



Parker Reports Q1 Earnings of \$1.09; 84 Cents After Unusual Items

October 17, 2000

CLEVELAND, Oct. 17 /PRNewswire/ -- Parker Hannifin Corporation today reported first-quarter net income for the period ended September 30, 2000 of \$125 million, or \$1.09 per diluted share, on record first-quarter sales of \$1.48 billion. Last year, the company earned \$73.6 million, or 67 cents per diluted share, on sales of \$1.24 billion. The current period's results include the net effect of a one-time gain on the sale of real estate and certain asset write-downs. Excluding these items, the company increased earnings by 31 percent, to 84 cents per diluted share, on a sales increase of 19 percent.

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

Recent acquisitions, including Commercial Intertech, Gresen and Wynn's International, contributed much of the sales increase, while the company also noted continuing strength in the semiconductor, telecommunications and filtration markets.

Profits were up substantially in all of the company's business segments, led by a 131-percent jump in operating income and a 7.8-percent return on sales in the International Industrial business. The international results reflect particular strength in the Asia-Pacific region and Latin America, and also improving margins in Europe, which were tempered somewhat by the results of recent acquisitions. Without these acquisitions, the International Industrial segment achieved a 9.2-percent return on sales. Last year's international margins were 6.8 percent without non-recurring items.

Operating income in the North American Industrial segment was 25-percent higher, primarily reflecting recent acquisitions, while Parker Aerospace posted a 26-percent increase on a two-percent decline in sales, with continued strength in the regional jet market and aftermarket business. Without last year's non-recurring items in Aerospace, margins increased 12 percent.

"It was another great quarter, across the board," said Chairman and CEO Duane Collins. "We're especially encouraged to see some positive results from the steps we took last year to improve our profitability in Europe, because we've been working on this for a couple of years now, and the business climate isn't making it easy. Despite choppy demand, a weaker Euro and the need to integrate operations we acquired there, the margins in our European business are moving in the right direction. And we're not done yet." Collins said the net amount of charges the company expects to record in operating alignments during succeeding quarters will largely offset the first-quarter gain realized on the sale of California real estate, which amounted to 30 cents per share. He added that teams have been identified to lead operating improvements designed to further enhance margins, with the aim of accelerating lean manufacturing initiatives on a global basis; integrating acquisitions; and improving logistics in Europe.

"We have the financial and operational capacity to be the pacesetter in our industry," said Collins. "The acquisitions we've made in the past year are meeting and exceeding our expectations, and with the opportunities we have this year to further improve our returns, we are in an excellent position to achieve the accelerated growth objectives we've set for the near term."

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 first-quarter results is available 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, 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, 2000 CONSOLIDATED STATEMENT OF INCOME

(Unaudited) (Dollars in thousands except per share amounts)	Three Months Ended September 30,	
	2000	1999
Net sales	\$1,477,366	\$ 1,242,293
Cost of sales	1,151,264	976,621
Gross profit	326,102	265,672

Selling, general and administrative expenses	162,441	138,148
Income from operations	163,661	127,524
Other income (deductions):		
Interest expense	(21,168)	(14,543)
Interest and other income (expense), net	51,377	(624)
Total	30,209	(15,167)
Income before income taxes	193,870	112,357
Income taxes	68,824	38,763
Net income	\$125,046	\$73,594
Earnings per share:		
Basic earnings per share	\$1.10	\$.67
Diluted earnings per share	\$1.09	\$.67
Average shares outstanding during period - Basic	113,929,685	109,069,288
Average shares outstanding during period - Diluted	114,561,981	110,094,722
Cash dividends per common share	\$.17	\$.17

BUSINESS SEGMENT INFORMATION BY INDUSTRY

(Unaudited)	Three Months Ended September 30,	
(Dollars in thousands)	2000	1999
Net sales		
Industrial:		
North America	\$876,250	\$667,669
International	330,728	298,463
Aerospace	270,388	276,161
Total	\$1,477,366	\$1,242,293
Segment operating income		
Industrial:		
North America	\$117,191	\$93,683
International	25,877	11,212
Aerospace	44,276	35,048
Total segment operating income	187,344	139,943
Corporate general and administrative expenses	17,384	14,113
Income from operations before interest expense and other	169,960	125,830
Interest expense	21,168	14,543
Other	(45,078)	(1,070)
Income before income taxes	\$193,870	\$112,357

CONSOLIDATED BALANCE SHEET

(Unaudited) September 30,

(Dollars in thousands)	2000	1999
Assets		
Current assets:		
Cash and cash equivalents	\$55,190	\$64,421
Accounts receivable, net	953,904	739,682
Inventories	1,027,213	920,843
Prepaid expenses	34,741	21,141
Deferred income taxes	86,754	65,907
Assets held for sale	241,667	-
Total current assets	2,399,469	1,811,994
Plant and equipment, net	1,435,642	1,207,012
Other assets	1,494,615	751,356
Total assets	\$5,329,726	\$3,770,362

Liabilities and shareholders' equity		
Current liabilities:		
Notes payable	\$596,109	\$59,462
Accounts payable	360,787	288,521
Accrued liabilities	419,789	308,951
Accrued domestic and foreign taxes	109,832	84,159
Total current liabilities	1,486,517	741,093
Long-term debt	953,434	717,599
Pensions and other postretirement benefits	303,909	280,101
Deferred income taxes	111,401	32,813
Other liabilities	80,295	68,582
Shareholders' equity	2,394,170	1,930,174
Total liabilities and shareholders' equity	\$5,329,726	\$3,770,362

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited) Three Months Ended September 30,
(Dollars in thousands)

	2000	1999
Cash flows from operating activities:		
Net income	\$125,046	\$73,594
Depreciation and amortization	67,432	53,203
Net change in receivables, inventories, and trade payables	(124,443)	(19,438)
Net change in other assets and liabilities	(12,921)	16,542
Other, net	(35,150)	(6,115)
Net cash provided by operating activities	19,964	117,786
Cash flows from investing activities:		
Acquisitions (less cash acquired of \$5,240 in 2000)	(485,923)	(3,007)
Capital expenditures	(66,083)	(50,124)
Other, net	71,958	(11,980)
Net cash used in investing activities	(480,048)	(65,111)
Cash flows from financing activities:		
Net proceeds from common share activity	1,725	1,871
Net proceeds from (payments for) debt	466,007	(3,526)
Dividends	(19,361)	(18,521)
Net cash provided by (used in) financing activities	448,371	(20,176)
Effect of exchange rate changes on cash	(1,557)	(1,355)
Net (decrease) increase in cash and cash equivalents	(13,270)	31,144
Cash and cash equivalents at beginning of period	68,460	33,277
Cash and cash equivalents at end of period	\$55,190	\$64,421

SOURCE Parker Hannifin Corporation

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