



Parker Earnings Lower as Markets Remain Depressed, Outlook Signals Gradual Improvement

January 16, 2002

CLEVELAND, Jan 16, 2002 /PRNewswire via COMTEX/ -- Parker Hannifin Corporation (NYSE: PH) today reported a decline in sales and income in the fiscal second quarter ended December 31, 2001. Net income fell to \$29.1 million, or 25 cents per diluted share, on sales of \$1.44 billion. Net of eight cents per share in realignment costs (including severance and manufacturing relocations) and the write-down of an investment in a Japanese joint venture, earnings were 33 cents per diluted share. Net income was \$78.3 million, or 68 cents per share for the same period last year (78 cents per share excluding goodwill amortization).

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

"We're staying focused on our lean initiatives," said Parker CEO Don Washkewicz. "In our acquired and base businesses, we made progressive moves during this downturn to improve operating efficiencies, especially consolidating and relocating product lines."

The company noted that revenue in its base business, excluding acquisitions completed within the last year, was 14 percent lower than last year, reflecting lower volume in every segment, including Aerospace. With a two-percent decline in sales, Parker Aerospace recorded a margin of 16.1 percent during the quarter (16.8 percent excluding realignment costs).

Quarterly sales and income fell across the board on the industrial side, with a 12-percent decline in North American sales and a seven-percent drop in the International units. In both cases, operating income was substantially lower, with the most significant declines noted in what traditionally are the company's most profitable industrial markets, including factory automation, semiconductor manufacturing and telecommunications. Costs associated with realignment and the investment write-down also affected industrial margins, especially in the International business, which recorded a 2.8-percent return on sales, or 5.0 percent without these costs. The North American industrial units reported an operating margin of 3.6 percent (4.0 percent excluding realignment costs).

In the company's "Other" segment, including Climate & Industrial Controls and the addition of Astron and Wynn Oil since last year, the return on sales was 4.4 percent, or 5.2 percent without realignment costs.

Year-to-Date Results

For the first six months of fiscal 2002, the company recorded net income of \$89.6 million, or 77 cents per diluted share (88 cents excluding realignment costs) on sales of \$2.91 billion. A year ago, net income was \$203.4 million, or \$1.77 per diluted share (\$1.74 excluding a net gain on the sale of real estate and goodwill amortization), with sales of \$2.95 billion.

Outlook

"We have yet to see a sustained trend of improvement in industrial demand, but we do expect to see a gradual, sequential upturn in the third and fourth fiscal quarters," said Washkewicz. "And in aerospace, we're expecting military demand to begin to offset pressure on the commercial side."

The company's estimate of earnings in the third quarter of fiscal year 2002 is expected to be between 48 and 60 cents per share, while earnings for the full year are expected to range from \$2.00 to \$2.30 per share.

In addition to providing earnings estimates, Parker advises shareholders to note order trends, for which the company makes a disclosure several business days after the conclusion of each month. This information is available on the company's investor information web site, at www.phstock.com .

With annual sales exceeding \$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 45 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 .

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 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 industrial and aerospace markets, including any adverse effects related to the events of September 11, 2001, and the company's ability to achieve anticipated benefits associated with realignment and acquisition-integration activities. Among other factors which may affect future performance are: 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 that cannot be recovered in product pricing; threats associated with terrorism; and global economic factors, including currency exchange rates and general economic conditions such as interest rates. In each quarterly earnings report, the company states a range of expected earnings per share for the succeeding quarter and full fiscal year, 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 its earnings projections for any reason during the quarter, including the occurrence of material events.

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 today 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 also may complete a pre-call system test and register for e-mail notification of future events and information available from Parker.

PARKER HANNIFIN CORPORATION - DECEMBER 31, 2001
CONSOLIDATED STATEMENT OF INCOME

(Unaudited) (Dollars in thousands except per share amounts)	Three Months Ended December 31,		Six Months Ended December 31,	
	2001	2000	2001	2000
Net sales	\$1,437,330	\$1,467,619	\$2,913,197	\$2,952,750
Cost of sales	1,203,893	1,152,364	2,401,518	2,311,393
Gross profit	233,437	315,255	511,679	641,357
Selling, general and administrative expenses	164,883	169,596	330,298	332,037
Other income (deductions):				
Interest expense	(21,555)	(25,607)	(42,009)	(46,775)
Interest and other income, net	(11)	1,364	106	52,741
	(21,566)	(24,243)	(41,903)	5,966
Income before income taxes	46,988	121,416	139,478	315,286
Income taxes	17,926	43,102	49,835	111,926
Net income	\$29,062	\$78,314	\$89,643	\$203,360
Earnings per share:				
Basic earnings per share	\$.25	\$.68	\$.78	\$1.78
Diluted earnings per share	\$.25	\$.68	\$.77	\$1.77
Average shares outstanding during period - Basic	115,010,099	114,007,029	115,088,506	113,968,357
Average shares outstanding during period - Diluted	115,618,970	114,831,139	115,685,834	114,696,560

Cash dividends per common share	\$.18	\$.17	\$.36	\$.34
------------------------------------	--------	--------	--------	--------

Note: Selling, general and administrative expenses for the three and six months ended December 31, 2000 includes \$13,854 (\$11,907 after tax or \$.10 per share) and \$28,563 (\$24,548 after tax or \$.21 per share) of goodwill amortization, respectively.

PRO FORMA RESULTS EXCLUDING GOODWILL AMORTIZATION

(Unaudited) (Dollars in thousands except per share amounts)	Three Months Ended December 31,		Six Months Ended December 31,	
	2001	2000	2001	2000
Reported net income	\$29,062	\$78,314	\$89,643	\$203,360
Add back goodwill amortization		11,907		24,548
Adjusted net income	\$29,062	\$90,221	\$89,643	\$227,908
Earnings per share:				
Reported basic earnings per share	\$.25	\$.68	\$.78	\$1.78
Goodwill amortization		.10		.21
Adjusted basic earnings per share	\$.25	\$.78	\$.78	\$1.99
Reported diluted earnings per share	\$.25	\$.68	\$.77	\$1.77
Goodwill amortization		.10		.21
Adjusted diluted earnings per share	\$.25	\$.78	\$.77	\$1.98

BUSINESS SEGMENT INFORMATION BY INDUSTRY

(Unaudited) (Dollars in thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2001	2000	2001	2000
Net sales				
Industrial:				
North America	\$646,299	\$738,005	\$1,297,139	\$1,508,110
International	290,446	313,255	586,737	621,339
Aerospace	288,312	294,425	600,812	564,813
Other	212,273	121,934	428,509	258,488
Total	\$1,437,330	\$1,467,619	\$2,913,197	\$2,952,750
Segment operating income				
Industrial:				
North America	\$23,576	\$95,060	\$64,041	\$201,999
International	8,235	21,004	28,063	45,268
Aerospace	46,446	51,097	103,338	95,373
Other	9,429	6,989	26,421	18,854
Total segment operating income	87,686	174,150	221,863	361,494
Corporate general and administrative expenses	15,674	20,346	32,613	37,730
Income from operations before interest				

expense and other	72,012	153,804	189,250	323,764
Interest expense	21,555	25,607	42,009	46,775
Other expense (income)	3,469	6,781	7,763	(38,297)
Income before income taxes	\$46,988	\$121,416	\$139,478	\$315,286

Note: Income before income taxes for the three and six months ended December 31, 2000 includes \$13,854 (\$7,251 in Industrial North America; \$2,921 in Industrial International; \$1,933 in Aerospace; \$1,083 in Other; and \$666 in Other expense (income)) and \$28,563 (\$13,942 in Industrial North America; \$5,846 in Industrial International; \$3,793 in Aerospace; \$2,171 in Other; and \$2,811 in Other expense (income)) of goodwill amortization, respectively.

BUSINESS SEGMENT INFORMATION BY INDUSTRY
EXCLUDING GOODWILL AMORTIZATION

(Unaudited) (Dollars in thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2001	2000	2001	2000
Net sales				
Industrial:				
North America	\$646,299	\$738,005	\$1,297,139	\$1,508,110
International	290,446	313,255	586,737	621,339
Aerospace	288,312	294,425	600,812	564,813
Other	212,273	121,934	428,509	258,488
Total	\$1,437,330	\$1,467,619	\$2,913,197	\$2,952,750
Segment operating income				
Industrial:				
North America	\$23,576	\$102,311	\$64,041	\$215,941
International	8,235	23,925	28,063	51,114
Aerospace	46,446	53,030	103,338	99,166
Other	9,429	8,072	26,421	21,025
Total segment operating income	87,686	187,338	221,863	387,246
Corporate general and administrative expenses	15,674	20,346	32,613	37,730
Income from operations before interest expense and other	72,012	166,992	189,250	349,516
Interest expense	21,555	25,607	42,009	46,775
Other expense (income)	3,469	6,115	7,763	(41,108)
Income before income taxes	\$46,988	\$135,270	\$139,478	\$343,849

Note: Amounts for the three and six months ended December 31, 2000 eliminates goodwill amortization, reflecting the Company's early adoption of FAS 142. It is intended to assist investors in making year-over-year comparisons with the three and six months ended December 31, 2001.

CONSOLIDATED BALANCE SHEET

(Unaudited) (Dollars in thousands)	December 31,	2001	2000
Assets			
Current assets:			

Cash and cash equivalents	\$28,883	\$71,529
Restricted investments	92,912	
Accounts receivable, net	813,638	870,510
Inventories	1,110,732	1,065,313
Prepaid expenses	43,055	36,455
Deferred income taxes	101,303	83,296
Assets held for sale		239,356
Total current assets	2,190,523	2,366,459
Plant and equipment, net	1,701,925	1,496,932
Excess cost of investments over net assets acquired	1,074,500	847,117
Other assets	581,870	597,863
Total assets	\$5,548,818	\$5,308,371

Liabilities and shareholders' equity

Current liabilities:

Notes payable	\$493,278	\$540,368
Accounts payable	336,454	378,778
Accrued liabilities	449,027	403,053
Accrued domestic and foreign taxes	60,605	55,945
Total current liabilities	1,339,364	1,378,144
Long-term debt	1,063,061	981,953
Pensions and other postretirement benefits	216,093	307,226
Deferred income taxes	145,700	104,144
Other liabilities	199,556	79,759
Shareholders' equity	2,585,044	2,457,145
Total liabilities and shareholders' equity	\$5,548,818	\$5,308,371

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

(Dollars in thousands)

	Six Months 2001	Ended December 31, 2000
Cash flows from operating activities:		
Net income	\$89,643	\$203,360
Depreciation and amortization	122,516	133,554
Net change in receivables, inventories, and trade payables	135,699	(47,160)
Net change in other assets and liabilities	(2,582)	(76,757)
Other, net	5,060	(38,281)
Net cash provided by operating activities	350,336	174,716
Cash flows from investing activities:		
Acquisitions (less cash acquired of \$343 in 2001 and \$8,255 in 2000)	(310,178)	(485,235)
Capital expenditures	(113,119)	(169,573)
Other, net	(14,176)	100,772
Net cash used in investing activities	(437,473)	(554,036)
Cash flows from financing activities:		

Net (payments for) proceeds from common share activity	(4,710)	3,892
Net proceeds from debt	141,216	418,547
Dividends	(41,430)	(38,731)
Net cash provided by financing activities	95,076	383,708
Effect of exchange rate changes on cash	(2,621)	(1,319)
Net increase in cash and cash equivalents	5,318	3,069
Cash and cash equivalents at beginning of period	23,565	68,460
Cash and cash equivalents at end of period	\$28,883	\$71,529

SOURCE Parker Hannifin Corporation

CONTACT: Media, Lorrie Paul Crum, VP - Corp. Communications, +1-216-896-2750, or lcum@parker.com, or Financial Analysts, Timothy K. Pistell, Treasurer, +1-216-896-2130, or tpistell@parker.com, both of Parker Hannifin