Parker Hannifin Posts Quarterly Records for Sales and Earnings Per Share from Continuing Operations; Strong Cash Flows

CLEVELAND, April 24 /PRNewswire-FirstCall/ -- Parker Hannifin Corporation (NYSE: PH), the global leader in motion and control technologies, today reported third quarter fiscal year 2007 results. The company set new quarterly records for sales and earnings per diluted share from continuing operations.

Sales for the third quarter of fiscal year 2007 were $2.8 billion, up 11.3 percent, as compared to sales of $2.5 billion from the same period last year. Earnings per diluted share from continuing operations in the third quarter of fiscal year 2007 was $1.78, an increase of 21.9 percent over the $1.46 posted in the same period a year ago. This quarter's earnings per diluted share included a gain of 5 cents from the sale of real estate.

"By executing our Win Strategy, our employees delivered another record quarter," said Chairman, CEO and President Don Washkewicz. "Their continued performance gives us confidence that fiscal year 2007 will end on a very positive note."

Third Quarter Segment Results

In the Industrial North American segment, third quarter operating income decreased 10.8 percent from the prior year to $146.8 million, on sales of $1.0 billion.

In the Industrial International segment, third quarter operating income increased 42.0 percent over the prior year to $140.5 million, on sales of $1.0 billion.

In the Aerospace segment, third quarter operating income increased 21.6 percent over the prior year to $66.2 million, on sales of $436.5 million.

In the Climate & Industrial Controls segment, third quarter operating income decreased 19.0 percent from the prior year to $19.2 million, on sales of $278.1 million.

Total operating margin across all segments in the third quarter was 13.4 percent versus 13.7 percent in the same period a year ago.

Fiscal Year to Date Results

For the first nine months of fiscal year 2007, sales were $7.8 billion, up 15.9 percent, as compared to sales of $6.8 billion from the same period last year. Earnings per diluted share from continuing operations for the first nine months of fiscal year 2007 was $5.17, up 38.6 percent from the $3.73 reported in the same period in the prior year. Cash flow from
operations for fiscal year 2007 to date reached $536.9 million.

"Our ability to generate strong cash flows allows for great flexibility in optimizing shareholder returns," said Washkewicz. "For example, cash was used since the beginning of the third quarter to acquire Airtek, a strategic fit for our filtration business; SSD Drives India, which expands our global automation technology platform; Rectus AG, complementing our global fluid handling business; and Rayco Technologies, an Asian based producer of elastomer seals for precision markets. Together, these acquisitions have annual revenues of approximately $166 million. We also made an additional $50 million discretionary contribution to our North American retirement plan in the third quarter."

Highlights

"This quarter's financial performance keeps us on track to once again exceed our annual profitable growth goal of 10 percent," said Washkewicz. "Just as importantly, we continue to grow the company in a very balanced way. Of the quarter's 11 percent sales growth, approximately 5 percent was derived organically, 4 percent came via acquisitions and 2 percent was due to the favorable impact of foreign currency."

Washkewicz added, "We're especially pleased at the results coming from our Industrial International segment. The hard work we've done on our European initiatives in recent years, including consolidation of inventory, synchronization of the sales force, and acceleration of low cost manufacturing, has led to sustained and measurable progress in our margins. The Win Strategy initiatives relating to pricing, lean and procurement also continue to drive our success. The clear outcome is that the size and mix of our Industrial International business is more diverse and more profitable than it was during previous business cycles. These factors should allow Parker's overall performance to remain strong despite potential near term slowing in some of our North American markets."

The quarter also saw the company highlight a number of its new products in an event for editors of the trade media. "It is gratifying to see the innovative products from our global Winovation program coming to market and gaining customer recognition," said Washkewicz. "Core Parker technologies like hydraulics, fluid handling, sealing and filtration are leading to the creation of products that will profitably address growing human needs in areas such as energy, safety and healthcare for years to come."

Outlook

As a result of the continued strong results, the company increased and narrowed its guidance for fiscal year 2007 income from continuing operations from $6.35 to $6.75 per diluted share to $6.80 to $7.00 per diluted share.

In addition to this information, 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, www.phstock.com. Beginning in fiscal year 2008, Parker will begin reporting order trends quarterly instead of monthly.

NOTICE OF CONFERENCE CALL: Parker Hannifin's conference call and slide presentation to discuss its fiscal third-quarter results is available to all interested parties via live webcast
today at 10:00 a.m. EDT, 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.

With annual sales exceeding $9 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 57,000 people in 43 countries around the world. Parker has increased its annual dividends paid to shareholders for 51 consecutive years, among the top five longest-running dividend-increase records in the S&P 500 index. For more information, visit the company's web site at www.parker.com, or its investor information web site at www.phstock.com.

Forward-Looking Statements: Forward-looking statements contained in this document and other written reports and oral statements 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, earnings projections, events or developments are forward-looking statements. It is possible that the Company's future performance and earnings projections of the Company may differ materially from current expectations, depending on economic conditions within both its industrial and aerospace markets, and the Company's ability to achieve and maintain anticipated benefits associated with announced realignment activities, strategic initiatives to improve operating margins and growth and innovation initiatives. A change in economic conditions in individual markets may have a particularly volatile effect on segment performance. 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, or significant changes in financial condition, uncertainties surrounding timing, successful completion or integration of acquisitions, threats associated with and efforts to combat terrorism, competitive market conditions and resulting effects on sales and pricing, increases in raw material costs that cannot be recovered in product pricing, the Company's ability to manage costs related to insurance and employee retirement and health care benefits, and global economic factors, including manufacturing activity, air travel trends, currency exchange rates, difficulties entering new markets and general economic conditions such as interest rates. The Company undertakes no obligation to update or publicly revise these forward-looking statements to reflect events or circumstances that arise after the date of this news release.

PARKER HANNIFIN CORPORATION – MARCH 31, 2007
CONSOLIDATED STATEMENT OF INCOME

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Dollars in thousands)</td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>$2,780,969</td>
<td>$2,498,068</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>2,163,828</td>
<td>1,952,191</td>
</tr>
<tr>
<td>Gross profit</td>
<td>617,141</td>
<td>545,877</td>
</tr>
<tr>
<td>Selling, general and</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
administrative expenses 308,562 276,700 893,427 759,559
Interest expense 22,403 21,038 61,879 57,096
Other (income) expense, net (8,750) (6,929) (22,153) 4,242
Income from continuing operations before income taxes 294,926 255,068 861,348 634,632
Income taxes 85,617 77,545 248,488 184,237
Income from continuing operations 209,309 177,523 612,860 450,395
Discontinued operations 28,884
Net income $209,309 $177,523 $612,860 $479,279

Earnings per share:
Basic earnings per share from continuing operations $1.81 $1.49 $5.25 $3.78
Discontinued operations .25
Basic earnings per share $1.81 $1.49 $5.25 $4.03
Diluted earnings per share from continuing operations $1.78 $1.46 $5.17 $3.73
Discontinued operations .24
Diluted earnings per share $1.78 $1.46 $5.17 $3.97

Average shares outstanding during period - Basic 115,450,866 119,453,865 116,687,517 119,052,517
Average shares outstanding during period - Diluted 117,473,774 121,180,698 118,552,883 120,647,547
Cash dividends per common share $.26 $.23 $.78 $.69

BUSINESS SEGMENT INFORMATION BY INDUSTRY

(Unaudited) Three Months Ended Nine Months Ended
(Dollars in thousands) March 31, March 31,
Net sales:
Industrial:
North America $1,048,474 $1,062,686 $3,008,902 $2,921,651
International 1,017,953 774,018 2,817,668 2,071,308
Aerospace 436,476 390,966 1,240,873 1,085,047
Climate & Industrial Controls 278,066 270,398 776,251 691,150
Total $2,780,969 $2,498,068 $7,843,694 $6,769,156
Segment operating income
Industrial:
North America $146,794 $164,659 $433,822 $432,019
International 140,456 98,933 389,756 247,442
Aerospace 66,219 54,470 202,622 156,575
Climate & Industrial Controls 19,232 23,752 57,019 52,282
Total segment operating income $372,701 $341,814 $1,083,219 $888,318
Corporate general and administrative expenses 40,538 36,159 121,168 93,475
Income from continuing operations before interest expense and other 332,163 305,655 962,051 794,843
Interest expense 22,403 21,038 61,879 57,096
Other expense 14,834 29,549 38,824 103,115
Income from continuing operations before income taxes $294,926 $255,068 $861,348 $634,632

CONSOLIDATED BALANCE SHEET
(Unaudited)
(Dollars in thousands) March 31, 2007 2006

Assets
Current assets:
Cash and cash equivalents $183,727 $250,740
Accounts receivable, net 1,717,153 1,452,783
Inventories 1,270,971 1,137,108
Prepaid expenses 64,200 48,505
Deferred income taxes 132,261 111,542
Total current assets 3,368,312 3,000,678
Plant and equipment, net 1,709,239 1,638,492
Goodwill 2,169,631 2,000,264
Intangible assets, net 491,383 442,413
Other assets 969,972 890,670
Total assets $8,708,537 $7,972,517

Liabilities and shareholders' equity
Current liabilities:
Notes payable $293,456 $365,306
Accounts payable 734,801 619,558
Accrued liabilities 720,770 626,807
Accrued domestic and foreign taxes 147,734 109,155
Total current liabilities 1,896,761 1,720,826
Long-term debt 1,115,987 1,054,498
Pensions and other postretirement benefits 833,123 1,066,414
Deferred income taxes 122,942 98,791
Other liabilities 219,292 211,867
Shareholders' equity 4,520,442 3,820,121
Total liabilities and shareholders' equity $8,708,537 $7,972,517

CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited) Nine Months Ended March 31,
(Dollars in thousands) 2007 2006

Cash flows from operating activities:
<table>
<thead>
<tr>
<th>Description</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>$612,860</td>
<td>$479,279</td>
</tr>
<tr>
<td>Net (income) from discontinued operations</td>
<td>(28,884)</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>222,019</td>
<td>209,269</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>28,517</td>
<td>28,072</td>
</tr>
<tr>
<td>Net change in receivables, inventories, and trade payables</td>
<td>(179,683)</td>
<td>(105,648)</td>
</tr>
<tr>
<td>Net change in other assets and liabilities</td>
<td>(71,970)</td>
<td>38,926</td>
</tr>
<tr>
<td>Other, net</td>
<td>(74,864)</td>
<td>(1,714)</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td>(9,266)</td>
<td></td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>536,879</td>
<td>610,034</td>
</tr>
<tr>
<td>Cash flows from investing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisitions (net of cash of $1,088 in 2007 and $20,846 in 2006)</td>
<td>(188,340)</td>
<td>(809,566)</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(174,946)</td>
<td>(152,654)</td>
</tr>
<tr>
<td>Proceeds from sale of businesses</td>
<td>35,389</td>
<td>92,715</td>
</tr>
<tr>
<td>Other, net</td>
<td>(2,839)</td>
<td>10,642</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td>(100)</td>
<td></td>
</tr>
<tr>
<td>Net cash (used in) investing activities</td>
<td>(330,736)</td>
<td>(858,963)</td>
</tr>
<tr>
<td>Cash flows from financing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net (payments for) proceeds from common share activity</td>
<td>(361,651)</td>
<td>27,517</td>
</tr>
<tr>
<td>Net proceeds from debt</td>
<td>254,196</td>
<td>217,380</td>
</tr>
<tr>
<td>Dividends</td>
<td>(91,187)</td>
<td>(82,101)</td>
</tr>
<tr>
<td>Net cash (used in) provided by financing activities</td>
<td>(198,642)</td>
<td>162,796</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash</td>
<td>4,673</td>
<td>793</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>12,174</td>
<td>(85,340)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>171,553</td>
<td>336,080</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period</td>
<td>$183,727</td>
<td>$250,740</td>
</tr>
</tbody>
</table>

**SOURCE** Parker Hannifin Corporation