

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1996

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File number 1-4982

PARKER-HANNIFIN CORPORATION
(Exact name of registrant as specified in its charter)

OHIO
(State or other
jurisdiction of
incorporation)

34-0451060
(IRS Employer
Identification No.)

17325 Euclid Avenue, Cleveland, Ohio 44112
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (216) 531-3000

Indicate by check mark whether Registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act
of 1934 during the preceding 12 months, and (2) has been subject to such
filing requirements for the past 90 days.

Yes . No.

Number of Common Shares outstanding at September 30, 1996 74,318,378

PARKER-HANNIFIN CORPORATION

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*Numbered in accordance with Item 601 of Regulation S-K.

PART I - FINANCIAL INFORMATION

PARKER-HANNIFIN CORPORATION
 CONSOLIDATED STATEMENT OF INCOME
 (Dollars in thousands, except per share amounts)
 (Unaudited)

	Three Months Ended September 30,	
	1996	1995
Net sales	\$ 959,328	\$ 839,054
Cost of sales	754,498	645,609
Gross profit	204,830	193,445
Selling, general and administrative expenses	114,444	97,719
Income from operations	90,386	95,726
Other income (deductions):		
Interest expense	(12,314)	(7,988)
Interest and other income, net	1,780	3,333
	(10,534)	(4,655)
Income before income taxes	79,852	91,071
Income taxes	28,747	33,696
Net income	\$ 51,105	\$ 57,375
	=====	=====
Earnings per share	\$.69	\$.77
Cash dividends per common share	\$.18	\$.18

See accompanying notes to consolidated financial statements.

PARKER-HANNIFIN CORPORATION
CONSOLIDATED BALANCE SHEET
(Dollars in thousands)

	September 30, 1996	June 30, 1996
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 67,123	\$ 63,953
Accounts receivable, net	520,649	538,645
Inventories:		
Finished products	334,213	332,213
Work in process	266,373	269,934
Raw materials	109,003	105,078
	<u>709,589</u>	<u>707,225</u>
Prepaid expenses	15,177	16,031
Deferred income taxes	79,848	76,270
	<u>1,392,386</u>	<u>1,402,124</u>
Plant and equipment	2,090,510	2,048,293
Less accumulated depreciation	1,089,749	1,056,516
	<u>1,000,761</u>	<u>991,777</u>
Other assets	504,230	493,223
	<u>504,230</u>	<u>493,223</u>
Total assets	<u>\$ 2,897,377</u> =====	<u>\$ 2,887,124</u> =====
LIABILITIES		
Current liabilities:		
Notes payable	\$ 162,437	\$ 173,789
Accounts payable, trade	200,257	236,871
Accrued liabilities	298,411	306,504
Accrued domestic and foreign taxes	75,913	49,718
	<u>737,018</u>	<u>766,882</u>
Long-term debt	433,636	439,797
Pensions and other postretirement benefits	257,921	253,616
Deferred income taxes	26,401	24,683
Other liabilities	19,956	18,188
	<u>1,474,932</u>	<u>1,503,166</u>
SHAREHOLDERS' EQUITY		
Serial preferred stock, \$.50 par value; authorized 3,000,000 shares; none issued	--	--
Common stock, \$.50 par value; authorized 300,000,000 shares; issued 74,358,822 shares at September 30 and 74,291,917 shares at June 30	37,179	37,146
Additional capital	167,425	165,259
Retained earnings	1,198,549	1,160,828
Currency translation adjustment	20,810	20,725
	<u>1,423,963</u>	<u>1,383,958</u>
Less treasury shares, at cost: 40,444 shares at September 30	(1,518)	--
	<u>1,422,445</u>	<u>1,383,958</u>
Total liabilities and shareholders' equity	<u>\$ 2,897,377</u> =====	<u>\$ 2,887,124</u> =====

See accompanying notes to consolidated financial statements.

PARKER-HANNIFIN CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Three Months Ended September 30,	
	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 51,105	\$ 57,375
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	37,882	31,979
Amortization	6,043	2,722
Deferred income taxes	(4,606)	(5,922)
Foreign currency transaction loss (gain)	45	(291)
Loss (gain) on sale of plant and equipment	263	(589)
Changes in assets and liabilities:		
Accounts receivable	18,426	9,195
Inventories	4,466	(21,553)
Prepaid expenses	875	1,071
Other assets	(2,780)	(3,330)
Accounts payable, trade	(36,909)	(32,827)
Accrued payrolls and other compensation	(18,245)	(19,741)
Accrued domestic and foreign taxes	26,201	28,409
Other accrued liabilities	12,349	4,503
Pensions and other postretirement benefits	3,582	(7,738)
Other liabilities	1,838	(1,102)
Net cash provided by operating activities	100,535	42,161
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions (excluding cash of \$68 in 1995)	(17,224)	(11,780)
Capital expenditures	(42,962)	(44,683)
Proceeds from sale of plant and equipment	1,288	4,323
Other	(3,187)	(5,670)
Net cash used in investing activities	(62,085)	(57,810)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments from common share activity	(3,197)	(144)
(Payments) proceeds from notes payable, net	(14,400)	13,640
Proceeds from long-term borrowings	163	214
Payments of long-term borrowings	(3,952)	(1,355)
Dividends	(13,384)	(13,329)
Net cash used in financing activities	(34,770)	(974)
Effect of exchange rate changes on cash	(510)	(161)
Net increase (decrease) in cash and cash equivalents	3,170	(16,784)
Cash and cash equivalents at beginning of year	63,953	63,830
Cash and cash equivalents at end of period	\$ 67,123	\$ 47,046

See accompanying notes to consolidated financial statements.

PARKER-HANNIFIN CORPORATION
BUSINESS SEGMENT INFORMATION BY INDUSTRY
(Dollars in thousands)
(Unaudited)

Parker operates in two industry segments: Industrial and Aerospace. The Industrial Segment is the largest and includes the International operations.

Industrial - This segment produces a broad range of motion-control and fluid systems and components used in all kinds of manufacturing, packaging, processing, transportation, mobile construction, and agricultural and military machinery and equipment. Sales are direct to major original equipment manufacturers (OEMs) and through a broad distribution network to smaller OEMs and the aftermarket.

Aerospace - This segment designs and manufactures products and provides aftermarket support for commercial, military and general-aviation aircraft, missile and spacecraft markets. The Aerospace Segment provides a full range of systems and components for hydraulic, pneumatic and fuel applications.

Results by Business Segment:

	Three Months Ended September 30,	
	1996	1995
Net sales, including intersegment sales		
Industrial:		
North America	\$ 503,750	\$ 474,073
International	259,760	229,763
Aerospace	195,936	135,331
Intersegment sales	(118)	(113)
Total	\$ 959,328	\$ 839,054
	=====	=====
Income from operations before corporate general and administrative expenses		
Industrial:		
North America	\$ 68,603	\$ 66,562
International	12,929	22,184
Aerospace	20,924	18,379
Total	102,456	107,125
Corporate general and administrative expenses	12,070	11,399
Income from operations	\$ 90,386	\$ 95,726
	=====	=====

See accompanying notes to consolidated financial statements.

PARKER-HANNIFIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Dollars in thousands, except per share amounts

1. Management Representation

In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of September 30, 1996, the results of operations for the three months ended September 30, 1996 and 1995 and cash flows for the three months then ended.

2. Earnings per share

Primary earnings per share are computed using the weighted average number of shares of common stock and common stock equivalents outstanding during the period. Fully diluted earnings per share are not presented because such dilution is not material.

3. Acquisitions

On September 5, 1996 the Company purchased the assets of the industrial hydraulic product line of Hydraulik-Ring AG, of Nürtingen, Germany, for approximately \$17 million cash. Annual sales for this operation for the most recent year prior to acquisition were approximately \$31 million. This acquisition was accounted for by the purchase method.

PARKER-HANNIFIN CORPORATION

FORM 10-Q
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1996
AND COMPARABLE PERIOD ENDED SEPTEMBER 30, 1995

CONSOLIDATED STATEMENT OF INCOME

Net sales for the first quarter of fiscal 1997 increased 14.3 percent to \$959.3 million from \$839.1 million for the first quarter of fiscal 1996. Without the effect of acquisitions made within the past twelve months the increase would have been 4.1 percent.

Income from operations decreased 5.6 percent to \$90.4 million. As a percent of sales the current-quarter operating income decreased to 9.4 percent from 11.4 percent the prior-year quarter. Cost of sales, as a percent of sales, increased to 78.6 percent from 76.9 percent. These results reflect the weakness experienced in the heavy-duty truck manufacturing, semiconductor fabrication and European industrial markets, which resulted in a mix of shipments producing lower margins. Selling, general and administrative expenses, as a percent of sales, increased to 11.9 percent from 11.6 percent due to recent acquisitions with higher costs and costs associated with the Company's emphasis to provide a global presence of the sales force.

Interest expense for the current-year quarter increased \$4.3 million due to the increased borrowings incurred to complete recent acquisitions.

Net Income for the quarter decreased 10.9 percent to \$51.1 million and decreased to 5.3 percent of sales compared to 6.8 percent the prior-year quarter.

Backlog increased to \$1.4 billion at September 30, 1996 compared to \$1.0 billion the prior year and \$1.3 billion at June 30, 1996. The increase from the prior year was primarily due to acquisitions.

RESULTS BY BUSINESS SEGMENT

INDUSTRIAL - Net sales of the Industrial Segment increased 8.5 percent to \$763.5 million compared to \$703.8 million the prior year. Industrial North America sales increased 6.3 percent while Industrial International sales increased 13.1 percent. Without the effect of acquisitions, North American sales would have increased 4.8 percent and International sales would have remained relatively flat. Without the effects of currency rate changes International sales (with acquisitions) would have increased nearly 17 percent. Industrial North America experienced a changed mix of products with increases occurring in the instrumentation controls and refrigeration and air conditioning markets, partially offset by declines in the heavy-duty truck manufacturing and semiconductor fabrication markets.

Operating income for the Industrial Segment decreased 8.1 percent to \$81.5 million. Industrial North America increased 3.1 percent while Industrial International decreased 41.7 percent. North American operating income, as a percent of sales, decreased to 13.6 percent from 14.0 percent as margins were affected by the changed mix of products sold. International operating income, as a percent of sales, decreased to 5.0 percent from 9.7 percent primarily due to the stagnant industrial economy in Europe, a changed product mix and lower margin returns from sales contributed by recent acquisitions.

Industrial Segment backlog increased 7.9 percent compared to a year ago, but decreased slightly since June 30, 1996. The increase from the prior year was primarily the result of acquisitions. Industrial North America results are expected to continue to grow moderately, but there is little indication that European results will improve before the second half of the fiscal year.

AEROSPACE - Net sales of the Aerospace Segment were up 44.8 percent for the quarter. Without the effect of the Abex acquisition the increase would have been 9.2 percent. This increase was primarily the result of higher volume in spare parts, repairs and overhaul and commercial OEM business.

Income from operations increased 13.8 percent year to year, but Income from operations as a percent of sales decreased to 10.7 percent from 13.6 percent. The decrease in margin was primarily the result of lower margins of the recently acquired Abex operations. The Company has announced plans to consolidate these operations to strive for more cost-effective manufacturing and administrative functions. The costs for this restructuring, part of the purchase accounting of the Abex acquisition, will not impact future earnings.

Backlog for the Aerospace Segment increased 48.7 percent compared to a year ago, primarily as a result of the Abex acquisition, and increased 3.1 percent since June 30, 1996. The Aerospace Segment is expected to continue to grow throughout the year, with margins remaining at current levels or improving as volume efficiencies are achieved.

BALANCE SHEET

Working capital increased to \$655.4 million at September 30, 1996 from \$635.2 million at June 30, 1996, with the ratio of current assets to current liabilities increasing slightly to 1.9 to 1. The increase was primarily due to decreases in Accounts payable, trade and Notes payable, partially offset by a decrease in Accounts receivable, net and an increase in Accrued domestic and foreign taxes.

Accounts receivable, net decreased \$18.0 since June 30, 1996 as collections improved for both Industrial North America and Industrial International. Overall days sales outstanding improved during the quarter.

Inventories increased slightly for the quarter, but would have decreased without the addition of Inventories purchased through an acquisition. Months supply decreased slightly during the quarter.

Accounts payable, trade decreased \$36.6 million since June 30, 1996 with the reduction occurring consistently throughout the operations.

Plant and equipment, net increased \$9.0 million due to both acquisitions and capital expenditures. An \$11.0 million increase in Other assets was primarily due to an increase in goodwill from acquisitions and an increase in deferred tax assets.

The debt to debt-equity ratio decreased to 29.5 percent at September 30, 1996 compared to 30.7 percent as of June 30, 1996.

STATEMENT OF CASH FLOWS

Net cash provided by operating activities was \$100.5 million in fiscal 1997 compared to \$42.2 million for the three months ended September 30, 1995. The additional net cash provided was primarily the result of activity within the principal working capital items - Accounts receivable, Inventories, and Accounts payable, trade - which used cash of \$14.0 million in fiscal 1997, compared to using cash of \$45.2 million in fiscal 1996. In addition, cash was provided by an increase in Other accrued liabilities and increases in the Pensions and other postretirement benefits accrual and Other liabilities, which had used cash in the prior year.

Financing activities used net cash of \$34.8 million in fiscal 1997 as opposed to \$1.0 million for the three months ended September 30, 1995. Payments of Notes payable used cash of \$14.4 million in fiscal 1997 compared to proceeds from Notes payable of \$13.6 million in fiscal 1996.

PARKER-HANNIFIN CORPORATION

PART II - OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders.

(a) The Annual Meeting of the Shareholders of the Registrant was held on October 23, 1996.

(b) Not applicable.

(c) (i) The Shareholders elected five directors to the three-year class whose term of office will expire in 1999 as follows:

	Votes For	Votes Withheld
Paul C. Ely, Jr.	67,677,888	453,600
Frank A. LePage	67,658,658	472,830
Peter W. Likins	67,690,629	440,859
Wolfgang R. Schmitt	67,674,243	457,245
Stephanie A. Streeter	67,633,814	477,674

No Shareholders abstained.

(ii) The Shareholders approved the appointment of Coopers & Lybrand L.L.P. as auditors of the Corporation for the fiscal year ending June 30, 1997 as follows:

For	67,799,223
Against	136,618
Abstain	195,646

(d) Not applicable.

Item 6. Exhibits and Reports on Form 8-K.

(a) The following documents are furnished as exhibits and numbered pursuant to Item 601 of Regulation S-K:

Exhibit 11 - Statement regarding computation of per share earnings.

Exhibit 27 - Financial Data Schedule

(b) No reports on Form 8-K have been filed during the quarter for which this Report is filed.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PARKER-HANNIFIN CORPORATION
(Registrant)

Michael J. Hiemstra
Michael J. Hiemstra
Vice President - Finance and
Administration and Chief
Financial Officer

Date: November 14, 1996

EXHIBIT INDEX

Exhibit No.	Description of Exhibit	Sequential Page
11	Computation of Earnings Per Common Share	13
27	Financial Data Schedule	14

PARKER-HANNIFIN CORPORATION

FORM 10-Q
 COMPUTATION OF EARNINGS PER COMMON SHARE
 (Dollars in thousands, except per share amounts)
 (Unaudited)

	Three Months Ended September 30,	
	1996	1995
	-----	-----
Net income applicable to common shares	\$ 51,105 =====	\$ 57,375 =====
Weighted average common shares outstanding for the period	74,303,064	74,070,861
Increase in weighted average from dilutive effect of exercise of stock options	581,226	811,722
	-----	-----
Weighted average common shares, assuming issuance of the above securities	74,884,290 =====	74,882,583 =====
Earnings per common share:		
Primary	\$.69	\$.77
Fully diluted (A)	\$.68	\$.77

(A) This calculation is submitted in accordance with Regulation S-K Item 601(b)(11) although not required for income statement presentation because it results in dilution of less than 3 percent.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM PARKER-HANNIFIN CORPORATION'S REPORT ON FORM 10-Q FOR ITS QUARTERLY PERIOD ENDED SEPTEMBER 30, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

		3-MOS
	JUN-30-1997	
	SEP-30-1996	
		67,123
		0
		478,942
		5,789
		709,589
	1,392,386	
		2,090,510
	1,089,749	
	2,897,377	
737,018		
		444,515
		37,179
0		
		0
		1,385,266
2,897,377		
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	959,328	
		754,498
		754,498
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		117
	12,314	
	79,852	
	28,747	
51,105		
		0
		0
		0
		51,105
		.69
		.68