



Parker Reports 4.5-Percent Increase in Fiscal Q2 Net Income; EPS of 68 Cents

January 16, 2001

Order Trends Suggest Moderation in Earnings Growth in Fiscal Q3 and Full Year

CLEVELAND, Jan. 16 /PRNewswire/ -- Parker Hannifin Corporation (NYSE: PH) today reported a 4.5-percent increase in its fiscal second-quarter net income for the period ended December 31, 2000. "We are pleased with these results, given that many of our domestic customers placed holds on shipments scheduled at the end of the calendar year," said Chairman and CEO Duane Collins. "The acquisitions we made last year are contributing to earnings, and in every case, integration is progressing well."

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

Net income for the quarter was \$78.3 million, or 68 cents per diluted share, matching the 68 cents earned last year on net income of \$75.0 million. The per-share results for the current period reflect an additional 4.6 million shares outstanding, which were primarily issued in connection with recent acquisitions. The company said sales and earnings for the quarter were running ahead of company expectations up until mid-December, when customers delayed approximately \$30 million in shipments. Interest expense, which increased over the prior year quarter by more than \$11.6 million, also was a factor. Before interest and other expenses, operating income for the company was up 17 percent.

"With the slowing North American Industrial order trend noted in past months, we remained lean on inventories," Collins said. "In December, we initiated spending cuts and selected workforce adjustments for the remainder of the fiscal year. While the late-December drop-off was a bit sudden, we're certainly prepared to manage through this climate, and are encouraged by the prospect of further interest-rate relief."

Sales for the quarter were \$1.46 billion, up from \$1.24 billion last year, reflecting rebounding activity in the Aerospace and International Industrial segments, as well as sales from recent acquisitions. Currency translation offset a substantial portion of the volume gains achieved in the international business, where continued strength was noted in Latin America and the Asia-Pacific region. In the company's North American Industrial business, further growth in the semiconductor, filtration and telecommunications markets was offset by softening in the heavy-duty truck, automotive and refrigeration industries.

Parker Aerospace posted a 38-percent increase in operating income, taking its operating margin to 17.4 percent. The North American Industrial segment also reported higher operating income, up 17 percent with a 12.3-percent operating margin. In the International Industrial segment, profits were negatively affected by the Euro and recent acquisitions, resulting in an operating margin of 6.4 percent. Without acquisitions, the international margin improved to 7.6 percent.

Outlook

In the second half of fiscal 2001, the company said it plans to record further operating realignment charges and pursue early retirement of higher-interest debt, largely offsetting the gain recorded on the sale of property in the first quarter.

The outlook points to a moderation in earnings growth in the second half, due to weakening North American Industrial order trends. Excluding unusual items, the company currently expects per-share results for the quarter ended March 31 to range from \$0.88 to \$1.00, with results for the full fiscal year ranging from \$3.30 to \$3.55.

"We think these are prudent ranges given current economic uncertainty," said Collins. "Hopefully, these ranges will assist our shareholders and investors relative to performance expectations." In addition, the company noted that it discloses monthly orders several business days after the close of each month. This information is also available on the company's investor information web site.

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 second-quarter results is available to all interested parties via live webcast at 10:30 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 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, 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 reserves the right to update the earnings projections for any reason during the quarter, including the occurrence of material events.

PARKER HANNIFIN CORPORATION - DECEMBER 31, 2000
CONSOLIDATED STATEMENT OF INCOME

(Unaudited) (Dollars in thousands except per share amounts)	Three Months Ended December 31,		Six Months Ended December 31,	
	2000	1999	2000	1999
Net sales	\$1,460,076	\$1,239,207	\$2,937,442	\$2,481,500
Cost of sales	1,144,821	971,298	2,296,085	1,947,919
Gross profit	315,255	267,909	641,357	533,581
Selling, general and administrative expenses	169,596	140,157	332,037	278,305
Income from operations	145,659	127,752	309,320	255,276
Other income (deductions):				
Interest expense	(25,607)	(14,028)	(46,775)	(28,571)
Interest and other income, net	1,364	724	52,741	100
Total	(24,243)	(13,304)	5,966	(28,471)
Income before income taxes	121,416	114,448	315,286	226,805
Income taxes	43,102	39,485	111,926	78,248
Net income	\$78,314	\$74,963	\$203,360	\$148,557
Earnings per share:				
Basic earnings per share	\$.68	\$.69	\$1.78	\$1.36
Diluted earnings per share	\$.68	\$.68	\$1.77	\$1.35
Average shares outstanding during period - Basic	114,007,029	109,188,711	113,968,357	109,129,000
Average shares outstanding during period - Diluted	114,831,139	110,205,954	114,696,560	110,150,338

Cash dividends per common share	\$.17	\$.17	\$.34	\$.34
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BUSINESS SEGMENT INFORMATION BY INDUSTRY

(Unaudited) (Dollars in thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2000	1999	2000	1999
Net sales				
Industrial:				
North America	\$829,357	\$658,542	\$1,705,607	\$1,326,211
International	336,294	303,918	667,022	602,381
Aerospace	294,425	276,747	564,813	552,908
Total	\$1,460,076	\$1,239,207	\$2,937,442	\$2,481,500
Segment operating income				
Industrial:				
North America	\$101,612	\$87,200	\$218,803	\$180,883
International	21,441	21,787	47,318	32,999
Aerospace	51,097	36,939	95,373	71,987
Total segment operating income	174,150	145,926	361,494	285,869
Corporate general and administrative expenses	20,346	14,087	37,730	28,200
Income from operations before interest expense and other	153,804	131,839	323,764	257,669
Interest expense	25,607	14,028	46,775	28,571
Other	6,781	3,363	(38,297)	2,293
Income before income taxes	\$121,416	\$114,448	\$315,286	\$226,805

CONSOLIDATED BALANCE SHEET

(Unaudited) (Dollars in thousands)	December 31,	2000	1999
Assets			
Current assets:			
Cash and cash equivalents		\$71,529	\$74,353
Accounts receivable, net		870,510	692,357
Inventories		1,065,313	915,037
Prepaid expenses		36,455	19,021
Deferred income taxes		83,296	66,722
Assets held for sale		239,356	-
Total current assets		2,366,459	1,767,490
Plant and equipment, net		1,496,932	1,214,202
Other assets		1,444,980	740,719
Total assets		\$5,308,371	\$3,722,411
Liabilities and shareholders' equity			
Current liabilities:			
Notes payable		\$540,368	\$61,123
Accounts payable		378,778	253,798
Accrued liabilities		403,053	299,742
Accrued domestic and foreign taxes		55,945	39,130

Total current liabilities	1,378,144	653,793
Long-term debt	981,953	713,592
Pensions and other postretirement benefits	307,226	279,760
Deferred income taxes	104,144	31,247
Other liabilities	79,759	75,075
Shareholders' equity	2,457,145	1,968,944
Total liabilities and shareholders' equity	\$5,308,371	\$3,722,411

CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)
(Dollars in thousands)

Six Months Ended December 31,
2000 1999

Cash flows from operating activities:		
Net income	\$203,360	\$148,557
Depreciation and amortization	133,554	106,962
Net change in receivables, inventories, and trade payables	(47,160)	(14,099)
Net change in other assets and liabilities	(76,757)	(21,637)
Other, net	(38,281)	(6,531)
Net cash provided by operating activities	174,716	213,252
Cash flows from investing activities:		
Acquisitions (less cash acquired of \$8,255 in 2000 and \$2,609 in 1999)	(485,235)	(5,711)
Capital expenditures	(169,573)	(114,114)
Other, net	100,772	(9,897)
Net cash used in investing activities	(554,036)	(129,722)
Cash flows from financing activities:		
Net proceeds from common share activity	3,892	3,649
Net proceeds from (payments for) debt	418,547	(5,698)
Dividends	(38,731)	(37,081)
Net cash provided by (used in) financing activities	383,708	(39,130)
Effect of exchange rate changes on cash	(1,319)	(3,324)
Net increase in cash and cash equivalents	3,069	41,076
Cash and cash equivalents at beginning of period	68,460	33,277
Cash and cash equivalents at end of period	\$71,529	\$74,353

SOURCE Parker Hannifin Corporation

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