Parker Outlines Realignment Savings and Goodwill-Related Asset Impairment

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CLEVELAND, Jun 19, 2002 /PRNewswire-FirstCall via COMTEX/ -- Parker Hannifin Corporation (NYSE: PH) today announced that it expects to record approximately $60 million ($50 million after-tax, or 42 cents per share) in the fourth quarter in business realignment costs and asset impairments. Of these charges, the non- cash portion is about $47 million.

As a result of annual goodwill impairment tests required under the new FASB 142 accounting guidelines, the company expects to record approximately $40 million ($37 million after-tax) in impairment charges, primarily in businesses serving the severely depressed semiconductor market and non-core units acquired in conjunction with strategic acquisitions. The company noted that the impairment charges represent 1.6 percent of the total value of all acquisitions completed in the last 10 years. Additionally, the company expects to record $7 million ($4 million after-tax) in fixed-asset impairments as calculated under the guidelines of FASB 121.

The business realignment costs, amounting to approximately $13 million ($9 million after-tax), result from the company's initiative to achieve operating improvements and greater returns on assets as compiled in the annual plan review completed last week. Additional costs of approximately $23 million ($15 million after-tax) will be reflected on the income statement during fiscal year 2003 as they are implemented. Current and future costs include severance, operating realignments, plant closures and consolidations in the company's industrial divisions.

In aggregate, these realignment actions should enable the company to achieve savings of about $12 million in fiscal year 2003, and another $20 million in fiscal year 2004, for ongoing savings of $32 million per year.

"Our managers have thoroughly reviewed every business unit for performance," said Parker CEO Don Washkewicz. "They've outlined very aggressive actions to remedy those that have consistently performed below our financial objectives. These actions will position us to achieve results consistent with our Win Strategy."

The company remains on track to earn between $1.78 and $1.90 per diluted share in the fiscal year ending June 30, excluding the anticipated fourth- quarter actions and 13 cents per share in realignment costs, as well as an investment write down, recorded through the third quarter. As customary, Parker will issue earnings guidance for fiscal year 2003 in the next quarterly earnings report scheduled July 30.

The company will hold a conference call at 10 a.m. ET today to discuss these actions. Investors may access the call at www.phstock.com .

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 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 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.

SOURCE Parker Hannifin Corporation

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