



## **Parker Earns 45 Cents in Fiscal Q3; Industrial Orders Turning Positive**

April 16, 2002

CLEVELAND, Apr 16, 2002 /PRNewswire-FirstCall via COMTEX/ -- Parker Hannifin Corporation (NYSE: PH) today reported third-quarter net income for the period ended March 31, 2002 of \$52.4 million, or 45 cents per diluted share, on sales of \$1.58 billion. Realignment costs, including severance and manufacturing relocations, amounted to two cents per share during the quarter. For the same period last year, net income was \$88.1 million, or 77 cents per diluted share (88 cents per share excluding goodwill amortization). In that period, the company recorded a charge of three cents per share for early retirement of debt. Sales were \$1.54 billion.

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

Parker CEO Don Washkewicz noted continued weakness in the company's industrial markets, but also pointed to sequential improvement in that segment's orders. "We started to see orders from large original-equipment manufacturers come back in January and February, with the trend continuing in March," said Washkewicz.

In the industrial segment, where operating income fell by 52 percent, sales in the company's North American Industrial units were two percent lower than last year, with a margin of 5.2 percent. Revenues in the International operations were five percent lower, while the return on sales was 5.3-percent.

Aerospace sales were off by 10 percent from the comparable quarter, prompting a 22-percent decline from last year's peak in operating income, and a margin of 17.1 percent.

"We expected a decline in commercial aerospace activity, but the margins are holding up well," said Washkewicz. "The divisions furthest along in the lean journey are showing the greatest sustainability of margins."

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 7.6 percent.

### **Nine-Months' Results**

Sales in the first nine months of fiscal 2002 were even with last year, at \$4.49 billion. Year-to-date net income was \$142.0 million, or \$1.23 per diluted share, with realignment costs amounting to 13 cents per share. In the first nine months of fiscal year 2001, the company earned \$291.4 million, or \$2.54 per diluted share (\$2.63 excluding a net gain on the sale of real estate and goodwill amortization).

### **Outlook**

Results for the fiscal year ending June 30 are expected to range from \$1.78 to \$1.90 per diluted share, excluding the 13 cents per share in realignment items recorded to date. As previously noted, the company currently is reviewing all operating units as part of its annual planning process, with the intent to ensure assets are contributing to long-term growth. This review may result in additional realignment costs to be recorded in the company's fiscal fourth quarter. Such costs currently are not quantifiable, and therefore are not reflected in this earnings forecast.

Washkewicz added, "We have the right initiatives working for us, and any improvement in the industrial economy should multiply the returns we're achieving as we continue to implement our "Win Strategy" initiatives, most notably lean and strategic procurement."

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](http://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](http://www.parker.com) , or its investor information site at [www.phstock.com](http://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 to future uncertainties and risks. All earnings projections and statements regarding future performance, 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, as well as the company's ability to achieve anticipated benefits associated with its "Win Strategy" initiatives, realignment and acquisition-integration activities and ability to increase sales of higher margin products. 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 potential devaluation of currencies 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 disclosure, and while it undertakes no obligation to update them, reserves the right to update earnings projections for any reason during the quarter, including the occurrence of material events.

PARKER HANNIFIN CORPORATION - MARCH 31, 2002  
CONSOLIDATED STATEMENT OF INCOME

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2002	2001	2002	2001
(Unaudited)				
(Dollars in thousands except per share amounts)				
Net sales	\$1,578,332	\$1,542,058	\$4,491,529	\$4,494,808
Cost of sales	1,309,245	1,221,243	3,710,763	3,532,636
Gross profit	269,087	320,815	780,766	962,172
Selling, general and administrative expenses	171,764	159,580	502,062	491,617
Other income (deductions):				
Interest expense	(20,924)	(24,243)	(62,933)	(71,018)
Interest and other income, net	161	4,794	267	57,535
	(20,763)	(19,449)	(62,666)	(13,483)
Income before income taxes	76,560	141,786	216,038	457,072
Income taxes	24,203	50,334	74,038	162,260
Income before extraordinary item	52,357	91,452	142,000	294,812
Extraordinary item - extinguishment of debt		(3,378)		(3,378)
Net income	\$52,357	\$88,074	\$142,000	\$291,434
Earnings per share:				
Basic earnings per share before extraordinary item	\$ .45	\$ .80	\$1.23	\$2.58
Extraordinary item - extinguishment of debt		(.03)		(.03)

Basic earnings per share		\$ .45	\$ .77	\$ 1.23	\$ 2.55
Diluted earnings per share before extraordinary item		\$ .45	\$ .80	\$ 1.23	\$ 2.57
Extraordinary item - extinguishment of debt			(.03)		(.03)
Diluted earnings per share		\$ .45	\$ .77	\$ 1.23	\$ 2.54
Average shares outstanding during period - Basic	115,503,613	114,439,369	115,226,875	114,125,361	
Average shares outstanding during period - Diluted	116,282,075	115,249,470	115,884,581	114,880,863	
Cash dividends per common share		\$ .18	\$ .18	\$ .54	\$ .52

Note: Selling, general and administrative expenses for the three and nine months ended March 31, 2001 includes \$15,185 (\$13,050 after tax or \$.11 per share) and \$43,748 (\$37,598 after tax or \$.32 per share) of goodwill amortization, respectively.

#### PRO FORMA RESULTS EXCLUDING GOODWILL AMORTIZATION

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2002	2001	2002	2001
(Unaudited)				
(Dollars in thousands except per share amounts)				
Reported net income	\$52,357	\$88,074	\$142,000	\$291,434
Add back goodwill amortization		13,050		37,598
Adjusted net income	\$52,357	\$101,124	\$142,000	\$329,032

#### Earnings per share:

Reported basic earnings per share	\$ .45	\$ .77	\$ 1.23	\$ 2.55
Goodwill amortization		.11		.32
Adjusted basic earnings per share	\$ .45	\$ .88	\$ 1.23	\$ 2.87
Reported diluted earnings per share	\$ .45	\$ .77	\$ 1.23	\$ 2.54
Goodwill amortization		.11		.32
Adjusted diluted earnings per share	\$ .45	\$ .88	\$ 1.23	\$ 2.86

#### BUSINESS SEGMENT INFORMATION BY INDUSTRY

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2002	2001	2002	2001
(Unaudited)				

(Dollars in thousands)

Net sales

Industrial:				
North America	\$726,808	\$742,468	\$2,023,947	\$2,250,578
International	325,754	343,060	912,491	964,399
Aerospace	284,989	317,446	885,801	882,259
Other	240,781	139,084	669,290	397,572
Total	\$1,578,332	\$1,542,058	\$4,491,529	\$4,494,808

Segment operating income

Industrial:				
North America	\$38,090	\$82,797	\$102,131	\$284,796
International	17,125	32,538	45,188	77,806
Aerospace	48,682	62,490	152,020	157,863
Other	18,358	11,609	44,779	30,463
Total segment operating income	122,255	189,434	344,118	550,928
Corporate general and administrative expenses	17,550	18,038	50,163	55,768
Income from operations before interest expense and other	104,705	171,396	293,955	495,160
Interest expense	20,924	24,243	62,933	71,018
Other expense (income)	7,221	5,367	14,984	(32,930)
Income before income taxes	\$76,560	\$141,786	\$216,038	\$457,072

Note: Income before income taxes for the three and nine months ended March 31, 2001 includes \$15,185 (\$8,132 in Industrial North America; \$3,253 in Industrial International; \$2,056 in Aerospace; \$1,081 in Other; and \$663 in Other expense (income)) and \$43,748 (\$22,074 in Industrial North America; \$9,099 in Industrial International; \$5,849 in Aerospace; \$3,252 in Other; and \$3,474 in Other expense (income)) of goodwill amortization, respectively.

BUSINESS SEGMENT INFORMATION BY INDUSTRY  
EXCLUDING GOODWILL AMORTIZATION

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2002	2001	2002	2001
(Unaudited)				
(Dollars in thousands)				
Net sales				
Industrial:				
North America	\$726,808	\$742,468	\$2,023,947	\$2,250,578
International	325,754	343,060	912,491	964,399
Aerospace	284,989	317,446	885,801	882,259
Other	240,781	139,084	669,290	397,572
Total	\$1,578,332	\$1,542,058	\$4,491,529	\$4,494,808
Segment operating income				
Industrial:				
North America	\$38,090	\$90,929	\$102,131	\$306,870
International	17,125	35,791	45,188	86,905
Aerospace	48,682	64,546	152,020	163,712
Other	18,358	12,690	44,779	33,715

Total segment operating income	122,255	203,956	344,118	591,202
Corporate general and administrative expenses	17,550	18,038	50,163	55,768
Income from operations before interest expense and other	104,705	185,918	293,955	535,434
Interest expense	20,924	24,243	62,933	71,018
Other expense (income)	7,221	4,704	14,984	(36,404)
Income before income taxes	\$76,560	\$156,971	\$216,038	\$500,820

Note: Amounts for the three and nine months ended March 31, 2001 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 nine months ended March 31, 2002.

#### CONSOLIDATED BALANCE SHEET

(Unaudited)

(Dollars in thousands)

	March 31,	2002	2001
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$31,917	\$45,209
Restricted investments		98,850	
Accounts receivable, net		981,972	888,760
Inventories		1,070,287	1,006,037
Prepaid expenses		42,248	37,681
Deferred income taxes		98,682	93,671
Assets held for sale			215,533
Total current assets		2,323,956	2,286,891
Plant and equipment, net		1,683,768	1,507,047
Excess cost of investments over net assets acquired		1,099,413	852,973
Other assets		647,880	604,527
Total assets		\$5,755,017	\$5,251,438
<b>Liabilities and shareholders' equity</b>			
Current liabilities:			
Notes payable		\$547,764	\$613,328
Accounts payable		378,951	333,212
Accrued liabilities		483,631	380,487
Accrued domestic and foreign taxes		73,263	60,252
Total current liabilities		1,483,609	1,387,279
Long-term debt		1,052,174	865,456
Pensions and other postretirement benefits		209,134	305,186
Deferred income taxes		147,726	120,176
Other liabilities		236,145	82,997
Shareholders' equity		2,626,229	2,490,344
Total liabilities and shareholders' equity		\$5,755,017	\$5,251,438

#### CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

(Dollars in thousands)

Nine Months Ended March 31,  
2002 2001

Cash flows from operating activities:		
Net income	\$142,000	\$291,434
Depreciation and amortization	180,957	200,785
Net effect of extraordinary loss		3,378
Net change in receivables, inventories, and trade payables	80,272	(78,935)
Net change in other assets and liabilities	42,779	(78,909)
Other, net	11,976	(29,461)
Net cash provided by operating activities	457,984	308,292
Cash flows from investing activities:		
Acquisitions (less cash acquired of \$3,117 in 2002 and \$8,256 in 2001)	(383,144)	(512,716)
Capital expenditures	(157,452)	(263,812)
Other, net	(38,460)	105,637
Net cash used in investing activities	(579,056)	(670,891)
Cash flows from financing activities:		
Net proceeds from common share activity	3,930	9,824
Net proceeds from debt	190,132	391,216
Dividends	(62,058)	(59,298)
Net cash provided by financing activities	132,004	341,742
Effect of exchange rate changes on cash	(2,580)	(2,394)
Net increase (decrease) in cash and cash equivalents	8,352	(23,251)
Cash and cash equivalents at beginning of period	23,565	68,460
Cash and cash equivalents at end of period	\$31,917	\$45,209

SOURCE Parker Hannifin Corporation

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