductions. Among the other factors that may affect future performance are: business relationships with and purchases by or from major customers or suppliers, including delays or cancellations in shipments; 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 and general economic conditions, including interest rate levels. In each quarterly earnings report, the company intends to provide a range stating expected earnings per share for the succeeding quarter and full fiscal year, reflecting these ranges as estimates of diluted earnings per share before unusual items. The company makes these statements as of the date of this disclosure, and while it undertakes no obligation to update them, reserves the right to update the earnings projections for any reason during the quarter, including the occurrence of material events.

PARKER HANNIFIN CORPORATION - MARCH 31, 2001

CONSOLIDATED STATEMENT OF INCOME

(Unaudited) (Dollars in thousands except per share amounts)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2001	2000	2001	2000
Net sales	\$1,534,202	\$1,393,659	\$4,471,644	\$3,875,159
Cost of sales	1,213,387	1,074,133	3,509,472	3,022,052
Gross profit	320,815	319,526	962,172	853,107
Selling, general and administrative expenses	159,580	141,254	491,617	419,559
Income from operations	161,235	178,272	470,555	433,548
Other income (deductions):				
Interest expense	(24,243)	(14,571)	(71,018)	(43,142)
Interest and other income, net	4,794	(796)	57,535	(696)
	(19,449)	(15,367)	(13,483)	(43,838)
Income before income taxes	141,786	162,905	457,072	389,710
Income taxes	50,334	56,202	162,260	134,450
Income before extraordinary item	91,452	106,703	294,812	255,260
Extraordinary item - extinguishment of debt	(3,378)	-	(3,378)	-
Net income	\$88,074	\$106,703	\$291,434	\$255,260
Earnings per share:				
Basic earnings per share before extraordinary item	\$.80	\$.98	\$2.58	\$2.34
Extraordinary item - extinguishment of debt	(.03)	-	(.03)	-
Basic earnings per share	\$.77	\$.98	\$2.55	\$2.34
Diluted earnings				

per share before extraordinary item	\$.80	\$.97	\$ 2.57	\$ 2.32
Extraordinary item - extinguishment of debt	(.03)	-	(.03)	-
Diluted earnings per share	\$.77	\$.97	\$ 2.54	\$ 2.32
Average shares outstanding during period - Basic	114,439,369	109,373,820	114,125,361	109,210,607
Average shares outstanding during period - Diluted	115,249,470	110,200,880	114,880,863	110,165,777
Cash dividends per common share	\$.18	\$.17	\$.52	\$.51

BUSINESS SEGMENT INFORMATION BY INDUSTRY

(Unaudited) (Dollars in thousands)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2001	2000	2001	2000
Net sales				
Industrial:				
North America	\$849,439	\$774,353	\$2,555,046	\$2,100,564
International	367,317	331,104	1,034,339	933,485
Aerospace	317,446	288,202	882,259	841,110
Total	\$1,534,202	\$1,393,659	\$4,471,644	\$3,875,159

Segment operating income

Industrial:				
North America	\$92,602	\$115,123	\$311,405	\$296,006
International	34,342	29,015	81,660	62,014
Aerospace	62,490	49,126	157,863	121,113
Total segment operating income	189,434	193,264	550,928	479,133
Corporate general and administrative expenses	18,038	13,935	55,768	42,135
Income from operations before interest expense and other	171,396	179,329	495,160	436,998
Interest expense	24,243	14,571	71,018	43,142
Other	5,367	1,853	(32,930)	4,146
Income before income taxes	\$141,786	\$162,905	\$457,072	\$389,710

CONSOLIDATED BALANCE SHEET

(Unaudited) (Dollars in thousands)	March 31,	2001	2000
Assets			
Current assets:			
Cash and cash equivalents		\$45,209	\$60,715

Accounts receivable, net	888,760	800,241
Inventories	1,006,037	909,835
Prepaid expenses	37,681	18,029
Deferred income taxes	93,671	65,725
Assets held for sale	215,533	-
Total current assets	2,286,891	1,854,545
Plant and equipment, net	1,507,047	1,237,603
Other assets	1,457,500	810,173
Total assets	\$5,251,438	\$3,902,321

Liabilities and

shareholders' equity

Current liabilities:

Notes payable	\$613,328	\$83,351
Accounts payable	333,212	301,193
Accrued liabilities	380,487	322,869
Accrued domestic and foreign taxes	60,252	65,721
Total current liabilities	1,387,279	773,134
Long-term debt	865,456	706,596
Pensions and other postretirement benefits	305,186	282,642
Deferred income taxes	120,176	30,244
Other liabilities	82,997	73,977
Shareholders' equity	2,490,344	2,035,728
Total liabilities and shareholders' equity	\$5,251,438	\$3,902,321

CONSOLIDATED STATEMENT OF
CASH FLOWS

(Unaudited)

Nine Months Ended March 31,

(Dollars in thousands)

2001

2000

Cash flows from operating
activities:

Net income	\$291,434	\$255,260
Depreciation and amortization	200,785	157,006
Net effect of extraordinary loss	3,378	-
Net change in receivables, inventories, and trade payables	(78,935)	(47,294)
Net change in other assets and liabilities	(78,909)	7,224
Other, net	(29,461)	(7,280)
Net cash provided by operating activities	308,292	364,916
Cash flows from investing activities:		
Acquisitions (less cash acquired of \$8,256 in 2001 and \$431 in 2000)	(512,716)	(121,474)
Capital expenditures	(263,812)	(168,131)

Other, net	105,637	2,437
Net cash used in investing activities	(670,891)	(287,168)
Cash flows from financing activities:		
Net proceeds from (payments for) common share activity	9,824	(4,410)
Net proceeds from debt	391,216	13,974
Dividends	(59,298)	(55,661)
Net cash provided by (used in) financing activities	341,742	(46,097)
Effect of exchange rate changes on cash	(2,394)	(4,213)
Net (decrease) increase in cash and cash equivalents	(23,251)	27,438
Cash and cash equivalents at beginning of period	68,460	33,277
Cash and cash equivalents at end of period	\$45,209	\$60,715

SOURCE Parker Hannifin Corporation

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