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

FORM 10-K

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

For the fiscal year ended June 30, 2012

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 No. 1-4982

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

Ohio	**34-0451060**
(State or other jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
6035 Parkland Boulevard, Cleveland, Ohio	**44124-4141**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant's telephone number, including area code (216) 896-3000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on which Registered
Common Shares, $.50 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the 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 (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K ☒.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer:	☒	Accelerated Filer:	☐
Non-Accelerated Filer:	☐	Smaller Reporting Company:	☐
(Do not check if a smaller reporting company)			

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the outstanding common stock held by non-affiliates of the Registrant as of December 31, 2011, excluding, for purpose of this computation only, stock holdings of the Registrant's Directors and Officers: $11,403,595,331.

The number of Common Shares outstanding on July 31, 2012 was 149,443,661.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents are incorporated by reference:

(1) Annual Report to Shareholders of the Company for the fiscal year ended June 30, 2012 is incorporated by reference into Parts I and II hereof.

(2) Definitive Proxy Statement for the Company's 2012 Annual Meeting of Shareholders to be held on October 24, 2012 is incorporated by reference into Part III hereof.

PARKER-HANNIFIN CORPORATION

FORM 10-K

Fiscal Year Ended June 30, 2012

PART I

ITEM 1. Business. Parker-Hannifin Corporation is a leading worldwide diversified manufacturer of motion and control technologies and systems, including fluid power systems, electromechanical controls and related components. Fluid power involves the transfer and control of power through the medium of liquid, gas or air, in hydraulic, pneumatic and vacuum applications. Fluid power systems move and position materials, control machines, vehicles and equipment and improve industrial efficiency and productivity. Components of a simple fluid power system include one or more pumps which generate pressure, one or more valves which control the flow of the fluid, one or more actuators which translate the pressure from the fluid into mechanical energy, one or more filters to ensure proper fluid condition and numerous hoses, couplings, fittings and seals. Electromechanical controls involve the use of electronic components and systems to control motion and precisely locate or vary speed in automation and aerospace applications. In addition to motion and control products, the Company also is a leading worldwide producer of fluid purification, fluid and fuel control, process instrumentation, air conditioning, refrigeration, electromagnetic shielding and thermal management products and systems.

The Company was incorporated in Ohio in 1938. Its principal executive offices are located at 6035 Parkland Boulevard, Cleveland, Ohio 44124-4141, telephone (216) 896-3000. As used in this Annual Report on Form 10-K, unless the context otherwise requires, the term “Company” or “Parker” refers to Parker-Hannifin Corporation and its subsidiaries.

The Company’s investor relations internet website address is www.phstock.com. The Company makes available free of charge on or through its website its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as reasonably practicable after filing or furnishing such material electronically with the Securities and Exchange Commission. The information contained on or accessible through the Company’s website is not part of this Annual Report on Form 10-K.

The Board of Directors has adopted a written charter for each of the committees of the Board of Directors. These charters, as well as the Company’s Code of Conduct, Board of Directors Guidelines on Significant Corporate Governance Issues and Independence Standards for Directors, are posted and available on the Company’s investor relations internet website at www.phstock.com under the Corporate Governance page. Shareholders may request copies of these corporate governance documents, free of charge, by writing to Parker-Hannifin Corporation, 6035 Parkland Boulevard, Cleveland, Ohio 44124-4141, Attention: Secretary, or by calling (216) 896-3000.

The Company’s manufacturing, service, sales, distribution and administrative facilities are located in 38 states within the United States and in 47 other countries. The Company’s technologies and systems are used in the products of its three principal business segments: Industrial; Aerospace; and Climate & Industrial Controls. The Company’s products are sold as original and replacement equipment through sales and distribution centers worldwide. The Company markets its products through direct-sales employees, independent distributors and sales representatives. Parker products are supplied to approximately 465,000 customers in virtually every significant manufacturing, transportation and processing industry. For the fiscal year ended June 30, 2012, total net sales were $13.1 billion. Industrial Segment products accounted for 77%, Aerospace Segment products accounted for 16%, and Climate & Industrial Controls Segment products accounted for 7% of those net sales.

Markets

The Company’s technologies and systems are used throughout various industries and in various applications. The approximately 465,000 customers who purchase the Company’s products are found throughout virtually every significant manufacturing, transportation and processing industry. No single customer accounted for more than 3% of the Company’s total net sales for the fiscal year ended June 30, 2012.

Industrial Segment. Sales of Industrial Segment products are made primarily to original equipment manufacturers and their replacement markets in virtually all major manufacturing, transportation and processing industries. The major markets for products of the Industrial Segment are listed below by Group:

Automation Group:	• Converting and packaging • Factory automation • Food production machinery • Life sciences and medical • Material handling • Paper machinery	• Primary metals • Renewable energy • Robotics • Safety and security • Semiconductor and electronics • Transportation and mobile
Filtration Group:	• Food and beverage • Industrial machinery • Life sciences • Marine • Mobile equipment	• Oil and gas • Power generation • Renewable energy • Transportation • Water purification
Fluid Connectors Group:	• Aerial lift • Agriculture • Bulk chemical handling • Construction machinery • Food and beverage • Fuel and gas delivery • Industrial machinery	• Life sciences • Marine • Mining • Mobile equipment • Oil and gas • Renewable energy • Transportation
Hydraulics Group:	• Aerial lift • Agriculture • Construction machinery • Factory automation • Forestry • Industrial machinery • Machine tool	• Marine • Material handling • Mining • Oil and gas • Power generation • Renewable energy • Truck hydraulics
Instrumentation Group:	• Alternative fuels • Bio pharmaceuticals • Chemical and refining • Food and beverage • Life sciences	• Marine • Microelectronics • Oil and gas • Power generation • Water/wastewater
Seal Group:	• Aerospace • Chemical processing • Consumer • Fluid power • General industrial • Information technology • Life sciences	• Microelectronics • Military • Oil and gas • Power generation • Renewable energy • Telecommunications • Transportation

Aerospace Segment. Sales of Aerospace Segment products are made primarily in the commercial and military aerospace markets to both original equipment manufacturers and to end users for spares, maintenance, repair and overhaul. The major markets for products of the Aerospace Segment are listed below:

- Commercial transports
- Engines
- General and business aviation
- Helicopters
- Launch vehicles
- Military aircraft
- Missiles
- Power generation
- Regional transports
- Unmanned aerial vehicles
- Aftermarket services

Climate & Industrial Controls Segment. Sales of Climate & Industrial Controls Segment products are made primarily to original equipment manufacturers and their replacement markets. The major markets for products of the Climate & Industrial Controls Segment are listed below:

- Agriculture
- Air conditioning
- Construction Machinery
- Food and beverage
- Industrial and commercial refrigeration
- Industrial machinery
- Life sciences
- Oil and gas
- Process
- Supermarkets
- Transportation

Principal Products and Methods of Distribution

Although the Company offers hundreds of thousands of individual products, no single product contributed more than 1% to the Company's total net sales for the fiscal year ended June 30, 2012. Listed below are some of the Company's principal products.

Industrial Segment. The products produced by the Company's Industrial Segment consist of a broad range of technologies and systems, which are described below by Group:

Automation Group: pneumatic and electromechanical components and systems, including:

Pneumatic products:

- Air preparation units
- Pneumatic accessories
- Pneumatic actuators and grippers
- Pneumatic valves and controls
- Structural extrusions
- Vacuum generators, cups and sensors

Electromechanical products:

- AC/DC drives and systems
- Electric actuators, gantry robots and slides
- Human-machine interfaces
- Manifolds
- Rotary actuators
- Stepper motors, servo motors, drives and controls

Filtration Group: filters, systems and diagnostics solutions to monitor and remove contaminants from fuel, air, oil, water and other liquids and gases, including:

- Analytical gas generators
- Compressed air and gas filters and dryers
- Condition monitoring devices
- Engine air, fuel and oil filtration and systems
- Hydraulic, lubrication and coolant filters
- Nitrogen, hydrogen and purified air generators
- Process, chemical, water and microfiltration filters
- Water desalinization and purification filters/systems

Fluid Connectors Group: connectors which control, transmit and contain fluid, including:

- Connectors for low pressure fluid conveyance
- Deep sea umbilicals
- Diagnostic equipment
- Hose couplings
- Industrial hose
- Mooring systems and power cables
- PTFE hose and tubing
- Quick couplings
- Check valves
- Rubber and thermoplastic hose
- Tube fittings and adapters
- Tubing and plastic fittings

Hydraulics Group: hydraulic components and systems for builders and users of industrial and mobile machinery and equipment, including:

- Accumulators
- Cartridge valves
- Hybrid drives
- Hydraulic transmissions
- Hydraulic cylinders
- Hydraulic motors and pumps
- Hydraulic systems
- Hydraulic valves and controls
- Hydrostatic steering units
- Integrated hydraulic circuits
- Power take-off equipment
- Power units
- Rotary actuators
- Sensors, displays and controls

Instrumentation Group: high quality critical flow components for process instrumentation, healthcare and ultra-high-purity applications, including:

- Analytical sample conditioning products and systems
- Chemical injection fittings and valves
- Fluoropolymer chemical delivery fittings, valves and pumps
- High pressure fittings, valves, pumps and reactor systems
- High-purity gas delivery fittings, valves, regulators and digital flow controllers
- Process analyzers
- Process control fittings, valves, regulators and manifold valves
- Process control double block and bleeds
- Permanent no-weld tube fittings
- Precision industrial regulators and flow controllers
- Industrial mass flow meters/controllers

Seal Group: static and dynamic sealing devices, including:

- Dynamic seals
- Elastomeric o-rings
- Electromagnetic interference shielding
- Extruded and precision-cut fabricated elastomeric seals
- High-temperature metal seals
- Homogeneous and inserted elastomeric shapes
- Medical devices
- Medical seals and instruments
- Metal and plastic retained composite seals
- Thermal management products

Industrial Segment products include standard products, as well as custom products which are engineered and produced to original equipment manufacturers' specifications for application to particular end products. Both standard and custom products are also used in the replacement of original products. Industrial Segment products are marketed primarily through field sales employees and approximately 12,300 independent distributor locations throughout the world.

Aerospace Segment. The principal products of the Company's Aerospace Segment include flight control, hydraulic, fuel, fluid conveyance, and engine systems and components used on commercial and military airframe and engine programs.

The Aerospace Segment offers primary and secondary flight control systems and components, including: hydraulic, electrohydraulic, electric backup hydraulic, electrohydrostatic, and electro-mechanical components used for precise control of aircraft rudders, elevators, ailerons and other aerodynamic control surfaces.

The Aerospace Segment also offers complete hydraulic systems and components, including:

- Accumulators
- Automatic bleed valves
- Electrohydraulic servo valves
- Electronic controllers and software
- Engine-driven pumps
- Filtration manifolds
- Hydraulic power packs
- Integration packages
- Motor pumps
- Power transfer units
- Reservoirs
- Selector valves
- Thrust-reverser systems
- Utility actuators

The Aerospace Segment also designs and manufactures aircraft wheels, brakes and associated hydraulics components for general aviation, rotorcraft and military markets.

The Aerospace Segment also offers complete fuel systems and components, including:

- Fuel tank inerting systems
- Refuel, transfer, and pressurization controls
- In-flight refueling systems
- Fuel pumps and valves
- Fuel measurement and management systems
- Fuel and pneumatic filtration
- Fluid conveyance equipment
- Center of gravity controls
- Engine fuel injection atomization nozzles, manifolds and augmentor controls
- Electronic monitoring computers and controllers
- Lightning-safe flame arresters, fuel caps, and adapters
- Water and waste subsystems

The Aerospace Segment also offers fluid conveyance systems and components, including:

- Rubber, metal, and PTFE hose assemblies
- Rigid tube assemblies
- Couplings, quick disconnects, fittings, joints, and unions
- Valves and regulators

The Aerospace Segment also produces various engine systems and components, including:

- Pneumatic subsystems
- Low-pressure pneumatic controls
- Engine starter systems
- Fuel valves and manifolds
- Heat management
- Engine bleed control and anti-ice systems
- Electronic control and monitoring computers
- Fuel and pneumatic filtration
- Fluid conveyance systems and engine build units
- Motor-driven and hydraulic pumps
- Oil and lubrication pumps and equipment
- Thrust reverser actuation

The Aerospace Segment also offers electronic thermal management heat rejection systems and single-phase and two-phase heat collection systems for radar, ISAR, and power electronics.

Aerospace Segment products are marketed by the Company's regional sales organizations and are sold directly to original equipment manufacturers and end users throughout the world.

Climate & Industrial Controls Segment. The principal products of the Company's Climate & Industrial Controls Segment consist of systems and components for use primarily in the mobile and stationary refrigeration and air conditioning industry, and systems and components for use in fluid control applications in a wide variety of industries, including processing, fuel dispensing, beverage dispensing and mobile emissions. These products include:

- Accumulators
- CO_2 controls
- Electronic controllers
- Filter driers
- Hand shut-off valves
- Heat exchangers
- Hose and fittings
- Precision cooling
- Pressure regulating valves
- Refrigerant distributors
- Safety relief valves
- Solenoid valves
- Thermostatic expansion valves

Climate & Industrial Controls Segment products are marketed primarily through field sales employees and independent distributors and wholesalers throughout the world.

Competition

The Company's business operates in highly competitive markets and industries. The Company offers its products over numerous, varied markets through its 137 divisions operating in 48 countries and consequently has hundreds of competitors when viewed across its various markets and product offerings. The Company's competitors include U.S. and non-U.S. companies. These competitors and the degree of competition vary widely by product lines, end markets, geographic scope and/or geographic locations. Although each of the Company's segments has numerous competitors, given the Company's market and product breadth, no single competitor competes with the Company with respect to all products manufactured and sold by the Company.

In the Industrial Segment, the Company competes on the basis of product quality and innovation, customer service, manufacturing and distribution capability, and price competitiveness. The Company believes that it is one of the market leaders in most of the major markets for its most significant Industrial Segment products. While the Company's primary global competitors include SMC Corporation, Freudenberg-NOK, Festo AG, Bosch Rexroth AG, Swagelok Company, Pall Corporation, Donaldson Company, Inc. and Eaton Corporation, none of these companies compete with every Group and every product line that make up the Company's Industrial Segment.

In the Aerospace Segment, the Company has developed alliances with key customers based on the Company's advanced technological and engineering capabilities, superior performance in quality, delivery, and service, and price competitiveness, which has enabled the Company to obtain significant original equipment business on new aircraft programs for its systems and components and to thereby obtain the follow-on repair and replacement business for these programs. Although the Company believes that it is one of the market leaders in most of the major markets for its most significant Aerospace Segment products, the Company's primary global competitors for the most significant Aerospace Segment products include Honeywell Inc., Goodrich Corporation, Hamilton Sundstrand, GE Aviation (formerly Smiths Aerospace), Eaton Corporation, Moog Inc., Woodward Governor Company and Zodiac Aerospace SA.

In the Climate & Industrial Controls Segment, the Company competes on the basis of product quality and innovation, customer service, manufacturing and distribution capability, and price competitiveness. Although the Company believes that it is one of the market leaders in most of the major markets for its most significant Climate & Industrial Controls Segment products, the Company's primary global competitors for the most significant Climate & Industrial Controls Segment products include Danfoss A/S, Emerson Climate Technologies, Emerson/ASCO, Hutchinson SA, TI Automotive Ltd. and Visteon Corporation.

The Company believes that its platform utilizing nine core technologies which consist of aerospace, electromechanical, filtration, fluid handling, hydraulics, pneumatics, process control, refrigeration, and sealing and shielding is a positive factor in its ability to compete effectively with both large and small competitors. For each of its segments, the Company believes that the following factors also contribute to its ability to compete effectively:

- decentralized operating structure that allows each division to focus on its customers and respond quickly at the local level;

- systems solution capabilities that use the Company’s core technologies from a variety of its segments;
- global presence; and
- a strong global distribution network.

Research and Product Development

The Company continually researches the feasibility of new products and services through its development laboratories and testing facilities in many of its worldwide manufacturing locations. Its research and product development staff includes chemists, physicists, and mechanical, chemical and electrical engineers.

Total research and development costs relating to the development of new products and services and the improvement of existing products and services amounted to $365.7 million in fiscal year 2012, $359.5 million in fiscal year 2011, and $316.2 million in fiscal year 2010. These amounts include costs incurred by the Company related to independent research and development initiatives as well as costs incurred in connection with research and development contracts. Costs incurred in connection with research and development contracts and included in the total research and development costs reported above for each of the respective fiscal years 2012, 2011 and 2010 were $43.7 million, $61.3 million, and $40.3 million, respectively.

Patents, Trademarks, Licenses

The Company owns a number of patents, trademarks and licenses related to its products and has exclusive and non-exclusive rights to use a number of patents owned by others. In addition, patent applications on certain products are now pending, although there can be no assurance that patents will be issued. The Company is not dependent to any material extent on any single patent or group of patents.

Backlog and Seasonal Nature of Business

The Company’s backlog by business segment for the past two fiscal years, as set forth on pages 13-4 to 13-6 of Exhibit 13 to this Annual Report on Form 10-K, is incorporated into this section by reference. The Company’s backlog was $3.8 billion at June 30, 2012 and June 30, 2011. Approximately 85% of the Company’s backlog at June 30, 2012 is scheduled for delivery in the succeeding twelve months. The Company’s business is generally not seasonal in nature.

Environmental Regulation

Certain of the Company’s operations necessitate the use and handling of hazardous materials and, as a result, the Company is subject to United States federal, state, and local laws and regulations as well as non-U.S. laws and regulations designed to protect the environment and regulate the discharge of materials into the environment. These laws impose penalties, fines and other sanctions for non-compliance and liability for response costs, property damage and personal injury resulting from past and current spills, disposals or other releases of, or exposures to, hazardous materials. Among other environmental laws, the Company is subject to the United States federal “Superfund” law, under which the Company has been designated as a “potentially responsible party” and may be liable for cleanup costs associated with various waste sites, some of which are on the United States Environmental Protection Agency’s Superfund priority list.

As of June 30, 2012, the Company was involved in environmental remediation at various United States and non-U.S. manufacturing facilities presently or formerly operated by the Company and had been named as a “potentially responsible party,” along with other companies, at off-site waste disposal facilities and regional sites.

The Company believes that its policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and the consequent financial liability to the Company. Compliance with environmental laws and regulations requires continuing management of efforts and expenditures by the Company. Compliance with environmental laws and regulations has not had in the past, and, the Company believes, will not have in the future, a material adverse effect on the capital expenditures, earnings, or competitive position of the Company.

As of June 30, 2012, the Company had a reserve of $11.9 million for environmental matters that were probable and reasonably estimable. This reserve was recorded based upon the best estimate of costs to be incurred in light of the progress made in determining the magnitude of remediation costs, the timing and extent of remedial actions required by governmental authorities and the amount of the Company’s liability in proportion to other responsible parties.

The Company’s estimated total liability for the above mentioned sites ranges from a minimum of $11.9 million to a maximum of $71.5 million. The largest range of the estimated total liability for any one site is approximately $6.1 million. The actual costs to be incurred by the Company will be dependent on final determination of contamination and required remedial action, negotiations with governmental authorities with respect to cleanup levels, changes in regulatory requirements, innovations in investigatory and remedial technologies, effectiveness of remedial technologies employed, the ability of the other responsible parties to pay, and any insurance or other third-party recoveries.

Energy Matters and Sources and Availability of Raw Materials

The Company's primary energy source for each of its business segments is electric power. While the Company cannot predict future costs of electric power, the primary source for production of the required electric power will be coal from substantial, proven coal reserves available to electric utilities. The Company is subject to governmental regulations in regard to energy supplies in the United States and elsewhere. To date, the Company has not experienced any significant disruptions of its operations due to energy curtailments.

Steel, brass, copper, aluminum, nickel, rubber and thermoplastic materials and chemicals are the principal raw materials used by the Company. These materials are available from numerous sources in quantities sufficient to meet the requirements of the Company.

Employees

The Company employed approximately 59,300 persons as of June 30, 2012, of whom approximately 31,180 were employed by foreign subsidiaries.

Business Segment Information

The Company's net sales, segment operating income and assets by business segment and net sales and long-lived assets by geographic area for the past three fiscal years, as set forth on pages 13-13 to 13-14 of Exhibit 13 to this Annual Report on Form 10-K, are incorporated into this section by reference.

Acquisitions

During fiscal year 2012, the Company completed four acquisitions as set forth on pages 13-20 to 13-21 of Exhibit 13 to this Annual Report on Form 10-K, which is incorporated into this section by reference.

ITEM 1A. Risk Factors.

The following "risk factors" identify what the Company believes to be all of the risks that could materially adversely affect the Company's financial and/or operational performance. These risk factors should be considered and evaluated together with information incorporated by reference or otherwise included elsewhere in this Annual Report on Form 10-K. Additional risks not currently known to the Company or that the Company currently believes are immaterial also may impair the Company's business, financial condition, results of operations and cash flows.

The Company may be subject to risks arising from uncertainty in worldwide economic conditions.

Uncertainty regarding global economic conditions and the rate of economic recovery may have an adverse effect on the business, results of operations and financial condition of the Company and its distributors, customers and suppliers, and on the general economic activity in many of the industries and markets in which the Company and its distributors, customers and suppliers operate. Among the economic factors which may have such an effect are manufacturing activity, air travel trends, currency exchange rates, difficulties entering new markets and general economic conditions such as inflation, deflation, interest rates and credit availability. These factors may, among other things, negatively impact the level of purchases, capital expenditures and creditworthiness of the Company and its distributors, customers and suppliers, and, therefore, the Company's revenues, operating profits, margins and order rates.

The Company has remained focused on maintaining its financial strength by adjusting its cost structure to reflect changing demand levels, maintaining a strong balance sheet and managing its cash. The Company cannot predict changes in worldwide economic conditions, as such conditions are highly volatile and beyond the Company's control. If these conditions deteriorate, however, the Company's business, results of operations and financial condition could be materially adversely affected.

The Company may be subject to risks relating to its information technology systems.

The Company relies extensively on information technology systems to manage and operate its business. If these systems are damaged or cease to function properly and the Company suffers any resulting interruption in its ability to manage and operate its business, the Company's results of operations and financial condition could be materially adversely affected.

The Company may be subject to product liability risks.

The Company's businesses expose it to potential product liability risks that are inherent in the design, manufacture and sale of its products and the products of third-party vendors that the Company uses or resells. Significant product liability claims could have a material adverse effect on the Company's financial condition, liquidity and results of operations. Although the Company currently maintains what it believes to be suitable and adequate product liability insurance, there can be no assurance that the Company will be able to maintain its insurance on acceptable terms or that its insurance will provide adequate protection against all potential liabilities.

The Company may be subject to risks arising from legal and regulatory proceedings.

From time to time, the Company is subject to litigation and other legal and regulatory proceedings relating to its business. Due to the inherent uncertainties of such proceedings, the Company cannot accurately predict their ultimate outcome, including the outcome of any related appeals. An unfavorable outcome could materially adversely impact the Company's business, financial condition or results of operations.

The Company may be subject to risks relating to organizational changes.

The Company regularly executes organizational changes such as acquisitions, divestitures and realignments to support its growth and cost management strategies. The Company also commits significant resources to identify, develop and retain key employees to ensure uninterrupted leadership and direction. If the Company is unable to successfully manage these and other organizational changes, its results of operations and financial condition could be materially adversely affected.

The Company may be subject to risks relating to changes in the demand for and supply of its products.

Demand for and supply of the Company's products may be adversely affected by numerous factors, some of which the Company cannot predict or control. Such factors include:

- changes in business relationships with and purchases by or from major customers, suppliers or distributors, including delays or cancellations in shipments, disputes regarding contract terms or significant changes in financial condition, and changes in contract cost and revenue estimates for new development programs;
- changes in product mix;
- changes in the market acceptance of the Company's products;
- increased competition in the markets the Company serves;
- declines in the general level of industrial production; and
- declines in the availability, or increases in the prices, of raw materials.

If any of these factors occur, the demand for and supply of the Company's products could suffer, which could materially adversely affect the Company's results of operations.

The Company may be subject to risks arising from price and supply fluctuations in raw materials used in the Company's production processes and by its suppliers of component parts.

The Company's supply of raw materials for its businesses could be interrupted for a variety of reasons, including availability and pricing. Prices for raw materials necessary for production have fluctuated significantly in the past and significant increases could adversely affect the Company's results of operations and profit margins. Although the Company generally attempts to manage these fluctuations by, among other things, passing along increased raw material prices to its customers in the form of price increases, there may be a time delay between the increased raw material prices and the Company's ability to increase the price of its products, or the Company may be unable to increase the prices of its products due to pricing pressure, contract terms or other factors.

The Company's suppliers of component parts may significantly and quickly increase their prices in response to increases in costs of raw materials that they use to manufacture the component parts. As a result, the Company may not be able to increase its prices commensurately with its increased costs. Consequently, the Company's results of operations or financial condition could be materially adversely affected.

The Company may be subject to risks relating to acquisitions.

The Company expects to continue its strategy of identifying and acquiring businesses with complementary products and services that it believes will enhance its operations and profitability. However, there can be no assurance that the Company will be able to continue to find suitable businesses to purchase or that it will be able to acquire such businesses on acceptable terms. In addition, there is no assurance that the Company will be able to avoid acquiring or assuming unexpected liabilities, that the Company will be able to integrate successfully any businesses that it purchases into its existing business or that any acquired businesses will be profitable. The successful integration of new businesses depends on the Company's ability to manage these new businesses and cut excess costs. If the Company is unable to avoid these risks, its results of operations and financial condition could be materially adversely affected.

The Company may be subject to risks arising from changes in the competitive environment in which it operates.

The Company's operations are subject to competition from a wide variety of global, regional and local competitors, which could adversely affect the Company's results of operations by creating downward pricing pressure and/or a decline in the Company's margins or market shares. To compete successfully, the Company's Industrial Segment and Climate & Industrial Controls Segment must excel in terms of product quality and innovation, customer service, manufacturing and distribution capability and price competitiveness and its Aerospace Segment must excel on the basis of technological and engineering capability, quality, delivery and service, and price competitiveness.

The Company may be subject to risks relating to its non-U.S. operations.

The Company's net sales derived from customers outside the United States were approximately 45% in fiscal 2012, 46% in fiscal 2011 and 45% in fiscal 2010. In addition, many of the Company's manufacturing operations and suppliers are located outside the United States. The Company expects net sales from non-U.S. markets to continue to represent a significant portion of its total net sales. The Company's non-U.S. operations are subject to risks in addition to those facing its domestic operations, including:

- fluctuations in currency exchange rates;
- limitations on ownership and on repatriation of earnings;
- transportation delays and interruptions;
- political, social and economic instability and disruptions;
- government embargoes or trade restrictions;
- the imposition of duties and tariffs and other trade barriers;
- import and export controls;
- labor unrest and current and changing regulatory environments;
- the potential for nationalization of enterprises;
- difficulties in staffing and managing multi-national operations;
- limitations on the Company's ability to enforce legal rights and remedies;
- potentially adverse tax consequences; and
- difficulties in implementing restructuring actions on a timely basis.

If the Company is unable to successfully manage the risks associated with expanding its global business or adequately manage operational fluctuations internationally, the risks could have a material adverse effect on the Company's business, results of operations or financial condition.

The Company may be subject to risks relating to changes in its tax rates or exposure to additional income tax liabilities.

The Company is subject to income taxes in the United States and various non-U.S. jurisdictions. Domestic and international tax liabilities are subject to the allocation of income among various tax jurisdictions. The Company's effective tax rate could be affected by changes in the mix among earnings in countries with differing statutory tax rates, changes in the valuation allowance of deferred tax assets or changes in tax laws. The amount of income taxes paid is subject to ongoing audits by United States federal, state and local tax authorities and by non-U.S. tax authorities. If these audits result in assessments different from amounts reserved, future financial results may include unfavorable adjustments to the Company's tax liabilities, which could have a material adverse effect on the Company's results of operations.

The Company may be subject to risks relating to the development of new products and technologies.

The markets the Company operates in are characterized by rapidly changing technologies and frequent introductions of new products and services. The Company's ability to develop new products based on technological innovation can affect its competitive position and often requires the investment of significant resources. Difficulties or delays in research, development or production of new products and services or failure to gain market acceptance of new products and technologies may significantly reduce future revenues and materially adversely affect the Company's competitive position.

The Company may be subject to risks relating to the preservation of its intellectual property.

Protecting the Company's intellectual property is critical to its innovation efforts. The Company owns a number of patents, trademarks and licenses related to its products and has exclusive and non-exclusive rights under patents owned by others. The Company's intellectual property may be challenged or infringed upon by third parties or the Company may be unable to maintain, renew or enter into new license agreements with third-party owners of intellectual property on reasonable terms. In addition, the global nature of the Company's business could present increased risks that the Company's intellectual property will be subject to infringement or other unauthorized use outside of the United States. In such cases, the Company's ability to protect its intellectual property rights by legal recourse or otherwise may be limited, particularly in countries where laws or enforcement practices are undeveloped or do not recognize or protect intellectual property rights to the same extent as the United States. Unauthorized use of the Company's intellectual property rights or inability to preserve existing intellectual property rights could adversely impact the Company's competitive position and results of operations.

The Company may be subject to risks arising from the impact of environmental regulations.

The Company's operations necessitate the use and handling of hazardous materials and, as a result, it is subject to various United States federal, state and local laws and regulations, as well as non-U.S. laws, designed to protect the environment and to regulate the discharge of materials into the environment. These laws impose penalties, fines and other sanctions for non-compliance and liability for response costs, property damages and personal injury resulting from past and current spills, disposals or other releases of, or the exposure to, hazardous materials. Among other laws, the Company is subject to the United States federal "Superfund" law, under which it has been designated as a "potentially responsible party" and may be liable for clean-up costs associated with various waste sites, some of which are on the United States Environmental Protection Agency's Superfund priority list. The Company could incur substantial costs as a result of non-compliance with or liability for cleanup or other costs or damages under environmental laws, including the Superfund law.

In addition, increased worldwide focus on climate change issues has led to recent legislative and regulatory efforts to limit greenhouse gas emissions, including regulation of such emissions through a "cap-and-trade" system globally. Regulation of greenhouse gas emissions and other climate changes concerns could subject the Company to additional costs and restrictions, including increased energy and raw material costs. Until definitive regulations are adopted, the Company is not able to predict how such regulations would affect the Company's business, operations or financial results.

The Company may be subject to more stringent environmental laws in the future. If more stringent environmental laws are enacted in the future, these laws could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company may be subject to risks relating to increasing costs of certain employee and retiree benefits.

The funding requirements and the amount of expenses recorded for the Company's defined benefit pension plans are dependent on changes in market interest rates and the value of plan assets, which are dependent on actual plan asset returns. Significant changes in market interest rates and decreases in the fair value of plan assets and investment losses on plan assets would increase funding requirements and expenses and may adversely impact the Company's future results of operations.

The Company absorbs a portion of healthcare costs for its employees. If healthcare costs rise significantly and the Company continues to absorb the majority of these costs, these increasing costs may adversely impact the Company's future results of operations.

The Company may be subject to risks arising from regulations applicable to companies doing business with the United States government.

In addition to the risks identified herein, doing business with the United States government subjects the Company to unusual risks, including dependence on the level of government spending and compliance with and changes in governmental procurement regulations. Agreements relating to the sale of products to government entities may be subject to termination, reduction or modification, either at the convenience of the government or for the Company's failure to perform under the applicable contract. The Company is subject to government investigations of business practices and compliance with government procurement regulations. If the Company were charged with wrongdoing as a result of any such investigation, it could be suspended from bidding on or receiving awards of new government contracts, which could have a material adverse effect on the Company's results of operations.

ITEM 1B. Unresolved Staff Comments. None.

ITEM 1C. Executive Officers of the Registrant.

The Company's Executive Officers as of August 15, 2012 were as follows:

Name	Position	Officer Since(1)	Age as of 8/15/2012
Donald E. Washkewicz	Chairman of the Board, Chief Executive Officer and President	1997	62
Jon P. Marten	Executive Vice President – Finance & Administration and Chief Financial Officer	2008	56
Lee C. Banks	Executive Vice President and Operating Officer	2001	49
Robert P. Barker	Executive Vice President and Operating Officer	2003	62
Daniel S. Serbin	Executive Vice President – Human Resources	2005	58
Thomas L. Williams	Executive Vice President and Operating Officer	2005	53
Robert W. Bond	Vice President and President – Fluid Connectors Group	2000	54
Yoon "Michael" Chung	Vice President and President – Automation Group	2008	49
Jeffery A. Cullman	Vice President and President – Hydraulics Group	2006	57
John G. Dedinsky, Jr.	Vice President – Global Supply Chain and Procurement	2006	55
William G. Eline	Vice President – Chief Information Officer	2002	56
John R. Greco	Vice President and President – Instrumentation Group	2006	58
Thomas F. Healy	Vice President and President – Climate & Industrial Controls Group	2006	52
William R. Hoelting	Vice President – Tax	2007	55
Pamela J. Huggins	Vice President and Treasurer	2003	58
Kurt A. Keller	Vice President and President – Asia Pacific Group	2009	54
A. Ricardo Machado	Vice President and President – Latin America Group	2006	64
M. Craig Maxwell	Vice President – Technology and Innovation	2003	54
Thomas A. Piraino, Jr.	Vice President, General Counsel and Secretary	1998	63
Peter Popoff	Vice President and President – Filtration Group	2008	60
Andrew D. Ross	Vice President and President – Seal Group	2012	45
Charly Saulnier	Vice President and President – Europe, Middle East and Africa Group	2008	64
Roger S. Sherrard	Vice President and President – Aerospace Group	2003	46
Catherine A. Suever	Vice President and Controller	2010	53

(1) Officers of the Company are elected by the Board of Directors to serve for a term of one year or until their respective successors are elected, except in the case of death, resignation or removal. Messrs. Washkewicz, Bond, Cullman, Dedinsky, Eline, Greco, Healy, Hoelting, Machado, Maxwell, and Piraino and Ms. Huggins have served in the executive capacities indicated above opposite their respective names during each of the past five years.

Mr. Marten has been Executive Vice President – Finance & Administration and Chief Financial Officer since November 2010. He was Vice President and Controller from August 2008 to December 2010 and Assistant Controller from July 2007 to August 2008.

Mr. Banks has been an Executive Vice President since August 2008 and has been an Operating Officer since November

2006. He was a Senior Vice President from November 2006 to August 2008. He is also a Director of Nordson Corporation.

Mr. Barker has been an Executive Vice President since August 2008 and has been an Operating Officer since November 2006. He was President of the Aerospace Group from March 2003 to July 2012 and a Senior Vice President from November 2006 to August 2008.

Mr. Serbin has been Executive Vice President – Human Resources since January 2011. He was Vice President – Human Resources from May 2005 to January 2011.

Mr. Williams has been an Executive Vice President since August 2008 and has been an Operating Officer since November 2006. He was a Senior Vice President from November 2006 to August 2008. He is also a Director of Chart Industries, Inc.

Mr. Chung has been President of the Automation Group since July 2012 and has been a Vice President since March 2008. He was President of the Asia Pacific Group from March 2008 to July 2012 and Vice President – Operations of the Hydraulics Group in Asia from January 2005 to March 2008.

Mr. Keller has been President of the Asia-Pacific Group since July 2012 and has been a Vice President since August 2009. He was President of the Seal Group from August 2009 to July 2012 and Vice President of Operations of the Seal Group from July 2005 to August 2009.

Mr. Popoff has been a Vice President and President of the Filtration Group since February 2008. He was Vice President – Operations of the Filtration Group from April 2006 to February 2008.

Mr. Ross has been a Vice President and President of the Seal Group since July 2012. He was Vice President of Operations of the Hydraulics Group from July 2011 to July 2012 and General Manager Hydraulic Valve Division from June 2007 to July 2011.

Mr. Saulnier has been a Vice President and President of the Europe, Middle East and Africa Group since September 2008. He was President of Sales Companies – Europe, Middle East and Africa from January 2008 to September 2008 and Vice President – Operations of Sales Companies South from July 2001 to January 2008.

Mr. Sherrard has been President of the Aerospace Group since July 2012 and has been a Vice President since November 2003. He was President of the Automation Group from March 2005 to July 2012.

Ms. Suever has been Vice President and Controller since December 2010. She was Vice President and Controller of the Climate & Industrial Controls Group from November 2008 to December 2010 and Assistant Treasurer from July 2007 to November 2008.

ITEM 2. Properties. The Company's corporate headquarters is located in Cleveland, Ohio, and, at June 30, 2012, the Company had 312 manufacturing plants and 264 distribution centers and sales and administrative offices throughout the world, none of which were individually material to its operations. The facilities are situated in 38 states within the United States and in 47 other countries. The Company owns the majority of its manufacturing plants and distribution centers, and its leased properties primarily consist of sales and administrative offices. The number of facilities used by each of the Company's operating segments is summarized by type and geographic location in the tables below:

	Type of Facility		
	Manufacturing Plants	**Distribution Centers**	**Sales and Administrative Offices**
Industrial	261	97	131
Aerospace	24	2	13
Climate & Industrial Controls	27	4	17
Total	312	103	161

	Geographic Location			
	North America	Europe	Asia-Pacific	Latin America
Industrial	216	150	94	29
Aerospace	29	5	4	1
Climate & Industrial Controls	36	7	4	1
Total	281	162	102	31

Several facilities are shared among each of the Company's operating segments. To avoid double counting, each shared facility is counted once, primarily in the Industrial Segment.

The Company believes that its properties have been adequately maintained, are in good condition generally and are suitable and adequate for its business as presently conducted. The extent to which the Company uses its properties varies by property and from time to time. The Company believes that its restructuring efforts have brought capacity levels closer to present and anticipated needs. Most of the Company's manufacturing facilities remain capable of handling additional volume increases.

ITEM 3. Legal Proceedings. Parker ITR S.r.l. (Parker ITR), a subsidiary acquired on January 31, 2002, has been the subject of a number of lawsuits and regulatory investigations. The lawsuits and investigations relate to allegations that, for a period of up to 21 years, the Parker ITR business unit that manufactures and sells marine hose, typically used in oil transfer, conspired with competitors in unreasonable restraint of trade to artificially raise, fix, maintain or stabilize prices, rig bids and allocate markets and customers for marine oil and gas hose in the United States and in other jurisdictions. Parker ITR and the Company have cooperated with all of the regulatory authorities investigating the activities of the Parker ITR business unit that manufactures and sells marine hose and continue to cooperate with the investigations that remain ongoing. Several of the investigations and all but one of the lawsuits have concluded. The following investigations and lawsuit remain pending.

Brazilian competition authorities commenced their investigations on November 14, 2007. Parker ITR filed a procedural defense in January 2008. The Brazilian authorities appear to be investigating the period from 1999 through May 2007. In June 2011, the Brazilian competition authorities issued a report and Parker ITR filed a response to that report. The potential outcome of the investigation in Brazil is uncertain and will depend on the resolution of numerous issues not known at this stage of the investigation.

On May 15, 2007, the European Commission issued its initial Request for Information to the Company and Parker ITR. On January 28, 2009, the European Commission announced the results of its investigation of the alleged cartel activities. As part of its decision, the European Commission found that Parker ITR infringed Article 81 of the European Commission treaty from April 1986 to May 2, 2007 and fined Parker ITR 25.61 million euros. The European Commission also determined that the Company was jointly and severally responsible for 8.32 million euros of the total fine which related to the period from January 2002, when the Company acquired Parker ITR, to May 2, 2007, when the cartel activities ceased. Parker ITR and the Company filed an appeal to the Court of First Instance of the European Communities on April 10, 2009.

A lawsuit was filed against the Company and Parker ITR on May 25, 2010 under the False Claims Act in the Central District of California: The United States of America ex rel. Douglas Farrow v. Trelleborg, AB et al. The United States declined to intervene against the Company or Parker ITR in the case. Plaintiff generally seeks treble damages, penalties for each false claim and attorneys' fees. The court dismissed the complaint with prejudice as to the Company, but it remains pending against Parker ITR.

ITEM 4. Mine Safety Disclosures. Not applicable.

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

(a) ***Market for the Registrant's Common Equity.*** The Company's common stock is listed for trading on the New York Stock Exchange. Information regarding stock price and dividend information with respect to the Company's common stock, as set forth on page 13-40 of Exhibit 13 to this Annual Report on Form 10-K, is incorporated into this section by reference. As of July 31, 2012, the number of shareholders of record of the Company was 4,234.

(b) ***Use of Proceeds.*** Not Applicable.

(c) ***Purchases of Equity Securities by the Issuer and Affiliated Purchasers.***

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares Purchased		(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
April 1, 2012 through April 30, 2012	75,700		$ 83.55	75,700	15,924,300
May 1, 2012 through May 31, 2012	276,138	(2)	$ 82.17	272,127	15,652,173
June 1, 2012 through June 30, 2012	1,197,466		$ 79.09	1,197,466	14,454,707
Total:	1,549,304		$ 79.85	1,545,293	14,454,707

(1) On August 16, 1990, the Company publicly announced that its Board of Directors authorized the repurchase by the Company of up to 3 million shares of its common stock. From time to time thereafter, the Board of Directors has adjusted the overall maximum number of shares authorized for repurchase under this program and imposed an additional limitation on the number of shares authorized for repurchase in any single fiscal year. In particular, on April 19, 2012, the Board of Directors temporarily modified this program such that, for the fiscal year 2012 fourth quarter only, the overall maximum number of shares authorized for repurchase under this program was increased to 16 million, exclusive of any shares previously repurchased under this program during fiscal year 2012 and the fiscal year limitation was eliminated. On July 1, 2012, the overall maximum number of shares authorized for repurchase under this program reverted back to the authorization in place prior to April 19, 2012, which was an overall maximum number of 15 million shares (originally approved by the Board of Directors on August 3, 2011), less any shares repurchased under this program between August 3, 2011 and April 19, 2012 and subject to the fiscal year limitations of the greater of 7.5 million shares or five percent of the shares outstanding as of the end of the prior fiscal year. There is no expiration date for this program.

(2) Includes 4,011 shares surrendered to the Company by an executive officer to satisfy tax withholding obligations on restricted stock issued under the Company's Long-Term Incentive Awards.

ITEM 6. Selected Financial Data. The information set forth on page 13-43 of Exhibit 13 to this Annual Report on Form 10-K is incorporated into this section by reference.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations. The information set forth on pages 13-2 to 13-11 of Exhibit 13 to this Annual Report on Form 10-K is incorporated into this section by reference.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk. The information set forth on page 13-9 of Exhibit 13 to this Annual Report on Form 10-K is incorporated into this section by reference.

ITEM 8. Financial Statements and Supplementary Data. The information set forth on pages 13-12 to 13-40 of Exhibit 13 to this Annual Report on Form 10-K is incorporated into this section by reference.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure. None.

ITEM 9A. Controls and Procedures. The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, of the effectiveness of the Company's disclosure controls and procedures as of June 30, 2012. Based on this evaluation, the Company's principal executive officer and principal financial officer concluded that, as of the end of fiscal year 2012, the Company's disclosure controls and procedures were effective.

Management's Report on Internal Control over Financial Reporting set forth on page 13-41 of Exhibit 13 to this Annual Report on Form 10-K is incorporated into this section by reference. The Report of Independent Registered Public Accounting Firm set forth on page 13-42 of Exhibit 13 to this Annual Report on Form 10-K is incorporated into this section by reference.

There was no change in the Company's internal control over financial reporting during the quarter ended June 30, 2012 that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. Other Information. None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance. Information required with respect to the Directors of the Company is set forth under the caption "Item I – Election of Directors" in the definitive Proxy Statement for the Company's 2012 Annual Meeting of Shareholders, to be held October 24, 2012 (the "2012 Proxy Statement"), and is incorporated herein by reference. Information with respect to the executive officers of the Company is included in Part I, Item 1C hereof under the caption "Executive Officers of the Registrant".

The Company has adopted a Code of Conduct that applies to its Chief Executive Officer, Chief Financial Officer and Controller. The Code of Conduct is posted on the Company's investor relations internet website at www.phstock.com under the Corporate Governance page. Any amendment to, or waiver from, a provision of the Company's Code of Conduct that applies to its Chief Executive Officer, Chief Financial Officer or Controller will also be posted at www.phstock.com under the Corporate Governance page.

The information set forth under the captions "The Audit Committee" and "Report of the Audit Committee" in the 2012 Proxy Statement is incorporated herein by reference.

ITEM 11. Executive Compensation. The information set forth under the captions "Compensation Discussion and Analysis," "Compensation Committee Report," and "Compensation Tables" in the 2012 Proxy Statement is incorporated herein by reference.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters. The information set forth under the captions "Principal Shareholders" and "Equity Compensation Plan Information" in the 2012 Proxy Statement is incorporated herein by reference.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence. The information set forth under the captions "Certain Relationships and Related Transactions," "Review and Approval of Transactions with Related Persons" and "Director Independence" in the 2012 Proxy Statement is incorporated herein by reference.

ITEM 14. Principal Accountant Fees and Services. The information set forth under the captions "Audit Fees," "Audit-Related Fees," "Tax Fees," "All Other Fees" and "Audit Committee Pre-Approval Policies and Procedures" in the 2012 Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules.

a. The following are filed as part of this report:

1. Financial Statements and Schedule

   The financial statements and schedule listed in the accompanying Index to Consolidated Financial Statements and Schedule are filed or incorporated by reference as part of this Annual Report on Form 10-K.

2. Exhibits

   The exhibits listed in the accompanying Exhibit Index and required by Item 601 of Regulation S-K (numbered in accordance with Item 601 of Regulation S-K) are filed, furnished or incorporated by reference as part of this Annual Report on Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

By: /s/ Jon P. Marten

Jon P. Marten
Executive Vice President - Finance &
Administration and Chief Financial Officer

August 24, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature and Title

DONALD E. WASHKEWICZ, Chairman of the Board of Directors and Principal Executive Officer; CATHERINE A. SUEVER, Principal Accounting Officer; ROBERT G. BOHN, Director; LINDA S. HARTY, Director; WILLIAM E. KASSLING, Director; ROBERT J. KOHLHEPP, Director; KLAUS-PETER MÜLLER, Director; CANDY M. OBOURN, Director; JOSEPH M. SCAMINACE, Director; WOLFGANG R. SCHMITT, Director; ÅKE SVENSSON, Director; and JAMES L. WAINSCOTT, Director.

Date: August 24, 2012

/s/ Jon P. Marten

Jon P. Marten, Executive Vice President –
Finance & Administration and Chief Financial
Officer (Principal Financial Officer and
Attorney-in-Fact)

PARKER-HANNIFIN CORPORATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE

	Reference	
	Form 10-K Annual Report (Page)	**Excerpt from Exhibit 13 (Page)**
Data incorporated by reference from Exhibit 13:		
Management’s Report on Internal Control over Financial Reporting	—	13 - 41
Report of Independent Registered Public Accounting Firm	—	13 - 42
Consolidated Statement of Income for the years ended June 30, 2012, 2011 and 2010	—	13 - 12
Consolidated Balance Sheet at June 30, 2012 and 2011	—	13 - 15
Consolidated Statement of Cash Flows for the years ended June 30, 2012, 2011 and 2010	—	13 - 16
Consolidated Statement of Equity for the years ended June 30, 2012, 2011 and 2010	—	13 - 17
Notes to Consolidated Financial Statements	—	13 - 18 to 13 - 40
Schedule:		
II - Valuation and Qualifying Accounts	20	—

Individual financial statements and related applicable schedules for the Registrant (separately) have been omitted because the Registrant is primarily an operating company and its subsidiaries are considered to be wholly-owned.

PARKER-HANNIFIN CORPORATION

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED JUNE 30, 2010, 2011 and 2012
(Dollars in Thousands)

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning Of Period	Additions Charged to Costs and Expenses	Other (Deductions)/ Additions (A)	Balance At End Of Period
Allowance for doubtful accounts:				
Year ended June 30, 2010	$ 19,815	$ 1,871	$ (6,985)	$ 14,701
Year ended June 30, 2011	$ 14,701	$ 7,520	$ (11,749)	$ 10,472
Year ended June 30, 2012	$ 10,472	$ 10,239	$ (10,193)	$ 10,518
Deferred tax asset valuation allowance:				
Year ended June 30, 2010	$ 112,883	$ 22,970	$ (43,054)	$ 92,799
Year ended June 30, 2011	$ 92,799	$ 102,472	$ (2,367)	$ 192,904
Year ended June 30, 2012	$ 192,904	$ 10,600	$ (27,425)	$ 176,079

(A) For allowance for doubtful accounts, net balance is comprised of deductions due to uncollectible accounts charged off, additions due to acquisitions or recoveries, and currency translation adjustments. For deferred tax asset valuation allowance, the balance primarily represents adjustments due to acquisitions and net operating losses.

Exhibit Index

Exhibit No.	Description of Exhibit
	Articles of Incorporation and By-Laws:
(3)(a)	Amended Articles of Incorporation incorporated by reference to Exhibit 3 to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 1997 (Commission File No. 1-4982).
(3)(b)	Code of Regulations, as amended, incorporated by reference to Exhibit 3(ii) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 2007 (Commission File No. 1-4982).
	Instruments Defining Rights of Security Holders:
(4)(a)	Shareholder Protection Rights Agreement, dated as of February 8, 2007, between the Registrant and Wells Fargo Bank, N.A. (as successor to National City Bank), as Rights Agent, incorporated by reference to Exhibit 1 to the Registrant's Form 8-A filed on February 8, 2007 (Commission File No. 1-4982).
(4)(b)	First Amendment to Shareholder Protection Rights Agreement, dated as of July 6, 2009, between the Registrant and Wells Fargo Bank, N.A. (as successor to National City Bank), as Rights Agent, incorporated by reference to Exhibit 4(a) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2009 (Commission File No. 1-4982).
	The Registrant is a party to other instruments, copies of which will be furnished to the Commission upon request, defining the rights of holders of its long-term debt identified in Note 9 of the Notes to Consolidated Financial Statements on page 13-27 of Exhibit 13 hereto, which Note is incorporated herein by reference.
	Material Contracts:
(10)(a)	Form of Parker-Hannifin Corporation Amended and Restated Change in Control Severance Agreement entered into by the Registrant and executive officers incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).
(10)(b)	Parker-Hannifin Corporation Amended and Restated Change in Control Severance Plan incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).
(10)(c)	Form of Indemnification Agreement entered into by the Registrant and its directors and executive officers incorporated by reference to Exhibit 10(c) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2003 (Commission File No. 1-4982).
(10)(d)	Description of the Parker-Hannifin Corporation Officer Life Insurance Plan incorporated by reference to Exhibit 10(h) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2005 (Commission File No. 1-4982).
(10)(e)	Parker-Hannifin Corporation Amended and Restated Supplemental Executive Retirement Benefits Program incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2009 (Commission File No. 1-4982).
(10)(f)	Amendment to Parker-Hannifin Corporation Amended and Restated Supplemental Executive Retirement Benefits Program, effective April 15, 2010, incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 8-K filed with the Commission on April 21, 2010 (Commission File No. 1-4982).
(10)(g)	Amendment to Parker-Hannifin Corporation Amended and Restated Supplemental Executive Retirement Benefits Program, effective January 27, 2011, incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended March 31, 2011 (Commission File No. 1-4982).
(10)(h)	Form of Notice of Change to Long Term Disability Benefit and Tax Election Form for certain executive officers incorporated by reference to Exhibit 10(j) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2007 (Commission File No. 1-4982).
(10)(i)	Parker-Hannifin Corporation Amended and Restated 1993 Stock Incentive Program incorporated by reference to Exhibit 10(i) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2009 (Commission File No. 1-4982).
(10)(j)	Parker-Hannifin Corporation Amended and Restated 2003 Stock Incentive Plan incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2010 (Commission File No. 1-4982).

(10)(k) Parker-Hannifin Corporation Amended and Restated 2009 Omnibus Stock Incentive Plan incorporated by reference to Exhibit 10(c) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2010 (Commission File No. 1-4982).

(10)(l) Parker-Hannifin Corporation Amended and Restated 2005 Performance Bonus Plan incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2010 (Commission File No. 1-4982).

(10)(m) Parker-Hannifin Corporation 2010 Performance Bonus Plan incorporated by reference to Exhibit A to the Registrant's Definitive Proxy Statement filed with the Commission on September 27, 2010 (Commission File No. 1-4982).

(10)(n) Form of 2007 Notice of Grant of Stock Options with Tandem Stock Appreciation Rights for executive officers incorporated by reference to Exhibit 10.3 to the Registrant's Report on Form 8-K filed with the Commission on August 22, 2006 (Commission File No. 1-4982).

(10)(o) Form of 2008 Notice of Grant of Stock Options with Tandem Stock Appreciation Rights for executive officers incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 8-K/A filed with the Commission on September 5, 2007 (Commission File No. 1-4982).

(10)(p) Form of 2009 Notice of Stock Options Award with Tandem Stock Appreciation Rights for executive officers incorporated by reference to Exhibit 10(d) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).

(10)(q) Form of 2010 Notice of Stock Options with Tandem Stock Appreciation Rights for executive officers incorporated by reference to Exhibit 10(d) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2009 (Commission File No. 1-4982).

(10)(r) Form of FY2011 Parker-Hannifin Corporation Stock Appreciation Rights Award Agreement for executive officers incorporated by reference to Exhibit 10.2 to the Registrant's Report on Form 8-K filed with the Commission on August 17, 2010 (Commission File No. 1-4982).

(10)(s) FY2011 Parker-Hannifin Corporation Stock Appreciation Rights Terms and Conditions for executive officers incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 8-K filed with the Commission on August 17, 2010 (Commission File No. 1-4982).

(10)(t) Form of Parker-Hannifin Corporation Stock Appreciation Rights Award Agreement for executive officers incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2011 (Commission File No. 1-4982).

(10)(u) Parker-Hannifin Corporation Stock Appreciation Rights Terms and Conditions for executive officers incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2011(Commission File No. 1-4982).

(10)(v) Parker-Hannifin Corporation Target Incentive Plan incorporated by reference to Exhibit 10(d) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2010 (Commission File No. 1-4982).

(10)(w) Parker-Hannifin Corporation Target Incentive Plan Subject to Performance Bonus Plan incorporated by reference to Exhibit 10(e) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2010 (Commission File No. 1-4982).

(10)(x) Form of Notice of 2009-10-11 Long Term Incentive Award Under the Parker-Hannifin Corporation Performance Bonus Plan incorporated by reference to Exhibit 10(f) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).

(10)(y) Form of Notice of FY2010-11-12 Long Term Incentive Performance Award Under the Parker-Hannifin Corporation Performance Bonus Plan incorporated by reference to Exhibit 10(c) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 2009 (Commission File No. 1-4982).

(10)(z) Form of Notice of CY2010-11-12 Long Term Incentive Performance Award Under the Parker-Hannifin Corporation Performance Bonus Plan incorporated by reference to Exhibit 10(w) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2010 (Commission File No. 1-4982).

(10)(aa) Parker-Hannifin Corporation Long-Term Incentive Performance Plan Under the Performance Bonus Plan incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended March 31, 2012 (Commission File No. 1-4982).

(10)(bb) Form of Parker-Hannifin Corporation Long-Term Incentive Performance Award Under the Performance Bonus Plan incorporated by reference to Exhibit 10.2 to the Registrant's Report on Form 8-K filed with the Commission on February 1, 2011 (Commission File No. 1-4982).

(10)(cc)	Terms and Conditions of Restricted Stock Issued as a Payout Under the LTI Plan incorporated by reference to Exhibit 10(i) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2010 (Commission File No. 1-4982).
(10)(dd)	Form of Notice of RONA Bonus Award Under the Parker-Hannifin Corporation Performance Bonus Plan incorporated by reference to Exhibit 10(h) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2009 (Commission File No. 1-4982).
(10)(ee)	Parker-Hannifin Corporation RONA Plan Subject to Performance Bonus Plan incorporated by reference to Exhibit 10(f) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2010 (Commission File No. 1-4982).
(10)(ff)	Parker-Hannifin Corporation Summary of RONA Bonus Awards in Lieu of Certain Executive Perquisites incorporated by reference to Exhibit 10(h) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).
(10)(gg)	Parker-Hannifin Corporation Amended and Restated Savings Restoration Plan incorporated by reference to Exhibit 10(i) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).
(10)(hh)	Parker-Hannifin Corporation Amended and Restated Pension Restoration Plan incorporated by reference to Exhibit 10(j) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).
(10)(ii)	Amendment to Parker-Hannifin Corporation Amended and Restated Pension Restoration Plan, effective January 1, 2010, incorporated by reference to Exhibit 10(bb) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2010 (Commission File No. 1-4982).
(10)(jj)	Amendment to Parker-Hannifin Corporation Amended and Restated Pension Restoration Plan, effective January 27, 2011, incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-Q for the quarterly period ended March 31, 2011 (Commission File No. 1-4982).
(10)(kk)	Parker-Hannifin Corporation Amended and Restated Executive Deferral Plan incorporated by reference to Exhibit 10(k) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).
(10)(ll)	Parker-Hannifin Corporation Volume Incentive Plan incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 8-K filed with the Commission on August 18, 2009 (Commission File No. 1-4982).
(10)(mm)	Parker-Hannifin Corporation Claw-back Policy incorporated by reference to Exhibit 10.2 to the Registrant's Report on Form 8-K filed with the Commission on August 18, 2009 (Commission File No. 1-4982).
(10)(nn)	Amended and Restated Parker-Hannifin Corporation Non-Employee Directors' Stock Plan incorporated by reference to Exhibit 10(x) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2004 (Commission File No. 1-4982).
(10)(oo)	Parker-Hannifin Corporation Non-Employee Directors Stock Option Plan incorporated by reference to Exhibit 10(w) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2001 (Commission File No. 1-4982).
(10)(pp)	Parker-Hannifin Corporation Amended and Restated 2004 Non-Employee Directors' Stock Incentive Plan incorporated by reference to Exhibit 10(aa) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2009 (Commission File No. 1-4982).
(10)(qq)	Form of 2009 Notice of Issuance of Restricted Stock for Non-Employee Directors incorporated by reference to Exhibit 10(l) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).
(10)(rr)	Form of 2011 Parker-Hannifin Corporation Non-Employee Directors' Restricted Stock Award Agreement incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 2010 (Commission File No. 1-4982).
(10)(ss)	2011 Parker-Hannifin Corporation Non-Employee Directors' Restricted Stock Terms and Conditions incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 2010 (Commission File No. 1-4982).
(10)(tt)	Form of Parker-Hannifin Corporation Non-Employee Directors' Restricted Stock Award Agreement incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 2011 (Commission File No. 1-4982).

(10)(uu)	Parker-Hannifin Corporation Non-Employee Directors' Restricted Stock Award Terms and Conditions incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 2011 (Commission File No. 1-4982).
(10)(vv)	Amended and Restated Deferred Compensation Plan for Directors of Parker-Hannifin Corporation incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-A for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).
(10)(ww)	Summary of the Compensation of the Non-Employee Members of the Board of Directors, effective October 1, 2010, incorporated by reference to Exhibit 10(c) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 2010 (Commission File No. 1-4982).
(11)	Computation of Common Shares Outstanding and Earnings Per Share is incorporated by reference to Note 5 of the Notes to Consolidated Financial Statements on page 13-25 of Exhibit 13 hereto.*
(12)	Computation of Ratio of Earnings to Fixed Charges as of June 30, 2012.*
(13)	Excerpts from Annual Report to Shareholders for the fiscal year ended June 30, 2012 which are incorporated herein by reference thereto.*
(21)	List of subsidiaries of the Registrant.*
(23)	Consent of Independent Registered Public Accounting Firm.*
(24)	Power of Attorney.*
(31)(a)	Certification of the Principal Executive Officer Pursuant to 17 CFR 240.13a-14(a), as Adopted Pursuant to §302 of the Sarbanes-Oxley Act of 2002.*
(31)(b)	Certification of the Principal Financial Officer Pursuant to 17 CFR 240.13a-14(a), as Adopted Pursuant to §302 of the Sarbanes-Oxley Act of 2002.*
(32)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to §906 of the Sarbanes-Oxley Act of 2002.*
101.INS	XBRL Instance Document.*
101.SCH	XBRL Taxonomy Extension Schema Document.*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.*

* Submitted electronically herewith.

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statement of Income for the years ended June 30, 2012, 2011 and 2010, (ii) Consolidated Balance Sheet at June 30, 2012 and 2011, (iii) Consolidated Statement of Cash Flows for the years ended June 30, 2012, 2011 and 2010, (iv) Consolidated Statement of Equity for the years ended June 30, 2012, 2011 and 2010, and (v) Notes to Consolidated Financial Statements.

In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Annual Report on Form 10-K shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be part of any registration or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Shareholders may request a copy of any of the exhibits to this Annual Report on Form 10-K by writing to the Secretary, Parker-Hannifin Corporation, 6035 Parkland Boulevard, Cleveland, Ohio 44124-4141.

Exhibit (12) to Report on Form 10-K
for Fiscal Year Ended June 30, 2012
By Parker-Hannifin Corporation
Computation of Ratio of Earnings to Fixed Charges
(In thousands, except ratios)

	Fiscal Year Ended June 30,				
	2012	**2011**	**2010**	**2009**	**2008**
EARNINGS					
Income from continuing operations before income taxes and noncontrolling interests	$ 1,576,698	$ 1,413,721	$ 754,817	$ 683,083	$ 1,334,571
Adjustments:					
Interest on indebtedness, exclusive of interest on ESOP loan guarantee	89,888	97,009	101,173	109,911	96,572
Amortization of deferred loan costs	2,902	2,695	2,426	2,143	1,793
Portion of rents representative of interest factor	41,515	39,499	41,194	41,839	35,378
Loss (income) of equity investees	1,237	2,592	6,757	(1,529)	2,596
Amortization of previously capitalized interest	196	226	259	262	278
Income as adjusted	$ 1,712,436	$ 1,555,742	$ 906,626	$ 835,709	$ 1,471,188
FIXED CHARGES					
Interest on indebtedness, exclusive of interest capitalized and interest on ESOP loan guarantee	$ 89,888	$ 97,009	$ 101,173	$ 109,911	$ 96,572
Amortization of deferred loan costs	2,902	2,695	2,426	2,143	1,793
Portion of rents representative of interest factor	41,515	39,499	41,194	41,839	35,378
Fixed charges	$ 134,305	$ 139,203	$ 144,793	$ 153,893	$ 133,743
RATIO OF EARNINGS TO FIXED CHARGES	12.75x	11.18x	6.26x	5.43x	11.00x

Exhibit (13) to Report
On Form 10-K for Fiscal
Year Ended June 30, 2012
By Parker-Hannifin Corporation

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 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 future performance and earnings projections of the Company, including its individual segments, may differ materially from current expectations, depending on economic conditions within its mobile, industrial and aerospace markets, and the Company's ability to maintain and achieve anticipated benefits associated with announced realignment activities, strategic initiatives to improve operating margins, actions taken to combat the effects of the current economic environment, and growth, innovation and global diversification initiatives. A change in the 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, suppliers or distributors, including delays or cancellations in shipments, disputes regarding contract terms or significant changes in financial condition, changes in contract cost and revenue estimates for new development programs, and changes in product mix,
- ability to identify acceptable strategic acquisition targets,
- uncertainties surrounding timing, successful completion or integration of acquisitions,
- ability to realize anticipated cost savings from business realignment activities,
- threats associated with and efforts to combat terrorism,
- uncertainties surrounding the ultimate resolution of outstanding legal proceedings, including the outcome of any appeals,
- 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 inflation, deflation, interest rates and credit availability.

The Company makes these statements as of the date of the filing of its Annual Report on Form 10-K for the year ended June 30, 2012, and undertakes no obligation to update them unless otherwise required by law.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

The Company is a leading worldwide diversified manufacturer of motion and control technologies and systems, providing precision engineered solutions for a wide variety of mobile, industrial and aerospace markets.

The Company's order rates provide a near-term perspective of the Company's outlook particularly when viewed in the context of prior and future order rates. The Company publishes its order rates on a quarterly basis. The lead time between the time an order is received and revenue is realized generally ranges from one day to 12 weeks for mobile and industrial orders and from one day to 18 months for aerospace orders. The Company believes the leading economic indicators of these markets that have a correlation to the Company's future order rates are as follows:

- Purchasing Managers Index (PMI) on manufacturing activity specific to regions around the world with respect to most mobile and industrial markets;
- Global aircraft miles flown and global revenue passenger miles for commercial aerospace markets and Department of Defense spending for military aerospace markets; and
- Housing starts with respect to the North American residential air conditioning market and certain mobile construction markets.

A PMI above 50 indicates that the manufacturing activity specific to a region of the world in the mobile and industrial markets is expanding. A PMI below 50 indicates the opposite. The PMI at the end of fiscal 2012 for the United States, the Eurozone countries and China was 49.7, 45.1 and 48.2, respectively. The PMI for the United States, the Eurozone countries and China all sequentially decreased during fiscal 2012.

Global aircraft miles flown increased three percent from the comparable 2011 level and global revenue passenger miles increased four percent from the comparable 2011 level. The Company anticipates that U.S. Department of Defense spending with regards to appropriations, and operations and maintenance for the U.S. Government's fiscal year 2012 will be up slightly from the comparable fiscal 2011 level.

Housing starts in June 2012 were approximately 24 percent higher than housing starts in June 2011 and were approximately 16 percent higher than housing starts in March 2012.

The Company has remained focused on maintaining its financial strength by adjusting its cost structure to reflect changing demand levels, maintaining a strong balance sheet and managing its cash. The Company continues to generate substantial cash flows from operations, has controlled capital spending and has proactively managed working capital. The Company has been able to borrow needed funds at affordable interest rates and had a debt to debt-shareholders' equity ratio of 26.1 percent at June 30, 2012 compared to 24.3 percent at March 31, 2012 and 24.7 percent at June 30, 2011.

The Company believes many opportunities for growth are available. The Company intends to focus primarily on business opportunities in the areas of energy, water, agriculture, environment, defense, life sciences, infrastructure and transportation.

The Company believes it can meet its strategic objectives by:

- Serving the customer;
- Empowering its employees to become successful in its lean enterprise and fostering an entrepreneurial culture;
- Successfully executing its Win Strategy initiatives relating to premier customer service, financial performance and profitable growth;
- Engineering innovative systems and products to provide superior customer value through improved service, efficiency and productivity;
- Delivering products, systems and services that have demonstrable savings to customers and are priced by the value they deliver;
- Maintaining its decentralized division and sales company structure;
- Acquiring strategic businesses;
- Organizing around targeted regions, technologies and markets; and

- Advancing business practices to achieve corporate sustainability goals.

During fiscal 2012, the Company completed four acquisitions and purchased the outstanding shares not previously owned by the Company in two majority-owned subsidiaries. Acquisitions will continue to be considered from time to time to the extent there is a strong strategic fit, while at the same time, maintaining the Company's strong financial position. The Company will also continue to assess the strategic fit of its existing businesses and initiate efforts to divest businesses that are not considered to be a good long-term fit for the Company. Future business divestitures could have a negative effect on the Company's results of operations.

The discussion below is structured to separately discuss each of the financial statements presented on pages 13-12 to 13-16. All year references are to fiscal years.

Discussion of Consolidated Statement of Income

The Consolidated Statement of Income summarizes the Company's operating performance over the last three fiscal years.

(dollars in millions)	2012	2011	2010
Net sales	**$ 13,146**	$ 12,346	$ 9,993
Gross profit margin	**24.2 %**	24.0 %	21.5 %
Selling, general and administrative expenses	**$ 1,519**	$ 1,468	$ 1,277
Selling, general and administrative expenses, as a percent of sales	**11.6 %**	11.9 %	12.8 %
Interest expense	**$ 93**	$ 100	$ 104
Other expense (income), net	**1**	(15)	—
(Gain) loss on disposal of assets	**(2)**	(8)	10
Effective tax rate	**26.7 %**	25.2 %	26.3 %
Net income attributable to common shareholders	**$ 1,152**	$ 1,049	$ 554

Net sales in 2012 were 6.5 percent higher than 2011. The increase in sales in 2012 primarily reflects higher volume in the Industrial and Aerospace Segments. Acquisitions made in the last 12 months contributed approximately $72 million in sales in 2012. The effect of currency rate changes decreased net sales in 2012 by approximately $102 million.

Net sales in 2011 were 23.5 percent higher than 2010. The increase in sales in 2011 primarily reflects higher volume in all segments with the largest increase occurring in the Industrial Segment. Acquisitions contributed approximately $54 million in sales in 2011. The effect of currency rate changes increased net sales in 2011 by approximately $205 million.

Gross profit margin increased in 2012 primarily due to the higher sales volume in the Industrial North American businesses and the Aerospace Segment. Gross profit margin was higher in 2011 primarily due to a combination of higher sales volume, resulting in manufacturing efficiencies, as well as lower business realignment expenses recorded in 2011 as compared to 2010. Included in gross profit in 2012, 2011 and 2010 were business realignment charges of $12.7 million, $15.3 million and $43.0 million, respectively.

Selling, general and administrative expenses increased 3.5 percent in 2012 and increased 14.9 percent in 2011. The increase in 2012 was primarily due to the higher sales volume as well as higher expenses associated with the Company's incentive and deferred compensation programs. The increase in 2011 was primarily due to the higher sales volume as well as higher incentive compensation as compared to 2010.

Interest expense in 2012 decreased primarily due to lower average debt outstanding as well as lower weighted-average interest rates on commercial paper borrowings. Interest expense in 2011 decreased primarily due to lower average debt outstanding as well as the debt portfolio in 2011 having a lower average interest rate than the debt portfolio in 2010.

Other expense (income), net in 2011 included $10.9 million of income related to insurance recoveries.

(Gain) loss on disposal of assets in 2012 includes $3.7 million of gains from asset sales. (Gain) loss on disposal of assets in 2011 included income of $3.8 million related to insurance recoveries for expenses incurred related to a previously divested business, $3.8 million of expense related to asset writedowns and $7.5 million of gains from asset sales. (Gain) loss on disposal of assets in 2010 included a loss of $4.8 million resulting from the divestiture of a business.

Effective tax rate in 2012 was higher primarily due to higher taxable income in jurisdictions with higher tax rates. Effective tax rate in 2011 was lower primarily due to favorable foreign tax rate differences as well as higher research and development tax credits.

Discussion of Business Segment Information

The Business Segment information presents sales, operating income and assets on a basis that is consistent with the manner in which the Company's various businesses are managed for internal review and decision-making. See Note 1 to the Consolidated Financial Statements for a description of the Company's reportable business segments.

Industrial Segment (dollars in millions)

	2012	2011	2010
Sales			
North America	**$ 5,041**	$ 4,517	$ 3,624
International	**5,034**	4,917	3,811
Operating income			
North America	**895**	746	487
International	**733**	754	394
Operating income as a percent of sales			
North America	**17.8 %**	16.5 %	13.4 %
International	**14.6 %**	15.3 %	10.3 %
Backlog	**$ 1,814**	$ 1,907	$ 1,505
Assets	**7,991**	8,414	7,310
Return on average assets	**19.8 %**	19.1 %	11.9 %

Sales in 2012 for the Industrial North American operations increased 11.6 percent compared to an increase of 24.6 percent from 2010 to 2011. The increase in sales in 2012 and 2011 reflects higher demand from distributors and higher end-user demand in a number of markets, particularly in the heavy-duty truck, construction equipment, farm and agriculture equipment, and machine tools markets. Sales in 2012 also benefited from higher end-user demand in the oil and gas market and sales in 2011 also benefited from higher end-user demand in the mining market. Acquisitions completed within the last 12 months contributed approximately $45 million in net sales in 2012.

Sales in the Industrial International operations increased 2.4 percent in 2012 following an increase of 29.0 percent from 2010 to 2011. The increase in sales in 2012 is primarily due to higher volume experienced in most markets in Europe. Acquisitions completed within the last 12 months contributed approximately $26 million in net sales in 2012. The effect of currency rate fluctuations reduced 2012 net sales in Europe and Latin America by approximately $87 million and $24 million, respectively, and increased 2012 net sales in the Asia Pacific region by approximately $32 million. The sales increase in 2011 is primarily attributable to higher volume across most markets in all regions with the largest increase in volume experienced in Europe and Asia Pacific.

Margins in 2012 in the Industrial North American operations were higher than the prior year primarily due to the higher sales volume, resulting in manufacturing efficiencies. Industrial International margins in 2012 were lower than the prior year primarily due to operating inefficiencies resulting from the decline in the rate of sales growth between 2011 and 2012, especially in Europe and the Asia Pacific region, as well as an unfavorable product mix. Margins in the Industrial North American and Industrial International businesses were higher in 2011 primarily due to the higher sales volume resulting in manufacturing efficiencies, and a lower fixed cost structure resulting from past business realignment actions, including the incurrence of severance costs related to plant closures and general reductions in the work force.

Included in Industrial North American operating income in 2012, 2011 and 2010 are business realignment charges of $3.4 million, $4.2 million and $11.6 million, respectively. Included in Industrial International operating income in 2012, 2011 and 2010 are business realignment charges of $9.7 million, $11.3 million and $32.4 million, respectively. The business realignment charges consist primarily of severance costs resulting from plant closures as well as general reductions in the work force. The Company does not anticipate that cost savings realized from the work force reductions taken in the Industrial Segment during 2012 will have a material impact on future operating margins. The Company expects to continue to take actions necessary to structure appropriately the operations of the Industrial Segment. Such actions may include the necessity to record business realignment charges in 2013.

The Company anticipates Industrial North American sales for 2013 will increase between 5.1 percent and 9.1 percent from the 2012 level and Industrial International sales for 2013 will range from a decrease of 2.0 percent to an increase of 2.0 percent from the 2012 level. Industrial North American operating margins in 2013 are expected to range from 17.5 percent to 18.1 percent and Industrial International margins are expected to range from 14.1 percent to 14.7 percent.

The decline in total Industrial Segment backlog in 2012 is primarily due to lower order rates in the Industrial International businesses, especially in Europe and the Asia Pacific region, more than offsetting higher order rates in the Industrial North American businesses. The increase in total Industrial Segment backlog in 2011 is primarily due to higher order rates in most markets in both the Industrial North American and Industrial International businesses with almost three-fourths of the increase occurring in the Industrial International businesses.

The decrease in assets in 2012 was primarily due to the effect of currency fluctuations as well as decreases in cash and cash equivalents, inventory, intangible assets, net and deferred taxes partially offset by an increase in accounts receivable, net. The increase in assets in 2011 was primarily due to the effect of currency fluctuations as well as increases in accounts receivable, net, inventory and cash and cash equivalents, partially offset by decreases in plant and equipment, net and intangible assets, net.

Aerospace Segment (dollars in millions)

	2012	2011	2010
Sales	**$ 2,103**	$ 1,922	$ 1,744
Operating income	**290**	247	208
Operating income as a percent of sales	**13.8 %**	12.9 %	11.9 %
Backlog	**$ 1,862**	$ 1,702	$ 1,474
Assets	**1,033**	995	911
Return on average assets	**28.6 %**	25.9 %	22.8 %

Sales in 2012 increased 9.4 percent compared to an increase of 10.2 percent from 2010 to 2011. The increase in net sales in 2012 is primarily due to higher volume in both the commercial and military original equipment manufacturer (OEM) and aftermarket businesses. The increase in net sales in 2011 is primarily due to higher volume in both the commercial OEM and aftermarket businesses partially offset by lower volume in the military OEM business.

The higher margins in 2012 and 2011 were primarily due to the higher sales volume particularly in the higher margin commercial aftermarket business, partially offset by higher engineering development costs. In 2011, margins were favorably impacted by the effect of retroactive billings and contract reserve adjustments resulting from the finalization of contract price negotiations related to certain programs.

The increase in backlog in 2012 is primarily due to higher order rates in the military OEM businesses. The increase in backlog in 2011 is primarily due to higher order rates in both the commercial OEM and aftermarket businesses as well as the military OEM business.

For 2013, sales are expected to increase between 4.4 percent and 7.4 percent from the 2012 level and operating margins are expected to range from 13.8 percent to 14.1 percent. A higher concentration of commercial OEM volume in future product mix and higher than expected new product development costs could result in lower margins.

The increase in assets in 2012 was primarily due to increases in accounts receivable, net, inventory and intangible assets, net. The increase in assets in 2011 was primarily due to an increase in accounts receivable, net and inventory.

Climate & Industrial Controls Segment
(dollars in millions)

	2012	2011	2010
Sales	**$ 968**	$ 990	$ 814
Operating income	**84**	76	53
Operating income as a percent of sales	**8.7%**	7.7%	6.6%
Backlog	**$ 160**	$ 171	$ 162
Assets	**705**	725	693
Return on average assets	**11.8%**	10.7%	7.7%

Sales in 2012 decreased 2.3 percent compared to an increase of 21.7 percent from 2010 to 2011. The decrease in sales in 2012 is primarily due to lower end-user demand in the commercial refrigeration and residential air conditioning markets, partially offset by an increase in volume in the automotive and heavy-duty truck markets. The increase in sales in 2011 is primarily due to higher end-user demand in the heavy-duty truck, automotive and commercial refrigeration markets. Margins in 2012 were higher primarily due to the impact of spending control efforts and lower material costs more than offsetting the impact of the lower sales volume and an unfavorable product mix. Margins in 2011 were higher primarily due to the higher sales volume, favorable product mix and benefits from past business realignment actions, including plant closures, but were adversely affected by higher material costs as well as operating inefficiencies, which primarily included overtime and premium freight.

Included in operating income are business realignment charges in 2012 and 2010 of $1.3 million and $3.9 million, respectively. The Company expects to continue to take actions necessary to structure appropriately the operations of the Climate & Industrial Controls Segment. Such actions may include the necessity to record business realignment charges in 2013.

The Company anticipates sales in 2013 will increase between 2.1 percent and 6.2 percent from the 2012 level and operating margins are expected to range from 10.0 percent to 10.6 percent.

The decrease in assets in 2012 was primarily due to the effect of currency fluctuations as well as decreases in inventory, plant and equipment, net, and intangible assets, net. The increase in assets in 2011 was primarily due to the effect of currency fluctuations.

Corporate assets increased 91.3 percent in 2012 compared to a decrease of 24.5 percent from 2010 to 2011. The change in Corporate assets in 2012 and 2011 was primarily due to the effect of currency fluctuations as well as fluctuations in the amount of cash and cash equivalents and deferred taxes.

Discussion of Consolidated Balance Sheet
The Consolidated Balance Sheet shows the Company's financial position at year-end, compared with the previous year-end. This discussion provides information to assist in assessing factors such as the Company's liquidity and financial resources.

(dollars in millions)	2012	2011
Accounts receivable, net	**$ 1,992**	$ 1,978
Inventories	**1,401**	1,412
Investments and other assets	**931**	598
Accounts payable, trade	**1,195**	1,174
Long-term debt	**1,504**	1,691
Pensions and postretirement benefits	**1,910**	863
Shareholders' equity	**4,897**	5,384
Working capital	**$ 2,012**	$ 1,914
Current ratio	**1.8**	1.8

Accounts receivable, net are primarily receivables due from customers for sales of product ($1,782 million at June 30, 2012 and $1,770 million at June 30, 2011). Days sales outstanding relating to trade receivables for the Company was 48 days in 2012 and 2011. The Company believes that its receivables are collectible and appropriate allowances for doubtful accounts have been recorded.

Inventories decreased slightly primarily due to a reduction in inventory levels in the Industrial International businesses more than offsetting increases in inventory levels in the Industrial North American businesses and the Aerospace Segment. The effect of currency fluctuations reduced inventories in 2012 by approximately $69 million. Days' supply of inventory on hand was 55 days in 2012 and 2011.

Investments and other assets increased primarily due to an increase in non-current deferred taxes related to pensions and postretirement benefits.

Accounts payable, trade increased primarily due to the timing of purchases and payments. Days payable outstanding increased to 42 days in 2012 from 41 days in 2011.

Long-term debt decreased primarily due to the classification of $225 million Senior Notes due in 2013 as a current liability.

Pensions and postretirement benefits increased primarily due to an increase in the under funded status of the Company's defined benefit pension plans. The change in this amount is further explained in Note 10 to the Consolidated Financial Statements.

Shareholders' equity activity during 2012 included a decrease of $455 million related to share repurchases, a decrease of $598 million related to pensions and postretirement benefits, a decrease of $74 million related to the acquisition of the remaining ownership interest in two majority-owned subsidiaries, and a decrease of $367 million related to foreign currency translation adjustments.

Discussion of Consolidated Statement of Cash Flows
The Consolidated Statement of Cash Flows reflects cash inflows and outflows from the Company's operating, investing and financing activities.

A summary of cash flows follows:

(dollars in millions)	2012	2011	2010
Cash provided by (used in):			
Operating activities	**$ 1,530**	$ 1,167	$ 1,219
Investing activities	**(376)**	(245)	(146)
Financing activities	**(823)**	(916)	(650)
Effect of exchange rates	**(150)**	76	(35)
Net increase in cash and cash equivalents	**$ 181**	$ 82	$ 388

Cash Flows From Operating Activities increased from 2011 primarily due to an increase in net income as well as the absence of voluntary contributions made to the Company's qualified defined benefit plans in 2012. The Company made $400 million in voluntary contributions to the Company's domestic qualified defined benefit plans in 2011.

Cash Flows Used In Investing Activities increased from 2011 primarily due to an increase in acquisition activity. Refer to Note 2 of the Consolidated Financial Statements for a summary of net assets of acquired companies. Capital expenditures, as a percent of sales, was 1.7 percent in 2012 and 2011.

Cash Flows Used In Financing Activities in 2012 included the repurchase of approximately 6.4 million common shares for $455 million as compared to the repurchase of 8.0 million common shares for $693 million in 2011. During 2012, the Company purchased the outstanding shares not previously owned by the Company in two majority-owned subsidiaries. Cash flow activities in 2012 included a borrowing and a repayment, each for Japanese Yen (JPY) 6 billion (approximately $73 million), under the terms of separate credit facilities. Cash flow activities in 2011 included the issuance of $300 million aggregate principal amount of medium-term notes and a payment of approximately $257 million related to Euro bonds, which matured in November 2010.

Dividends have been paid for 248 consecutive quarters, including a yearly increase in dividends for the last 56 fiscal years. The current annual dividend rate is $1.64.

The Company's goal is to maintain no less than an "A" rating on senior debt to ensure availability and reasonable cost of external funds. As one means of achieving this objective, the Company has established a financial goal of maintaining a ratio of debt to debt-shareholders' equity of no more than 37 percent.

Debt to Debt-Shareholders' Equity Ratio (dollars in millions)	**2012**	**2011**
Debt	**$ 1,730**	$ 1,766
Debt & Shareholders' Equity	**6,626**	7,150
Ratio	**26.1 %**	24.7 %

As of June 30, 2012, the Company had a line of credit totaling $1,500 million through a multi-currency revolving credit agreement with a group of banks, all of which was available at June 30, 2012. The credit agreement expires in March 2016; however, the Company has the right to request a one-year extension of the expiration date on an annual basis, which request may result in changes to the current terms and conditions of the credit agreement. A portion of the credit agreement supports the Company's commercial paper note program, which is rated A-1 by Standard & Poor's, P-1 by Moody's and F-1 by Fitch Ratings. These ratings are considered investment grade. The revolving credit agreement requires the payment of an annual facility fee, the amount of which would increase in the event the Company's credit ratings are lowered. Although a lowering of the Company's credit ratings would likely increase the cost of future debt, it would not limit the Company's ability to use the credit agreement nor would it accelerate the repayment of any outstanding borrowings.

The Company is currently authorized to sell up to $1,350 million of short-term commercial paper notes. No commercial paper notes were outstanding as of June 30, 2012 and the largest amount of commercial paper notes outstanding during the last quarter of 2012 was $815 million.

During 2012, the Company entered into a five-year JPY 6 billion credit facility. Based on the Company's rating level at June 30, 2012, the credit facility bears interest of JPY LIBOR (reset semi-annually) plus 55 basis points. Interest is paid semi-annually and any principal borrowings are due to be repaid in March 2017. The Company borrowed the full JPY 6 billion during 2012, equivalent to $73 million at the time of borrowing, and used the funds to repay the balance due on the Company's previous JPY credit facility.

The Company's credit agreements and indentures governing certain debt agreements contain various covenants, the violation of which would limit or preclude the use of the applicable agreements for future borrowings, or might accelerate the maturity of the related outstanding borrowings covered by the applicable agreements. At the Company's present rating level, the most restrictive financial covenant contained in the credit agreements and the indentures provides that the ratio of secured debt to net tangible assets be less than 10 percent. However, the Company currently does not have secured debt in its debt portfolio. The Company is in compliance with all covenants and expects to remain in compliance during the term of the credit agreements and indentures.

The Company's principal sources of liquidity are its cash flows provided from operating activities and borrowings, either from or directly supported by its line of credit. The Company's ability to borrow has not been affected by a lack of general credit availability and the Company does not foresee any impediments to borrow funds at favorable interest rates in the near future. The Company expects that its ability to generate cash from its operations and ability to borrow directly from its line of credit or sources directly supported by its line of credit should be sufficient to support working capital needs, planned growth, repayment of maturing debt, benefit plan funding, dividend payments and share repurchases in the near term.

Contractual Obligations -The total amount of gross unrecognized tax benefits, including interest, for uncertain tax positions was $113.4 million at June 30, 2012. Payment of these obligations would result from settlements with worldwide taxing authorities. Due to the difficulty in determining the timing of the settlements, these obligations are not included in the following summary of the Company's fixed contractual obligations. References to Notes are to the Notes to the Consolidated Financial Statements.

(Dollars in thousands)	Payments due by period				
Contractual obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-term debt (Note 9)	$ 1,729,535	$ 225,589	$ 552	$ 328,394	$ 1,175,000
Interest on long-term debt	866,635	80,604	146,510	129,743	509,778
Operating leases (Note 9)	268,710	82,652	90,893	37,895	57,270
Retirement benefits (Note 10)	331,897	285,587	10,308	10,564	25,438
Total	$ 3,196,777	$ 674,432	$ 248,263	$ 506,596	$ 1,767,486

Quantitative and Qualitative Disclosures About Market Risk

The Company manages foreign currency transaction and translation risk by utilizing derivative and non-derivative financial instruments, including forward exchange contracts, costless collar contracts, cross-currency swap contracts and certain foreign denominated debt designated as net investment hedges. The derivative financial instrument contracts are with major investment grade financial institutions and the Company does not anticipate any material non-performance by any of the counterparties. The Company does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognized on the Consolidated Balance Sheet as either assets or liabilities and are measured at fair value. Further information on the fair value of these contracts is provided in Note 15 to the Consolidated Financial Statements. Gains or losses on derivatives that are not hedges are adjusted to fair value through the Consolidated Statement of Income. Gains or losses on derivatives that are hedges are adjusted to fair value through accumulated other comprehensive income (loss) in the Consolidated Balance Sheet until the hedged item is recognized in earnings. The translation of the foreign denominated debt that has been designated as a net investment hedge is recorded in accumulated other comprehensive income (loss) and remains there until the underlying net investment is sold or substantially liquidated.

The Company's debt portfolio contains variable rate debt, inherently exposing the Company to interest rate risk. The Company's objective is to maintain a 60/40 mix between fixed rate and variable rate debt thereby limiting its exposure to changes in near-term interest rates. A 100 basis point increase in near-term interest rates would increase annual interest expense on variable rate debt by approximately $6.2 million.

Off-Balance Sheet Arrangements

The Company does not have off-balance sheet arrangements.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The policies discussed below are considered by management to be more critical than other policies because their application places the most significant demands on management's judgment.

Revenue Recognition - Substantially all of the Industrial Segment and Climate & Industrial Controls Segment revenues are recognized when persuasive evidence of an arrangement exists, product has shipped and the risks and rewards of ownership have transferred or services have been rendered, the price to the customer is fixed and determinable and collectibility is reasonably assured, which is generally at the time the product is shipped. The Aerospace Segment recognizes revenues primarily using the percentage of completion method and the extent of progress toward completion is primarily measured using the units-of-delivery method. The Company estimates costs to complete long-term contracts for purposes of evaluating and establishing contract reserves. The estimation of these costs requires substantial judgment on the part of management due to the duration of the contractual agreements as well as the technical nature of the products involved. Adjustments to cost estimates are made on a consistent basis and a contract reserve is established when the estimated costs to complete a contract exceed the expected contract revenues.

Impairment of Goodwill and Long-lived Assets - Goodwill is tested for impairment, at the reporting unit level, on an annual basis and between annual tests whenever events or circumstances indicate that the carrying value of a reporting unit may exceed its fair value. For the Company, a reporting unit is one level below the operating segment level. Determining whether an impairment has occurred requires the valuation of the respective reporting unit, which the Company has consistently estimated using primarily a discounted cash flow model. The Company believes that the use of a discounted cash flow model results in the most accurate calculation of a reporting unit's fair value since the market value for a reporting unit is not readily available. The discounted cash flow analysis requires several assumptions including future sales growth and operating margin levels as well as assumptions regarding future industry specific market conditions. Each reporting unit regularly prepares discrete operating forecasts and uses these forecasts as the basis for the assumptions used in the discounted cash flow analysis. The Company has consistently used a discount rate commensurate with its cost of capital, adjusted for inherent business risks, and has consistently used a terminal growth factor of 2.5 percent. The Company also reconciles the estimated aggregate fair value of its reporting units as derived from the discounted cash flow analysis to the Company's overall market capitalization.

The results of the Company's fiscal 2012 annual goodwill impairment test performed as of December 31, 2011 indicated that no goodwill impairment existed and all reporting units had an estimated fair value that the Company determined, from a quantitative and qualitative perspective, was significantly in excess of its carrying value.

The Company continually monitors its reporting units for impairment indicators and updates assumptions used in the most recent calculation of the fair value of a reporting unit as appropriate. The Company is unaware of any current market trends that are contrary to the assumptions made in the estimation of the fair value of any of its reporting units. If actual experience is not consistent with the assumptions made in the estimation of the fair value of the reporting units, especially assumptions regarding penetration into new markets and the recovery of the current economic environment, it is possible that the estimated fair value of certain reporting units could fall below their carrying value resulting in the necessity to conduct additional goodwill impairment tests.

Long-lived assets held for use, which primarily includes finite-lived intangible assets and property, plant and equipment, are evaluated for impairment whenever events or circumstances indicate that the undiscounted net cash flows to be generated by their use over their expected useful lives and eventual disposition are less than their carrying value. The long-term nature of these assets requires the estimation of their cash inflows and outflows several years into the future and only takes into consideration technological advances known at the time of the impairment test. During 2012, there were no events or circumstances that indicated that the carrying value of the Company's long-lived assets held for use were not recoverable.

Inventories - Inventories are valued at the lower of cost or market. Cost is determined on the last-in, first-out basis for a majority of domestic inventories and on the first-in, first-out basis for the balance of the Company's inventories. Inventories have been reduced by an allowance for obsolete inventories. The estimated allowance is based on management's review of inventories on hand compared to estimated future usage and sales. Changes in the allowance have not had a material effect on the Company's results of operations, financial position or cash flows.

Pensions and Postretirement Benefits Other Than Pensions - The annual net periodic expense and benefit obligations related to the Company's defined benefit plans are determined on an actuarial basis. This determination requires critical assumptions regarding the discount rate, long-term rate of return on plan assets, increases in compensation levels, amortization periods for actuarial gains and losses and health care cost trends.

Assumptions are determined based on Company data and appropriate market indicators, and are evaluated each year as of the plans' measurement date. Changes in the assumptions to reflect actual experience as well as the amortization of actuarial gains and losses could result in a material change in the annual net periodic expense and benefit obligations reported in the financial statements. For the Company's domestic defined benefit plans, a 25 basis point change in the assumed long-term rate of return on plan assets is estimated to have a $5 million effect on pension expense and a 25 basis point decrease in the discount rate is estimated to increase pension expense by $11 million. As of June 30, 2012, $1,622 million of past years' net actuarial losses related to the Company's domestic qualified defined benefit plans are subject to amortization in the future. These losses will generally be amortized over approximately 9 years and will negatively affect earnings in the future. Actuarial gains experienced in future years will help reduce the effect of the actuarial loss amortization.

Further information on pensions and postretirement benefits other than pensions is provided in Note 10 to the Consolidated Financial Statements.

Stock-Based Compensation - The computation of the expense associated with stock-based compensation requires the use of a valuation model. The Company currently uses a Black-Scholes option pricing model to calculate the fair value of its stock options and stock appreciation rights. The Black-Scholes model requires assumptions regarding the volatility of the Company's stock, the expected life of the stock award and the Company's dividend ratio. The Company primarily uses historical data to determine the assumptions to be used in the Black-Scholes model and has no reason to believe that future data is likely to differ materially from historical data. However, changes in the assumptions to reflect future stock price volatility, future dividend payments and future stock award exercise experience could result in a change in the assumptions used to value awards in the future and may result in a material change to the fair value calculation of stock-based awards. Further information on stock-based compensation is provided in Note 12 to the Consolidated Financial Statements.

Income Taxes - Significant judgment is required in determining the Company's income tax expense and in evaluating tax positions. Deferred income tax assets and liabilities have been recorded for the differences between the financial accounting and income tax basis of assets and liabilities. Factors considered by the Company in determining the probability of realizing deferred income tax assets include forecasted operating earnings, available tax planning strategies and the time period over which the temporary differences will reverse. The Company reviews its tax positions on a regular basis and adjusts the balances as new information becomes available. Further information on income taxes is provided in Note 4 to the Consolidated Financial Statements.

Other Loss Reserves - The Company has a number of loss exposures incurred in the ordinary course of business such as environmental claims, product liability, litigation and accounts receivable reserves. Establishing loss reserves for these matters requires management's estimate and judgment with regards to risk exposure and ultimate liability or realization. These loss reserves are reviewed periodically and adjustments are made to reflect the most recent facts and circumstances.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2011, the Financial Accounting Standards Board (FASB) issued new accounting guidance requiring an entity to present net income and other comprehensive income (OCI) in either a single continuous statement or in separate consecutive statements. The guidance does not change the items reported in OCI or when an item of OCI must be reclassified to net income. The guidance, which must be presented retrospectively, is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011.

In September 2011, the FASB issued new accounting guidance related to testing goodwill for impairment. The new guidance allows an entity the option to make a qualitative evaluation about the likelihood of goodwill impairment to determine whether the entity should calculate the fair value of a reporting unit. It also expands the events and circumstances that an entity should consider between annual impairment tests in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. This guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 31, 2011. The Company has not determined the effect, if any, that this new guidance will have on its goodwill impairment tests.

Consolidated Statement of Income

(Dollars in thousands, except per share amounts)	For the years ended June 30, 2012	2011	2010
Net Sales	**$ 13,145,942**	$ 12,345,870	$ 9,993,166
Cost of sales	**9,958,337**	9,387,457	7,847,067
Gross profit	**3,187,605**	2,958,413	2,146,099
Selling, general and administrative expenses	**1,519,316**	1,467,773	1,277,080
Interest expense	**92,790**	99,704	103,599
Other expense (income), net	**1,295**	(15,075)	311
(Gain) loss on disposal of assets	**(2,494)**	(7,710)	10,292
Income before income taxes	**1,576,698**	1,413,721	754,817
Income taxes (Note 4)	**421,206**	356,571	198,452
Net Income	**1,155,492**	1,057,150	556,365
Less: Noncontrolling interest in subsidiaries' earnings	**3,669**	8,020	2,300
Net Income Attributable to Common Shareholders	**$ 1,151,823**	$ 1,049,130	$ 554,065
Earnings per Share Attributable to Common Shareholders (Note 5)			
Basic earnings per share	**$ 7.62**	$ 6.51	$ 3.44
Diluted earnings per share	**$ 7.45**	$ 6.37	$ 3.40

The accompanying notes are an integral part of the financial statements.

Business Segment Information

By Industry

(Dollars in thousands)	2012	2011	2010
Net Sales:			
Industrial:			
North America	**$ 5,041,106**	$ 4,516,510	$ 3,623,460
International	**5,034,249**	4,917,007	3,811,464
Aerospace	**2,102,747**	1,921,984	1,744,283
Climate & Industrial Controls	**967,840**	990,369	813,959
	$ 13,145,942	$ 12,345,870	$ 9,993,166
Segment Operating Income:			
Industrial:			
North America	**$ 895,010**	$ 745,544	$ 487,137
International	**733,123**	754,222	394,089
Aerospace	**290,135**	247,126	208,002
Climate & Industrial Controls	**84,274**	76,134	53,452
Total segment operating income	**2,002,542**	1,823,026	1,142,680
Corporate administration	**193,367**	163,868	153,965
Income before interest expense and other	**1,809,175**	1,659,158	988,715
Interest expense	**92,790**	99,704	103,599
Other expense	**139,687**	145,733	130,299
Income before income taxes	**$ 1,576,698**	$ 1,413,721	$ 754,817
Assets:			
Industrial	**$ 7,991,498**	$ 8,413,552	$ 7,309,735
Aerospace	**1,033,449**	995,026	910,740
Climate & Industrial Controls	**704,596**	724,966	692,532
Corporate (a)	**1,440,739**	753,261	997,375
	$ 11,170,282	$ 10,886,805	$ 9,910,382
Property Additions (b):			
Industrial	**$ 211,778**	$ 147,929	$ 95,838
Aerospace	**19,651**	18,012	21,619
Climate & Industrial Controls	**8,094**	8,234	6,040
Corporate	**8,223**	38,495	6,133
	$ 247,746	$ 212,670	$ 129,630
Depreciation:			
Industrial	**$ 171,131**	$ 186,057	$ 200,617
Aerospace	**19,395**	20,035	20,501
Climate & Industrial Controls	**11,722**	12,895	14,117
Corporate	**8,260**	10,251	10,060
	$ 210,508	$ 229,238	$ 245,295

(Dollars in thousands)	2012	2011	2010
By Geographic Area (c)			
Net Sales:			
North America	**$ 7,830,517**	$ 7,151,390	$ 5,913,770
International	**5,315,425**	5,194,480	4,079,396
	$ 13,145,942	$ 12,345,870	$ 9,993,166
Long-Lived Assets:			
North America	**$ 867,159**	$ 864,287	$ 856,782
International	**852,809**	932,892	841,099
	$ 1,719,968	$ 1,797,179	$ 1,697,881

The accounting policies of the business segments are the same as those described in the Significant Accounting Policies footnote except that the business segment results are prepared on a basis that is consistent with the manner in which the Company's management disaggregates financial information for internal review and decision-making.

(a) Corporate assets are principally cash and cash equivalents, domestic deferred income taxes, investments, benefit plan assets, headquarters facilities and the major portion of the Company's domestic data processing equipment.

(b) Includes the value of net plant and equipment at the date of acquisition of acquired companies (2012 -$28,929; 2011 - $5,376; 2010 - $408)

(c) Net sales are attributed to countries based on the location of the selling unit. North America includes the United States, Canada and Mexico. No country other than the United States represents greater than 10 percent of consolidated sales. Long-lived assets are comprised of plant and equipment based on physical location.

Consolidated Balance Sheet

(Dollars in thousands)

June 30,		2012		2011
Assets				
Current Assets				
Cash and cash equivalents	**$**	**838,317**	$	657,466
Accounts receivable, net (Note 1)		**1,992,284**		1,977,856
Inventories (Notes 1 and 6):				
Finished products		**576,291**		584,683
Work in process		**692,042**		670,588
Raw materials		**132,399**		156,882
		1,400,732		1,412,153
Prepaid expenses		**137,429**		111,934
Deferred income taxes (Notes 1 and 4)		**129,352**		145,847
Total Current Assets		**4,498,114**		4,305,256
Plant and equipment (Note 1):				
Land and land improvements		**300,852**		308,052
Buildings and building equipment		**1,401,234**		1,460,333
Machinery and equipment		**3,051,684**		3,112,810
Construction in progress		**95,459**		63,540
		4,849,229		4,944,735
Less accumulated depreciation		**3,129,261**		3,147,556
		1,719,968		1,797,179
Investments and other assets (Note 1)		**931,126**		597,532
Intangible assets, net (Notes 1 and 7)		**1,095,218**		1,177,722
Goodwill (Notes 1 and 7)		**2,925,856**		3,009,116
Total Assets	**$**	**11,170,282**	$	10,886,805
Liabilities and Equity				
Current Liabilities				
Notes payable and long-term debt payable within one year (Notes 8 and 9)	**$**	**225,589**	$	75,271
Accounts payable, trade		**1,194,684**		1,173,851
Accrued payrolls and other compensation		**463,889**		467,043
Accrued domestic and foreign taxes		**153,809**		232,774
Other accrued liabilities		**448,042**		442,104
Total Current Liabilities		**2,486,013**		2,391,043
Long-term debt (Note 9)		**1,503,946**		1,691,086
Pensions and other postretirement benefits (Note 10)		**1,909,755**		862,938
Deferred income taxes (Notes 1 and 4)		**88,091**		160,035
Other liabilities		**276,747**		293,367
Total Liabilities		**6,264,552**		5,398,469
Equity (Note 11)				
Shareholders' Equity				
Serial preferred stock, $.50 par value, authorized 3,000,000 shares; none issued				
Common stock, $.50 par value, authorized 600,000,000 shares; issued 181,046,128 shares in 2012 and 2011		**90,523**		90,523
Additional capital		**640,249**		668,332
Retained earnings		**7,787,175**		6,891,407
Accumulated other comprehensive (loss)		**(1,415,900)**		(450,990)
Treasury shares at cost: 31,415,530 in 2012 and 25,955,619 in 2011		**(2,205,532)**		(1,815,418)
Total Shareholders' Equity		**4,896,515**		5,383,854
Noncontrolling interests		**9,215**		104,482
Total Equity		**4,905,730**		5,488,336
Total Liabilities and Equity	**$**	**11,170,282**	$	10,886,805

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Cash Flows

(Dollars in thousands)	For the years ended June 30, 2012	2011	2010
Cash Flows From Operating Activities			
Net income	**$ 1,155,492**	$ 1,057,150	$ 556,365
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**210,508**	229,238	245,295
Amortization	**111,421**	110,562	117,214
Stock incentive plan compensation	**80,935**	73,238	59,318
Deferred income taxes	**(56,452)**	20,715	(17,353)
Foreign currency transaction loss (gain)	**4,300**	10,470	(1,249)
(Gain) loss on disposal of assets	**(2,494)**	(7,710)	10,292
Changes in assets and liabilities, net of effects from acquisitions:			
Accounts receivable	**(91,091)**	(259,752)	(220,349)
Inventories	**(28,333)**	(139,062)	53,862
Prepaid expenses	**(26,981)**	6,477	29,581
Other assets	**(6,578)**	(39,118)	42,031
Accounts payable, trade	**59,692**	228,164	259,436
Accrued payrolls and other compensation	**16,003**	75,405	26,014
Accrued domestic and foreign taxes	**(70,302)**	53,424	63,119
Other accrued liabilities	**33,512**	(27,726)	36,137
Pensions and other postretirement benefits	**123,944**	(281,285)	(9,879)
Other liabilities	**16,809**	56,743	(31,012)
Net cash provided by operating activities	**1,530,385**	1,166,933	1,218,822
Cash Flows From Investing Activities			
Acquisitions (less cash acquired of $19,161 in 2012 and $385 in 2011)	**(156,256)**	(60,227)	(5,451)
Capital expenditures	**(218,817)**	(207,294)	(129,222)
Proceeds from disposal of assets	**20,404**	32,289	11,929
Other	**(21,099)**	(9,706)	(23,429)
Net cash (used in) investing activities	**(375,768)**	(244,938)	(146,173)
Cash Flows From Financing Activities			
Proceeds from exercise of stock options	**10,599**	25,862	10,307
Payments for common shares	**(456,969)**	(693,096)	(24,999)
Tax benefit from stock incentive plan compensation	**16,107**	42,823	13,698
Acquisition of noncontrolling interests	**(147,441)**	—	—
Payments for notes payable, net	**(1,961)**	(18,908)	(421,974)
Proceeds from long-term borrowings	**73,556**	291,683	3,293
Payments for long-term borrowings	**(76,757)**	(358,058)	(67,582)
Dividends paid	**(240,654)**	(206,084)	(162,739)
Net cash (used in) financing activities	**(823,520)**	(915,778)	(649,996)
Effect of exchange rate changes on cash	**(150,246)**	75,723	(34,738)
Net increase in cash and cash equivalents	**180,851**	81,940	387,915
Cash and cash equivalents at beginning of year	**657,466**	575,526	187,611
Cash and cash equivalents at end of year	**$ 838,317**	$ 657,466	$ 575,526
Supplemental Data:			
Cash paid during the year for:			
Interest	**$ 91,677**	$ 99,227	$ 104,812
Income taxes	**494,378**	203,539	127,320

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Equity

(Dollars in thousands)	Common Stock	Additional Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Treasury Shares	Noncontrolling Interests	Total
Balance June 30, 2009	**$ 90,523**	**$ 588,201**	**$ 5,722,038**	**$ (843,019)**	**$(1,289,544)**	**$ 82,241**	**$ 4,350,440**
Net income			554,065			2,300	556,365
Other comprehensive (loss) income:							
Foreign currency translation, net of tax of $(8,274)				(186,925)		7,093	(179,832)
Retirement benefits plan activity, net of tax of $106,065				(183,364)			(183,364)
Net realized loss, net of tax of $(2,937)				4,747			4,747
Total comprehensive (loss) income						9,393	197,916
Dividends paid			(162,540)			(199)	(162,739)
Stock incentive plan activity		49,241	(23,131)		44,564		70,674
Shares purchased at cost					(24,999)		(24,999)
Retirement benefits plan activity			(3,887)		31,995		28,108
Balance June 30, 2010	**$ 90,523**	**$ 637,442**	**$ 6,086,545**	**$ (1,208,561)**	**$(1,237,984)**	**$ 91,435**	**$ 4,459,400**
Net income			1,049,130			8,020	1,057,150
Other comprehensive income:							
Foreign currency translation, net of tax of $12,675				503,756		8,325	512,081
Retirement benefits plan activity, net of tax of $(144,108)				253,603			253,603
Realized loss, net of tax of $(119)				212			212
Total comprehensive income						16,345	1,823,046
Dividends paid			(202,786)			(3,298)	(206,084)
Stock incentive plan activity		30,890	(41,482)		115,662		105,070
Shares purchased at cost					(693,096)		(693,096)
Balance June 30, 2011	**$ 90,523**	**$ 668,332**	**$ 6,891,407**	**$ (450,990)**	**$(1,815,418)**	**$ 104,482**	**$ 5,488,336**
Net income			**1,151,823**			**3,669**	**1,155,492**
Other comprehensive (loss) income:							
Foreign currency translation, net of tax of $(11,530)				**(367,135)**		**(25,607)**	**(392,742)**
Retirement benefits plan activity, net of tax of $330,984				**(597,979)**			**(597,979)**
Realized loss, net of tax of $(102)				**204**			**204**
Total comprehensive (loss) income						**(21,938)**	**164,975**
Dividends paid			**(233,168)**			**(7,486)**	**(240,654)**
Stock incentive plan activity		**45,532**	**(22,887)**		**65,266**		**87,911**
Acquisition activity		**(73,615)**				**(65,843)**	**(139,458)**
Shares purchased at cost					**(455,380)**		**(455,380)**
Balance June 30, 2012	**$ 90,523**	**$ 640,249**	**$ 7,787,175**	**$ (1,415,900)**	**$(2,205,532)**	**$ 9,215**	**$ 4,905,730**

The accompanying notes are an integral part of the financial statements.

1. Significant Accounting Policies

The significant accounting policies followed in the preparation of the accompanying consolidated financial statements are summarized below.

Nature of Operations - The Company is a leading worldwide diversified manufacturer of motion and control technologies and systems, providing precision engineered solutions for a wide variety of mobile, industrial and aerospace markets. The Company evaluates performance based on segment operating income before corporate and administrative expenses, interest expense and income taxes.

The Company operates in three business segments: Industrial, Aerospace and Climate & Industrial Controls. The Industrial Segment is an aggregation of several business units, which manufacture motion-control and fluid power system components for builders and users of various types of manufacturing, packaging, processing, transportation, agricultural, construction, and military vehicles and equipment. Industrial Segment products are marketed primarily through field sales employees and independent distributors. The Industrial North American operations have manufacturing plants and distribution networks throughout the United States, Canada and Mexico and primarily service North America. The Industrial International operations provide Parker products and services to 45 countries throughout Europe, Asia Pacific, Latin America, the Middle East and Africa.

The Aerospace Segment produces hydraulic, fuel, pneumatic and electro-mechanical systems and components, which are utilized on virtually every domestic commercial, military and general aviation aircraft and also performs a vital role in naval vessels and land-based weapons systems. This Segment serves original equipment and maintenance, repair and overhaul customers worldwide. Aerospace Segment products are marketed by field sales employees and are sold directly to manufacturers and end users.

The Climate & Industrial Controls Segment manufactures motion-control systems and components for use primarily in the refrigeration and air conditioning and transportation industries. The products in the Climate & Industrial Controls Segment are marketed primarily through field sales employees and independent distributors.

See the table of Business Segment Information “By Industry” and “By Geographic Area” on pages 13-13 and 13-14 for further disclosure of business segment information.

There are no individual customers to whom sales are more thanthree percent of the Company's consolidated sales. Due to the diverse group of customers throughout the world the Company does not consider itself exposed to any concentration of credit risks.

The Company manufactures and markets its products throughout the world. Although certain risks and uncertainties exist, the diversity and breadth of the Company's products and geographic operations mitigate the risk that adverse changes with respect to any particular product and geographic operation would materially affect the Company's operating results.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Basis of Consolidation - The consolidated financial statements include the accounts of all majority-owned domestic and foreign subsidiaries. All intercompany transactions and profits have been eliminated in the consolidated financial statements. The Company does not have off-balance sheet arrangements. Within the Business Segment Information, intersegment and interarea sales have been eliminated.

Revenue Recognition - Revenue is recognized when persuasive evidence of an arrangement exists, product has shipped and the risks and rewards of ownership have transferred or services have been rendered, the price to the customer is fixed and determinable and collectibility is reasonably assured, which is generally at the time the product is shipped. Shipping and handling costs billed to customers are included in net sales and the related costs in cost of sales.

Long-term Contracts - The Company enters into long-term contracts primarily for the production of aerospace products. For financial statement purposes, revenues are primarily recognized using the percentage-of-completion method. The extent of progress toward completion is primarily measured using the units-of-delivery method. Unbilled costs on these contracts are included in inventory. Progress payments are netted against the inventory balances. The Company estimates costs to complete long-term contracts for purposes of evaluating and establishing contract reserves. Adjustments to cost estimates are made on a consistent basis and a contract reserve is established when the estimated costs to complete a contract exceed the expected contract revenues.

Cash - Cash equivalents consist of short-term highly liquid investments, with a three-month or less maturity, carried at cost plus accrued interest, which are readily convertible into cash.

Accounts Receivable - The accounts receivable, net caption in the Consolidated Balance Sheet is comprised of the following components:

June 30,		2012		2011
Accounts receivable, trade	**$**	**1,792,961**	$	1,780,137
Allowance for doubtful accounts		**(10,518)**		(10,472)
Non-trade accounts receivable		**84,872**		75,550
Notes receivable		**124,969**		132,641
Total	**$**	**1,992,284**	$	1,977,856

Accounts receivable are initially recorded at their net collectible amount and are generally recorded at the time the revenue from the sales transaction is recorded. Receivables are written off to bad debt primarily when, in the judgment of the Company, the receivable is deemed to be uncollectible due to the insolvency of the debtor.

Inventories - Inventories are stated at the lower of cost or market. The majority of domestic inventories are valued by the last-in, first-out method and the balance of the Company's inventories are valued by the first-in, first-out method.

Plant, Equipment and Depreciation - Plant and equipment are recorded at cost and are depreciated principally using the straight-line method for financial reporting purposes. Depreciation rates are based on estimated useful lives of the assets, generally 40 years for buildings, 15 years for land improvements and building equipment,seven to 10 years for machinery and equipment, and three to eight years for vehicles and office equipment. Improvements, which extend the useful life of property, are capitalized, and maintenance and repairs are expensed. The Company reviews plant and equipment for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. When plant and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the appropriate accounts and any gain or loss is included in current income.

Investments and Other Assets - Investments in joint-venture companies in which ownership is 50 percent or less and in which the Company does not have operating control are stated at cost plus the Company's equity in undistributed earnings. These investments and the related earnings are not material to the consolidated financial statements. Also included in this balance sheet caption is non-current deferred income taxes of $571,039 and $214,546 at June 30, 2012 and June 30, 2011, respectively.

Goodwill - The Company conducts a formal impairment test of goodwill on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value.

Intangible Assets - Intangible assets primarily include patents, trademarks and customer lists and are recorded at cost and amortized on a straight-line method. Patents are amortized over the shorter of their remaining useful or legal life. Trademarks are amortized over the estimated time period over which an economic benefit is expected to be received. Customer lists are amortized over a period based on anticipated customer attrition rates. The Company reviews intangible assets for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable.

Income Taxes - Income taxes are provided based upon income for financial reporting purposes. Deferred income taxes arise from temporary differences in the recognition of income and expense for tax purposes. Tax credits and similar tax incentives are applied to reduce the provision for income taxes in the year in which the credits arise. The Company recognizes accrued interest related to unrecognized tax benefits in income tax expense. Penalties, if incurred, are recognized in income tax expense.

Product Warranty - In the ordinary course of business the Company warrants its products against defect in design, materials and workmanship over various time periods. The warranty accrual at June 30, 2012 and 2011 is immaterial to the financial position of the Company and the change in the accrual during 2012, 2011 and 2010 was immaterial to the Company's results of operations and cash flows.

Foreign Currency Translation - Assets and liabilities of most foreign subsidiaries are translated at current exchange rates, and income and expenses are translated using weighted-average exchange rates. The effects of these translation adjustments, as well as gains and losses from certain intercompany transactions, are reported in the accumulated other comprehensive (loss) component of shareholders' equity. Such adjustments will affect net income only upon sale or liquidation of the underlying foreign investments, which is not contemplated at this time. Exchange gains and losses from transactions in a currency other than the local currency of the entity involved, and translation adjustments in countries with highly inflationary economies, are included in net income.

Subsequent Events - The Company has evaluated subsequent events that have occurred through the date of filing of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2012. On August 13, 2012, the Company entered into an agreement to divest the automotive businesses of the Mobile Climate Systems division (MCS). MCS is part of the Climate & Industrial Controls Segment. The divestiture is expected to close in October 2012 and is expected to result in a pre-tax gain of approximately $30 million. The results of operations and net assets of the divested businesses are immaterial to the consolidated results of operations and financial position of the Company. No subsequent events occurred that required adjustment to these financial statements.

Recent Accounting Pronouncements - In June 2011, the Financial Accounting Standards Board (FASB) issued new accounting guidance requiring an entity to present net income and other comprehensive income (OCI) in either a single continuous statement or in separate consecutive statements. The guidance does not change the items reported in OCI or when an item of OCI must be reclassified to net income. The guidance, which must be presented retrospectively, is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011.

In September 2011, the FASB issued new accounting guidance related to testing goodwill for impairment. The new guidance allows an entity the option to make a qualitative evaluation about the likelihood of goodwill impairment to determine whether the entity should calculate the fair value of a reporting unit. It also expands the events and circumstances that an entity should consider between annual impairment tests in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. This guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 31, 2011. The Company has not determined the effect, if any, that this new guidance will have on its goodwill impairment tests.

2. Acquisitions

During 2012, the Company completed four acquisitions whose aggregate sales for their most recent fiscal year prior to acquisition were $141 million. Total purchase price for the four acquisitions was approximately $156 million in cash and $6 million in assumed debt. Also during 2012, the Company purchased the outstanding shares not previously owned by the Company in two majority-owned subsidiaries. Total purchase price for the two majority-owned subsidiaries was $147 million in cash.

During 2011, the Company completed three acquisitions whose aggregate sales for their most recent fiscal year prior to acquisition were $65 million. Total purchase price for the three acquisitions in 2011 was approximately $61 million in cash.

During 2010, the Company completed one acquisition whose aggregate sales for its most recent fiscal year prior to acquisition were $11 million. Total purchase price for this business was approximately $5 million in cash.

The results of operations for all acquisitions are included as of the respective dates of acquisition. The initial purchase price allocation and subsequent purchase price adjustments for acquisitions in 2012, 2011 and 2010 are presented below. Some of the 2012 purchase price allocations are preliminary and may require subsequent adjustment primarily to the values currently assigned to plant and equipment and intangible assets.

	2012	2011	2010
Assets acquired:			
Accounts receivable	**$ 24,833**	$ 9,332	$ 908
Inventories	**29,102**	7,908	447
Prepaid expenses	**1,541**	69	(575)
Deferred income taxes	**5,679**	468	—
Plant and equipment	**28,929**	5,376	408
Intangible and other assets	**59,576**	35,094	4,198
Goodwill	**68,144**	8,715	2,891
	217,804	66,962	8,277
Liabilities assumed:			
Notes payable	**1,887**	—	—
Accounts payable, trade	**7,189**	2,440	531
Accrued payrolls and other compensation	**3,672**	765	219
Accrued domestic and foreign taxes	**2,882**	215	(91)
Other accrued liabilities	**5,984**	1,500	2,587
Long-term debt	**4,365**	—	—
Pensions and other postretirement benefits	**11,396**	—	—
Deferred income taxes	**24,062**	1,815	(420)
Other liabilities	**111**	—	—
	61,548	6,735	2,826
Net assets acquired	**$ 156,256**	$ 60,227	$ 5,451

3. Charges Related to Business Realignment

To structure its businesses in light of current and anticipated customer demand, the Company incurred business realignment charges in2012, 2011 and 2010.

Business realignment charges by business segment are as follows:

	2012	2011	2010
Industrial	**$ 13,066**	$ 15,427	$ 44,058
Aerospace	**—**	1,024	575
Climate & Industrial Controls	**1,255**	—	3,868

Work force reductions by business segment are as follows:

	2012	2011	2010
Industrial	**496**	466	1,454
Aerospace	**—**	49	47
Climate & Industrial Controls	**25**	—	254

The charges primarily consist of severance costs related to plant closures as well as general work force reductions implemented by various operating units throughout the world. The business realignment charges in 2012 also included charges related to enhanced retirement benefits. The Company believes the realignment actions taken will positively impact future results of operations, but will have no material effect on liquidity and sources and uses of capital.

The business realignment charges are presented in the Consolidated Statement of Income as follows:

	2012	2011	2010
Cost of sales	**$ 12,669**	$ 15,276	$ 42,995
Selling, general and administrative expenses	**1,020**	1,175	5,506
Other expense (income), net	**632**	—	—

As of June 30, 2012, approximately $8 million in severance payments had been made relating to charges incurred during2012, with the majority of the remaining payments expected to be made by March 31, 2013. All required severance payments have been made relating to charges incurred in 2011 and 2010. Additional charges to be recognized in future periods related to the realignment actions described above are not expected to be material.

4. Income Taxes

Income before income taxes was derived from the following sources:

	2012	**2011**	**2010**
United States	**$ 810,150**	$ 681,910	$ 354,675
Foreign	**766,548**	731,811	400,142
	$ 1,576,698	$ 1,413,721	$ 754,817

Income taxes include the following:

	2012	2011	2010
Federal			
Current	**$ 255,991**	$ 121,292	$ 84,878
Deferred	**(48,252)**	34,136	6,104
Foreign			
Current	**191,167**	193,064	105,927
Deferred	**(29)**	(24,229)	(22,788)
State and local			
Current	**30,500**	21,500	25,000
Deferred	**(8,171)**	10,808	(669)
	$ 421,206	$ 356,571	$ 198,452

A reconciliation of the Company's effective income tax rate to the statutory Federal rate follows:

	2012	2011	2010
Statutory Federal income tax rate	**35.0 %**	35.0 %	35.0 %
State and local income taxes	**0.9**	1.8	2.1
Foreign tax rate difference	**(5.8)**	(8.7)	(7.4)
Cash surrender of life insurance	**0.1**	(0.9)	(1.0)
Federal manufacturing deduction	**(1.6)**	(0.9)	(0.6)
Research tax credit	**(0.4)**	(1.1)	(0.7)
Other	**(1.5)**	—	(1.1)
Effective income tax rate	**26.7 %**	25.2 %	26.3 %

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of assets and liabilities. The differences comprising the net deferred taxes shown on the Consolidated Balance Sheet at June 30 were as follows:

	2012	2011
Retirement benefits	**$ 751,676**	$ 374,005
Other liabilities and reserves	**134,358**	161,954
Long-term contracts	**27,726**	7,355
Stock-based incentive compensation	**70,129**	63,590
Loss carryforwards	**175,571**	186,613
Unrealized currency exchange gains and losses	**9,057**	43,484
Inventory	**18,535**	24,623
Foreign tax credit carryforward	**19,079**	—
Depreciation and amortization	**(480,791)**	(479,103)
Valuation allowance	**(176,079)**	(192,904)
Net deferred tax asset	**$ 549,261**	$ 189,617
Change in net deferred tax asset:		
Provision for deferred tax	**$ 56,452**	$ (20,715)
Items of other comprehensive (loss)	**319,352**	(131,552)
Acquisitions and other	**(16,160)**	(1,519)
Total change in net deferred tax	**$ 359,644**	$ (153,786)

At June 30, 2012, the Company had recorded deferred tax assets of $175,571 resulting from $701,310 in loss carryforwards. A valuation allowance of $165,907 related to the loss carryforwards has been established due to the uncertainty of realizing certain deferred tax assets. Of this valuation allowance, $147,755 resulting from $516,808 in loss carryforwards, relates to a non-operating entity whose utilization of its loss carryforward is considered to be remote. An additional valuation allowance of $10,172 relates to a foreign capital loss carryforward and certain deferred tax assets associated with other liabilities and reserves. The foreign capital loss carryforward and some of the loss carryforwards can be carried forward indefinitely; others can be carried forward from three to 20 years.

Provision has not been made for additional U.S. or foreign taxes on undistributed earnings of certain international operations as those earnings will continue to be reinvested. It is not practicable to estimate the additional taxes, including applicable foreign withholding taxes, that might be payable on the eventual remittance of such earnings.

Accumulated undistributed earnings of foreign operations reinvested in their operations amounted to $669,000, $983,950 and $1,102,978, at June 30, 2012, 2011 and 2010, respectively.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2012	2011	2010
Balance July 1	**$ 81,156**	$ 82,089	$ 132,954
Additions for tax positions related to current year	**66,500**	8,398	10,815
Additions for tax positions of prior years	**11,047**	10,015	23,408
Additions for acquisitions	**—**	—	294
Reductions for tax positions of prior years	**(23,456)**	(15,060)	(64,821)
Reductions for settlements	**(23,434)**	(7,133)	(21,770)
Reductions for expiration of statute of limitations	**(1,636)**	—	(37)
Effect of foreign currency translation	**(442)**	2,847	1,246
Balance June 30	**$ 109,735**	$ 81,156	$ 82,089

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was $61,601, $78,754 and $81,927 as of June 30, 2012, 2011 and 2010, respectively. If recognized, a significant portion of the gross unrecognized tax benefits as of June 30, 2012 would be offset against an asset currently recorded in the Consolidated Balance Sheet. The accrued interest related to the gross unrecognized tax benefits, excluded from the amounts above, was $3,676, $11,331 and $8,200 as of June 30, 2012, 2011 and 2010, respectively.

The Company and its subsidiaries file income tax returns in the United States and in various foreign jurisdictions. In the normal course of business, the Company's tax returns are subject to examination by taxing authorities throughout the world. The Company is no longer subject to examinations of its federal income tax returns by the United States Internal Revenue Service for fiscal years through 2010. All significant state, local and foreign tax returns have been examined for fiscal years through 2003. The Company does not anticipate that, within the next twelve months, the total amount of unrecognized tax benefits will significantly change due to the settlement of examinations and the expiration of statute of limitations.

5. Earnings Per Share

Basic earnings per share are computed using the weighted-average number of common shares outstanding during the year. Diluted earnings per share are computed using the weighted-average number of common shares and common share equivalents outstanding during the year. Common share equivalents represent the dilutive effect of outstanding stock-based awards. The computation of net income per share was as follows:

	2012	2011	2010
Numerator:			
Net income attributable to common shareholders	**$ 1,151,823**	$ 1,049,130	$ 554,065
Denominator:			
Basic - weighted-average common shares	**151,222,033**	161,125,869	160,909,655
Increase in weighted-average common shares from dilutive effect of stock-based awards	**3,442,477**	3,672,352	1,992,062
Diluted - weighted-average common shares, assuming exercise of stock-based awards	**154,664,510**	164,798,221	162,901,717
Basic earnings per share	**$ 7.62**	$ 6.51	$ 3.44
Diluted earnings per share	**$ 7.45**	$ 6.37	$ 3.40

For 2012, 2011 and 2010, 0.7 million, 1.6 million, and 9.0 million common shares, respectively, subject to stock-based awards were excluded from the computation of diluted earnings per share because the effect of their exercise would be anti-dilutive.

6. Inventories

Inventories valued on the last-in, first-out (LIFO) cost method were approximately31 percent of total inventories in 2012 and 28 percent of total inventories in 2011. The current cost of these inventories exceeds their valuation determined on the LIFO basis by $212,033 in 2012 and $205,739 in 2011. Progress payments of $36,087 in 2012 and $33,489 in 2011 are netted against inventories.

7. Goodwill and Intangible Assets

The Company's annual impairment tests performed in 2012, 2011, and 2010 resulted in no impairment loss being recognized.

The changes in the carrying amount of goodwill for the years endedJune 30, 2012 and June 30, 2011 are as follows:

	Industrial Segment	Aerospace Segment	Climate & Industrial Controls Segment	Total
Balance June 30, 2010	$ 2,380,640	$ 98,856	$ 306,838	$ 2,786,334
Acquisitions	7,424	—	1,291	8,715
Foreign currency translation	208,261	58	6,059	214,378
Goodwill adjustments	(336)	—	25	(311)
Balance June 30, 2011	$ 2,595,989	$ 98,914	$ 314,213	$ 3,009,116
Acquisitions	**68,337**	**(193)**	**—**	**68,144**
Foreign currency translation	**(143,348)**	**(47)**	**(5,152)**	**(148,547)**
Goodwill adjustments	**(2,857)**	**—**	**—**	**(2,857)**
Balance June 30, 2012	**$ 2,518,121**	**$ 98,674**	**$ 309,061**	**$ 2,925,856**

Acquisitions represent the original goodwill allocation and any changes in the purchase price for the acquisitions during the measurement period subsequent to the applicable acquisition dates.

Goodwill adjustments primarily represent final adjustments to the purchase price allocation for acquisitions during the measurement period subsequent to the applicable acquisition dates. The Company's previously reported results of operations and financial position would not be materially different had the goodwill adjustments recorded during 2012 and 2011 been reflected in the same reporting period that the initial purchase price allocations for those acquisitions were made.

Intangible assets are amortized on a straight-line method over their legal or estimated useful life. The following summarizes the gross carrying value and accumulated amortization for each major category of intangible asset as of June 30, 2012 and June 30, 2011:

	2012		2011	
	Gross Carrying Amount	**Accumulated Amortization**	Gross Carrying Amount	Accumulated Amortization
Patents	**$ 118,034**	**$ 66,303**	$ 124,015	$ 61,061
Trademarks	**321,019**	**129,081**	319,158	116,995
Customer lists and other	**1,247,820**	**396,271**	1,251,271	338,666
Total	**$ 1,686,873**	**$ 591,655**	$ 1,694,444	$ 516,722

During 2012, the Company acquired intangible assets with an initial purchase price allocation and weighted-average life as follows:

	Purchase Price Allocation	**Weighted-Average Life**
Patents	**$ 577**	18 years
Trademarks	**18,304**	18 years
Customer lists and other	**40,544**	8 years
Total	**$ 59,425**	11 years

Total intangible amortization expense in 2012, 2011 and 2010 was $107,086, $107,701 and $114,749, respectively. Estimated intangible amortization expense for the five years ending June 30, 2013 through 2017 is $95,785, $92,422, $88,190, $84,109 and $81,259, respectively.

8. Financing Arrangements

The Company has a line of credit totaling $1,500,000 through a multi-currency revolving credit agreement with a group of banks, all of which was available at June 30, 2012. The credit agreement expires in March 2016; however, the Company has the right to request a one-year extension of the expiration date on an annual basis, which request may result in changes to the current terms and conditions of the credit agreement. A portion of the credit agreement supports the Company's commercial paper note program. The interest on borrowings is based upon the terms of each specific borrowing and is subject to market conditions. The revolving credit agreement requires the payment of an annual facility fee, the amount of which would increase in the event the Company's credit ratings are lowered.

The Company is currently authorized to sell up to $1,350,000 of short-term commercial paper notes. No commercial paper notes were outstanding at June 30, 2012 or at June 30, 2011.

The Company's foreign locations in the ordinary course of business may enter into financial guarantees through financial institutions which enable customers to be reimbursed in the event of nonperformance by the Company.

The Company's credit agreements and indentures governing certain debt agreements contain various covenants, the violation of which would limit or preclude the use of the applicable agreements for future borrowings, or might accelerate the maturity of the related outstanding borrowings covered by the applicable agreements. At the Company's present rating level, the most restrictive covenant contained in the credit agreements and the indentures provides that the ratio of secured debt to net tangible assets be less than 10 percent. As of June 30, 2012, the Company does not have any secured debt outstanding. The Company is in compliance with all covenants.

Notes payable consists of short-term lines of credit and borrowings from foreign banks. At June 30, 2012, the Company had $90,654 in lines of credit from various foreign banks, all of which was available at June 30, 2012. Most of these agreements are renewed annually. There was no balance of notes payable at June 30, 2012 and June 30, 2011. The weighted-average interest rate on notes payable during 2012 and 2011 was 0.2 percent and 0.6 percent, respectively.

9. Debt

June 30,		2012		2011
Domestic:				
Fixed rate medium-term notes 3.50% to 6.55%, due 2018-2038	**$**	**1,175,000**	$	1,175,000
Fixed rate senior notes 4.875%, due 2013		**225,000**		225,000
Foreign:				
Bank loans, including revolving credit 1% to 7.2%, due 2012-2017		**589**		1,380
Euro bonds 4.125%, due 2016		**253,220**		290,040
Japanese Yen credit facility JPY Libor plus 55 bps, due 2017		**75,174**		—
Japanese Yen credit facility JPY Libor plus 20 bps, due 2012		**—**		74,472
Other long-term debt, including capitalized leases		**552**		465
Total long-term debt		**1,729,535**		1,766,357
Less long-term debt payable within one year		**225,589**		75,271
Long-term debt, net	**$**	**1,503,946**	$	1,691,086

Principal amounts of long-term debt payable in the five years ending June 30, 2013 through 2017 are $225,589, $399, $153, $253,220 and $75,174, respectively. In 2012, the Company entered into a JPY 6 billion credit facility. Based on the Company's current rating level, the credit facility bears interest of JPY LIBOR (reset semi-annually) plus 55 basis points. Interest is paid semi-annually and any principal borrowings are due to be repaid in March 2017. The Company borrowed the full JPY 6 billion during 2012, equivalent to $73 million at the time of borrowing, and used the funds to repay the balance due on the Company's previous JPY credit facility.

Lease Commitments - Future minimum rental commitments as of June 30, 2012, under non-cancelable operating leases, which expire at various dates, are as follows: 2013-$82,652; 2014-$55,855; 2015-$35,038; 2016-$22,126; 2017-$15,769 and after 2017-$57,270.

Rental expense in 2012, 2011 and 2010 was $124,546, $118,496 and $123,582, respectively.

10. Retirement Benefits

Pensions - The Company has noncontributory defined benefit pension plans covering eligible employees, including certain employees in foreign countries. Plans for most salaried employees provide pay-related benefits based on years of service. Plans for hourly employees generally provide benefits based on flat-dollar amounts and years of service. The Company also has arrangements for certain key employees which provide for supplemental retirement benefits. In general, the Company's policy is to fund these plans based on legal requirements, tax considerations, local practices and investment opportunities. The Company also sponsors defined contribution plans and participates in government-sponsored programs in certain foreign countries.

A summary of the Company's defined benefit pension plans follows:

	2012	2011	2010
Benefit cost			
Service cost	**$ 84,663**	$ 87,676	$ 70,977
Interest cost	**185,550**	176,081	178,562
Expected return on plan assets	**(201,845)**	(200,303)	(177,559)
Amortization of prior service cost	**14,016**	12,636	13,974
Amortization of unrecognized actuarial loss	**105,788**	109,436	65,823
Amortization of initial net (asset)	**(60)**	(63)	(55)
Net periodic benefit cost	**$ 188,112**	$ 185,463	$ 151,722

	2012	2011
Change in benefit obligation		
Benefit obligation at beginning of year	**$ 3,569,560**	$ 3,430,835
Service cost	**84,663**	87,676
Interest cost	**185,550**	176,081
Actuarial loss (gain)	**847,628**	(101,806)
Benefits paid	**(152,417)**	(146,779)
Plan amendments	**3,475**	9,735
Acquisitions	**40,324**	—
Foreign currency translation and other	**(72,262)**	113,818
Benefit obligation at end of year	**$ 4,506,521**	$ 3,569,560
Change in plan assets		
Fair value of plan assets at beginning of year	**2,798,417**	$ 2,020,186
Actual gain on plan assets	**4,515**	384,848
Employer contributions	**68,799**	461,243
Benefits paid	**(152,417)**	(146,779)
Acquisitions	**28,928**	—
Foreign currency translation and other	**(48,192)**	78,919
Fair value of plan assets at end of year	**$ 2,700,050**	$ 2,798,417
Funded status	**$ (1,806,471)**	$ (771,143)
Amounts recognized on the Consolidated Balance Sheet		
Other accrued liabilities	**$ (11,448)**	$ (14,815)
Pensions and other postretirement benefits	**(1,795,023)**	(756,328)
Net amount recognized	**$ (1,806,471)**	$ (771,143)
Amounts recognized in Accumulated Other Comprehensive (Loss)		
Net actuarial loss	**$ 2,051,178**	$ 1,133,411
Prior service cost	**57,756**	69,337
Transition obligation	**230**	161
Net amount recognized	**$ 2,109,164**	$ 1,202,909

The presentation of the amounts recognized on the Consolidated Balance Sheet and in accumulated other comprehensive (loss) is on a debit (credit) basis and excludes the effect of income taxes.

The estimated amount of net actuarial loss, prior service cost and transition obligation that will be amortized from accumulated other comprehensive (loss) into net periodic benefit pension cost in 2013 is $190,334, $13,677 and $24, respectively.

The accumulated benefit obligation for all defined benefit plans was $4,025,095 and $3,219,403 at June 30, 2012 and 2011, respectively. The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were $4,491,415, $4,012,352 and $2,684,948, respectively, at June 30, 2012, and $3,119,540, $2,798,701 and $2,353,730, respectively, at June 30, 2011. The projected benefit obligation and fair value of plan assets for pension plans with projected benefit obligations in excess of plan assets were $4,499,085 and $2,691,772, respectively, at June 30, 2012, and $3,557,563 and $2,783,349, respectively, at June 30, 2011.

The Company expects to make cash contributions of approximately $281 million to its defined benefit pension plans in 2013, the majority of which relate to U.S. qualified benefit plans. Estimated future benefit payments in the five years ending June 30, 2013 through 2017 are $159,901, $206,157, $176,683, $189,949 and $202,647, respectively and $1,213,083 in the aggregate for the five years ending June 30, 2018 through June 30, 2022.

The assumptions used to measure net periodic benefit cost for the Company's significant defined benefit plans are:

	2012	2011	2010
U.S. defined benefit plans			
Discount rate	**5.45 %**	5.30 %	6.25 %
Average increase in compensation	**5.21 %**	5.21 %	4.34 %
Expected return on plan assets	**8.0 %**	8.5 %	8.5 %
Non-U.S. defined benefit plans			
Discount rate	**2.0 to 5.87%**	1.75 to 6.0%	2.0 to 6.78%
Average increase in compensation	**2.0 to 5.0%**	2.0 to 4.5%	2.0 to 4.7%
Expected return on plan assets	**1.0 to 7.5%**	1.0 to 8.0%	1.0 to 8.0%

The assumptions used to measure the benefit obligation for the Company's significant defined benefit plans are:

	2012	2011
U.S. defined benefit plans		
Discount rate	**3.91 %**	5.45 %
Average increase in compensation	**5.21 %**	5.21 %
Non-U.S. defined benefit plans		
Discount rate	**1.75 to 4.7%**	2.0 to 5.87%
Average increase in compensation	**2.0 to 6.0%**	2.0 to 5.0%

The discount rate assumption is based on current rates of high-quality long-term corporate bonds over the same estimated time period that benefit payments will be required to be made. The expected return on plan assets assumption is based on the weighted-average expected return of the various asset classes in the plans' portfolio. The asset class return is developed using historical asset return performance as well as current market conditions such as inflation, interest rates and equity market performance.

The weighted-average allocation of the majority of the assets related to defined benefit plans is as follows:

	2012	2011
Equity securities	**54 %**	59 %
Debt securities	**34 %**	33 %
Other	**12 %**	8 %
	100 %	100 %

The weighted-average target asset allocation as of June 30, 2012 is 55 percent equity securities, 34 percent debt securities and 11 percent other investments. The investment strategy for the Company's worldwide defined benefit pension plan assets focuses on achieving prudent actuarial funding ratios while maintaining acceptable levels of risk in order to provide adequate liquidity to meet immediate and future benefit requirements. This strategy requires investment portfolios that are broadly diversified across various asset classes and external investment managers. Assets held in the U.S. defined benefit plans account for approximately 72 percent of the Company's total defined benefit plan assets. The Company's overall investment strategy with respect to the Company's U.S. defined benefit plans is to opportunistically migrate from its current mix between growth seeking assets (primarily consisting of global public equities in developed and emerging countries and hedge fund of fund strategies) and income generating assets (primarily consisting of high quality bonds, both domestic and global, emerging market bonds, high yield bonds and Treasury Inflation Protected Securities) to an allocation more heavily weighted toward income generating assets. Over time, long duration fixed income assets are being added to the portfolio. These securities are highly correlated with the Company's pension liabilities and will serve to hedge a portion of the Company's interest rate risk.

The fair values of pension plan assets atJune 30, 2012 and at June 30, 2011, by asset class, are as follows. The classification of certain pension plan assets at June 30, 2012 have been changed from the prior year classification to more accurately categorize the assets with the fair value hierarchy. There have been no changes in the method used to calculate the fair value of these assets.

	Total	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 92,718	$ 92,718	$ —	$ —
Equity securities				
U.S. based companies	336,676	336,676	—	—
Non-U.S. based companies	245,460	245,460	—	—
Fixed income securities				
Corporate bonds	188,859	58,038	130,821	—
Government issued securities	120,103	64,681	55,422	—
Mutual funds				
Equity funds	337,374	336,747	627	—
Fixed income funds	222,147	218,208	3,939	—
Common/Collective trusts				
Equity funds	661,622	—	661,622	—
Fixed income funds	392,398	—	392,398	—
Limited Partnerships	126,837	—	126,837	—
Miscellaneous	(24,144)	664	(24,808)	—
Total at June 30, 2012	$ 2,700,050	$ 1,353,192	$ 1,346,858	$ —

	Total	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 112,080	$ 58,511	$ 53,569	$ —
Equity securities				
U.S. based companies	376,946	376,946	—	—
Non-U.S. based companies	288,161	288,161	—	—
Fixed income securities				
Corporate bonds	120,136	—	120,136	—
Government issued securities	137,618	79,536	58,082	—
Mutual funds				
Equity funds	220,312	219,816	496	—
Fixed income funds	138,314	135,620	2,694	—
Common/Collective trusts				
Equity funds	766,847	—	766,847	—
Fixed income funds	513,365	—	513,365	—
Limited Partnerships	128,470	—	128,470	—
Miscellaneous	(3,832)	88	(3,920)	—
Total at June 30, 2011	$ 2,798,417	$ 1,158,678	$ 1,639,739	$ —

Cash and cash equivalents, which include repurchase agreements and other short-term investments, are valued at cost, which approximates fair value.

Equity securities are valued at the closing price reported on the active market on which the individual securities are traded. U.S. based companies include Company stock with a fair value of $102,212 as of June 30, 2012 and $119,856 as of June 30, 2011.

Fixed income securities are valued using both market observable inputs for similar assets that are traded on an active market and the closing price on the active market on which the individual securities are traded.

Mutual funds are valued using both the closing market price reported on the active market on which the fund is traded and market observable inputs for similar assets that are traded on an active market and primarily consist of equity and fixed income funds. The equity funds primarily provide exposure to U.S. and international equities and fixed income securities, real estate and commodities. The fixed income funds primarily provide exposure to high-yield securities and emerging market fixed income instruments.

Common/Collective trusts primarily consist of equity and fixed income funds and are valued using a net asset value per share. Common/Collective trust investments can be redeemed daily and without restriction. Redemption of the entire investment balance generally requires a 30-day notice period. The equity funds provide exposure to large, mid and small cap U.S. equities, international large and small cap equities and emerging market equities. The fixed income fund provides exposure to U.S., international and emerging market debt securities.

Limited Partnerships primarily consist of small cap equity and hedge funds and are valued using a net asset value per share. Limited Partnership investments can be redeemed daily and without restriction. Redemption of the entire investment balance generally requires a 30-day notice period. Small cap equity funds provide exposure to domestic small cap equities and hedge funds provide exposure to a variety of hedging strategies including long/short equity, relative value, event driven and global macro .

Miscellaneous primarily includes net payables for securities purchased but not settled in the asset portfolio of the Company's U.S. defined benefit pension plans and insurance contracts held in the asset portfolio of the Company's non-U.S. defined benefit pension plans. Insurance contracts are valued at the present value of future cash flows promised under the terms of the insurance contracts.

The primary investment objective of equity securities and equity funds, within both the mutual fund and common/collective trust asset class, is to obtain capital appreciation in an amount that at least equals various market-based benchmarks. The primary investment objective of fixed income securities and fixed income funds, within both the mutual fund and common/collective trust asset class, is to provide for a constant stream of income while preserving capital. The primary investment objective of limited partnerships is to achieve capital appreciation through an investment program focused on specialized investment strategies. The primary investment objective of insurance contracts, included in the miscellaneous asset class, is to provide a stable rate of return over a specified period of time.

Employee Savings Plan - The Company sponsors an employee stock ownership plan (ESOP) as part of its existing savings and investment 401(k) plan. The ESOP is available to eligible domestic employees. Parker Hannifin common stock is used to match contributions made by employees to the ESOP up to a maximum of 4.0 percent of an employee's annual compensation.

	2012	2011	2010
Shares held by ESOP	**10,216,738**	10,308,032	10,950,349
Company contributions to ESOP	**$ 58,067**	$ 52,627	$ 48,336

Company contributions to the ESOP are generally made in the form of cash and are recorded as compensation expense. In 2010, in lieu of cash, the Company delivered 510,984 of its common shares out of treasury for the matching contribution.

The Company has a retirement income account (RIA) within the employee savings plan. The Company makes a contribution to the participant's RIA account each year, the amount of which is based on the participant's age and years of service. Participants do not contribute to the RIA. The Company recognized $19,372, $16,844 and $12,598 in expense related to the RIA in 2012, 2011 and 2010, respectively.

In addition to shares within the ESOP, as of June 30, 2012, employees have elected to invest in 3,451,084 shares of common stock within the company stock fund of the savings and investment 401(k) plan.

Other Postretirement Benefits - The Company provides postretirement medical and life insurance benefits to certain retirees and eligible dependents. Most plans are contributory, with retiree contributions adjusted annually. The plans are unfunded and pay stated percentages of covered medically necessary expenses incurred by retirees, after subtracting payments by Medicare or other providers and after stated deductibles have been met. For most plans, the Company has established cost maximums to more effectively control future medical costs. The Company has reserved the right to change these benefit plans.

Certain employees are covered under benefit provisions that include prescription drug coverage for Medicare eligible retirees. The impact of the subsidy received under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 on the Company's other postretirement benefits was immaterial.

A summary of the Company's other postretirement benefit plans follows:

	2012	2011	2010
Benefit cost			
Service cost	**$ 728**	$ 675	$ 545
Interest cost	**3,482**	3,579	3,920
Net amortization and deferral	**480**	524	(461)
Net periodic benefit cost	**$ 4,690**	$ 4,778	$ 4,004

	2012	2011
Change in benefit obligation		
Benefit obligation at beginning of year	**$ 73,139**	$ 69,868
Service cost	**728**	675
Interest cost	**3,482**	3,579
Actuarial loss	**11,447**	5,002
Benefits paid	**(5,142)**	(5,985)
Benefit obligation at end of year	**$ 83,654**	$ 73,139
Funded status	**$ (83,654)**	$ (73,139)
Amounts recognized on the Consolidated Balance Sheet		
Other accrued liabilities	**$ (5,041)**	$ (5,670)
Pensions and other postretirement benefits	**(78,613)**	(67,469)
Net amount recognized	**$ (83,654)**	$ (73,139)
Amounts recognized in Accumulated Other Comprehensive (Loss)		
Net actuarial loss	**$ 21,246**	$ 10,324
Prior service (credit)	**(1,023)**	(1,068)
Net amount recognized	**$ 20,223**	$ 9,256

The presentation of the amounts recognized on the Consolidated Balance Sheet and in accumulated other comprehensive (loss) is on a debit (credit) basis and is before the effect of income taxes. The amount of net actuarial loss and prior service (credit) that will be amortized from accumulated other comprehensive (loss) into net periodic postretirement cost in 2013 is $1,573 and $(103), respectively.

The assumptions used to measure the net periodic benefit cost for postretirement benefit obligations are:

	2012	2011	2010
Discount rate	**5.0%**	5.01%	6.10%
Current medical cost trend rate	**8.0%**	8.0%	8.5%
Ultimate medical cost trend rate	**5.0%**	5.0%	5.0%
Medical cost trend rate decreases to ultimate in year	**2019**	2018	2018

The discount rate assumption used to measure the benefit obligation was3.62 percent in 2012 and 5.0 percent in 2011.

Estimated future benefit payments for other postretirement benefits in the five years ending June 30, 2013 through 2017 are $5,068, $5,140, $5,168, $5,245 and $5,319, respectively, and $25,438 in the aggregate for the five years ending June 30, 2018 through June 30, 2022.

A one percentage point change in assumed health care cost trend rates would have the following effects:

	1% Increase	1% Decrease
Effect on total of service and interest cost components	**$ 221**	**$ (185)**
Effect on postretirement benefit obligation	**4,135**	**(3,476)**

Other - The Company has established nonqualified deferred compensation programs, which permit officers, directors and certain management employees annually to elect to defer a portion of their compensation, on a pre-tax basis, until their retirement. The retirement benefit to be provided is based on the amount of compensation deferred, Company match, and earnings on the deferrals. During 2012, 2011 and 2010, the Company recorded expense relating to deferred compensation of$4,499, $28,720 and $21,553, respectively.

The Company has invested in corporate-owned life insurance policies to assist in meeting the obligation under these programs. The policies are held in a rabbi trust and are recorded as assets of the Company.

11. Equity

The balance of accumulated other comprehensive (loss) in shareholders' equity is comprised of the following:

	2012	2011
Foreign currency translation	**$ (51,125)**	$ 316,010
Retirement benefit plans	**(1,364,138)**	(766,159)
Other	**(637)**	(841)

The balance of accumulated other comprehensive (loss) income in noncontrolling interests relates to foreign currency translation and amounted to$1,238 and $26,844, at June 30, 2012 and June 30, 2011, respectively.

Share Repurchases - The Company has a program to repurchase its common shares. In August 2011, the Board of Directors of the Company authorized the repurchase of up to 15 million shares under the program. Subject to this overall limitation, each fiscal year the Company is authorized to repurchase an amount of common shares equal to the greater of 7.5 million shares or five percent of the shares outstanding as of the end of the prior fiscal year. In April 2012, the Board of Directors of the Company modified the repurchase program such that, for 2012, the fiscal year limitation was eliminated and the number of shares authorized for repurchase under the program was increased to 16 million, exclusive of any shares previously repurchased during 2012. Repurchases are funded primarily from operating cash flows and commercial paper borrowings, and the shares are initially held as treasury stock. The number of common shares repurchased at the average purchase price follows:

	2012	2011	2010
Shares repurchased	**6,395,866**	8,008,926	441,118
Average price per share	**$ 71.20**	$ 86.54	$ 56.67

12. Stock Incentive Plans

The Company's 2003 Stock Incentive Plan and 2009 Omnibus Stock Incentive Plan provide for the granting of share-based incentive awards in the form of nonqualified stock options, stock appreciation rights (SARs), restricted stock units (RSUs) and restricted and unrestricted stock to officers and key employees of the Company. The aggregate number of shares authorized for issuance under the 2003 Stock Incentive Plan and 2009 Omnibus Stock Incentive Plan is 13,500,000 and 5,500,000, respectively. The Company satisfies share-based incentive award obligations by issuing shares of common stock out of treasury, which have been repurchased pursuant to the Company's share repurchase program described in Note 11, or through the issuance of previously unissued common stock.

Stock Options/SARs - Stock options allow the participant to purchase shares of common stock at a price not less than100 percent of the fair market value of the stock on the date of grant. Upon exercise, SARs entitle the participant to receive shares of common stock equal to the increase in value of the award between the grant date and the exercise date. Stock options and SARs are exercisable from one to three years after the date of grant and expire no more than10 years after grant.

The fair value of each stock option and SAR award granted in 2012, 2011 and 2010 was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	2012	**2011**	**2010**
Risk-free interest rate	**0.9%**	1.5%	2.9%
Expected life of award	**5.2 yrs**	5.2 yrs	5.3 yrs
Expected dividend yield of stock	**1.6%**	1.5%	1.4%
Expected volatility of stock	**37.3%**	35.9%	34.5%
Weighted-average fair value	**$ 20.30**	$ 18.70	$ 15.77

The risk-free interest rate was based on U.S. Treasury yieldswith a term similar to the expected life of the award The expected life of the award was derived by referring to actual exercise and post-vesting employment termination experience. The expected dividend yield was based on the Company's historical dividend rate and stock price over a period similar to the expected life of the award. The expected volatility of stock was derived by referring to changes in the Company's historical common stock prices over a timeframe similar to the expected life of the award.

Stock option and SAR activity during 2012 is as follows (aggregate intrinsic value in millions):

	Number of Shares	**Weighted-Average Exercise Price**	**Weighted-Average Remaining Contractual Term**	**Aggregate Intrinsic Value**
Outstanding June 30, 2011	13,229,118	$ 52.44		
Granted	**950,624**	**69.75**		
Exercised	**(1,332,688)**	**42.43**		
Canceled	**(48,728)**	**58.90**		
Outstanding June 30, 2012	**12,798,326**	**$ 54.74**	**5.0 years**	**$ 284.6**
Exercisable June 30, 2012	**10,023,736**	**$ 53.18**	**4.1 years**	**$ 238.4**

A summary of the status and changes of shares subject to stock option and SAR awards and the related average price per share follows:

	Number of Shares	Weighted-Average Grant Date Fair Value
Nonvested June 30, 2011	4,119,705	$ 16.84
Granted	**950,624**	**20.30**
Vested	**(2,254,933)**	**16.80**
Canceled	**(40,806)**	**16.95**
Nonvested June 30, 2012	**2,774,590**	**$ 18.06**

At June 30, 2012, $11,056 of expense with respect to nonvested stock option and SAR awards has yet to be recognized and will be amortized into expense over a weighted-average period of approximately 14 months. The total fair value of shares vested during 2012, 2011 and 2010 was $37,885, $45,635 and $40,494, respectively.

Information related to stock options and SAR awards exercised during 2012, 2011 and 2010 is as follows:

	2012	2011	2010
Net cash proceeds	**$ 10,599**	$ 25,862	$ 10,307
Intrinsic value	**57,567**	163,752	45,424
Income tax benefit	**14,008**	42,546	14,031

During 2012, 2011 and 2010, the Company recognized stock-based compensation expense of $26,585, $36,617 and $44,415, respectively, relating to stock option and SAR awards. The Company derives a tax deduction measured by the excess of the market value over the grant price at the date stock-based awards are exercised. The related tax benefit is credited to additional capital as the Company is currently in a windfall tax benefit position.

Shares surrendered upon exercise of stock options and SARs: 2012 - 321,266; 2011 - 2,447,908; 2010 - 606,554.

RSUs - RSUs constitute an agreement to deliver shares of common stock to the participant at the end of a vesting period. Generally, the RSUs vest and the underlying stock is issued ratably over a three-year graded vesting period. Unvested RSUs may not be transferred and do not have dividend or voting rights. For each unvested RSU, recipients are entitled to receive a dividend equivalent, payable in cash or common shares, equal to the cash dividend per share paid to common shareholders.

The Company began granting RSUs in 2011 and the fair value of each RSU award was based on the fair market value of the Company's common stock on the date of grant. A summary of the status and changes of shares subject to RSU awards and the related average price per share follows:

	Number of Shares	Weighted-Average Grant Date Fair Value
Nonvested June 30, 2011	415,175	$ 62.55
Granted	**186,658**	**70.15**
Vested	**(138,588)**	**62.35**
Canceled	**(12,304)**	**65.20**
Nonvested June 30, 2012	**450,941**	**$ 65.69**

During 2012 and 2011, the Company recognized stock-based compensation expense of $12,393 and $12,243, respectively, relating to the RSU awards. At June 30, 2012, $12,658 of expense with respect to nonvested RSU awards has yet to be recognized and will be amortized into expense over a weighted-average period of approximately 17 months. The total fair value of RSU awards vested during 2012 and 2011 was $8,642 and $20, respectively. The Company recognized a tax benefit of $1,673 relating to the issuance of common stock for RSU awards that vested during 2012.

LTIP/Restricted Stock - The Company's Long Term Incentive Plans (LTIP) provide for the issuance of unrestricted stock to certain officers and key employees based on the attainment of certain goals relating to the Company's revenue growth, earnings per share growth and return on invested capital during the three-year performance period. No dividends or dividend equivalents are paid on unearned shares. For awards granted prior to the 2010-11-12 LTIP, restricted stock was earned and awarded, and an estimated value was accrued, based upon attainment of criteria specified in the LTIP over the cumulative years of each 3-year plan. The shares of restricted stock issued to plan participants after the end of the performance period are entitled to cash dividends and to vote their respective shares, but transferability of the restricted stock is restricted for three years following issuance.

For the payout in 2010, in lieu of restricted stock, the participant could elect to receive the LTIP payout as a deferred cash contribution. Retired participants received the 2010 LTIP payout in cash.

Restricted Stock for LTIP		2012		2011		2010
LTIP 3-year plan		**2009-10-11**		2008-09-10		2007-08-09
Number of shares issued		**243,266**		157,491		68,172
Average share value on date of issuance	**$**	**69.10**	$	62.35	$	48.58
Total value	**$**	**16,810**	$	9,820	$	3,312

Under the Company's 2010-11-12 LTIP, a payout of unrestricted stock will be issued in August 2012.

The fair value of each LTIP award granted in 2012, 2011 and 2010 was based on the fair market value of the Company's common stock on the date of grant. A summary of the status and changes of shares relating to the LTIP and the related average price per share follows:

	Number of Shares		Weighted-Average Grant Date Fair Value
Nonvested June 30, 2011	1,130,457	$	64.50
Granted	**274,185**		**82.37**
Vested	**(202,897)**		**65.26**
Canceled	**(41,903)**		**66.68**
Nonvested June 30, 2012	**1,159,842**	**$**	**68.51**

During 2012, 2011 and 2010, the Company recorded stock-based compensation expense of$41,886, $24,378 and $15,018, respectively, relating to the LTIP.

Shares surrendered in connection with the LTIP: 2012- 76,427; 2011- 126,462; 2010 - 83,991.

In 2012, 2011 and 2010, 15,010, 17,820 and 20,000 restricted shares, respectively, were issued to certain non-employee members of the Board of Directors. Transferability of these shares is restricted for one to three years following issuance. In addition, prior to 2012 non-employee members of the Board of Directors were given the opportunity to receive all or a portion of their fees in restricted shares. These shares vest ratably, on an annual basis, over the term of office of the director. In 2011 and 2010, 2,400 and 4,578 restricted shares, respectively, were issued in lieu of directors' fees.

During 2012, 2011 and 2010, the Company recognized a tax benefit (cost) of$426, $277, and $(333), respectively, relating to the LTIP and restricted stock issued to non-employee members of the Board of Directors.

At June 30, 2012, the Company had approximately 21 million common shares reserved for issuance in connection with its stock incentive plans.

13. Shareholders' Protection Rights Agreement

On January 25, 2007, the Board of Directors of the Company declared a dividend of one Shareholders' Right for each common share outstanding on February 17, 2007 in relation to the Company's Shareholders Protection Rights Agreement. As of June 30, 2012, 149,630,598 common shares were reserved for issuance under this Agreement. Under certain conditions involving acquisition of, or an offer for, 15 percent or more of the Company's common shares, all holders of Shareholders' Rights would be entitled to purchase one common share at an exercise price currently set at$160. In addition, in certain circumstances, all holders of Shareholders' Rights (other than the acquiring entity) would be entitled to purchase a number of common shares equal to twice the exercise price, or at the option of the Board, to exchange each Shareholders' Right for one common share. The Shareholders' Rights remain in existence until February 17, 2017, unless extended by the Board of Directors or earlier redeemed (at one cent per Shareholders' Right), exercised or exchanged under the terms of the agreement. In the event of an unfriendly business combination attempt, the Shareholders' Rights will cause substantial dilution to the person attempting the business combination. The Shareholders' Rights should not interfere with any merger or other business combination that is in the best interest of the Company and its shareholders since the Shareholders' Rights may be redeemed.

14. Research and Development

Research and development costs amounted to $365,703 in 2012, $359,456 in 2011 and $316,181 in 2010. These amounts include both costs incurred by the Company related to independent research and development initiatives as well as costs incurred in connection with research and development contracts. Costs incurred in connection with research and development contracts amounted to $43,658 in 2012, $61,327 in 2011 and $40,277 in 2010. These costs are included in the total research and development cost for each of the respective years.

15. Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, long-term investments, and accounts receivable, net as well as obligations under accounts payable, trade, notes payable and long-term debt. Due to their short-term nature, the carrying values for cash and cash equivalents, accounts receivable, net, accounts payable, trade and notes payable approximate fair value. The carrying value of long-term debt (excluding capital leases) was $1,728,983 and $1,765,892 at June 30, 2012 and June 30, 2011, respectively, and was estimated to have a fair value of $2,005,887 and $1,902,221 at June 30, 2012 and June 30, 2011, respectively. The fair value of long-term debt was estimated using discounted cash flow analyses based on the Company's current incremental borrowing rate for similar types of borrowing arrangements.

The Company utilizes derivative and non-derivative financial instruments, including forward exchange contracts, costless collar contracts, cross-currency swap contracts and certain foreign denominated debt designated as net investment hedges, to manage foreign currency transaction and translation risk. The derivative financial instrument contracts are with major investment grade financial institutions and the Company does not anticipate any material non-performance by any of the counterparties. The Company does not hold or issue derivative financial instruments for trading purposes.

The Company's Euro bonds and Japanese Yen credit facility have been designated as a hedge of the Company's net investment in certain foreign subsidiaries. The translation of the Euro bonds and Japanese Yen credit facility into U.S. dollars is recorded in accumulated other comprehensive income (loss) and remains there until the underlying net investment is sold or substantially liquidated.

Derivative financial instruments are recognized on the balance sheet as either assets or liabilities and are measured at fair value. Derivatives consist of forward exchange, costless collar and cross-currency swap contracts the fair value of which is calculated using market observable inputs including both spot and forward prices for the same underlying currencies. The fair value of the cross-currency swap contracts is calculated using a present value cash flow model that has been adjusted to reflect the credit risk of either the Company or the counterparty.

Gains or losses on derivatives that are not hedges are adjusted to fair value through the cost of sales caption in the Consolidated Statement of Income. Gains or losses on derivatives that are hedges are adjusted to fair value through accumulated other comprehensive income (loss) in the Consolidated Balance Sheet until the hedged item is recognized in earnings.

The location and fair value of derivative financial instruments reported in the Consolidated Balance Sheet are as follows:

	Balance Sheet Caption	2012	2011
Net investment hedges			
Cross-currency swap contracts	Other liabilities	**$ 2,008**	$ 36,582
Cash flow hedges			
Costless collar contracts	Accounts receivable	**2,466**	638
Forward exchange contracts	Accounts receivable	**1,887**	—
Costless collar contracts	Other accrued liabilities	**552**	2,979

The fair values at June 30, 2012 and 2011 are classified within Level 2 of the fair value hierarchy. There are no other financial assets or liabilities that are marked to market on a recurring basis. Fair values are transferred between levels of the fair value hierarchy when facts and circumstances indicate that a change in the method of estimating the fair value of a financial asset or financial liability is warranted.

The cross-currency swap contracts have been designated as hedging instruments. The forward exchange and costless collar contracts have not been designated as hedging instruments and are considered to be economic hedges of forecasted transactions.

Gains (losses) on derivative financial instruments that were recorded in the Consolidated Statement of Income are as follows:

	2012	2011	2010
Forward exchange contracts	**$ (4,156)**	$ 19,048	$ —
Costless collar contracts	**5,111**	(6,624)	(4,897)

Gains (losses) on derivative and non-derivative financial instruments that were recorded in accumulated other comprehensive income (loss) in the Consolidated Balance Sheet are as follows:

	2012	2011
Cross-currency swap contracts	**$ 21,359**	$ (22,600)
Foreign denominated debt	**22,039**	(50,581)

There was no ineffectiveness of the cross-currency swap contracts or foreign denominated debt, nor were any portion of these financial instruments excluded from the effectiveness testing, during 2012, 2011 and 2010.

16. Contingencies

The Company is involved in various litigation matters arising in the normal course of business, including proceedings based on product liability claims, workers' compensation claims and alleged violations of various environmental laws. The Company is self-insured in the United States for health care, workers' compensation, general liability and product liability up to predetermined amounts, above which third party insurance applies. Management regularly reviews the probable outcome of these proceedings, the expenses expected to be incurred, the availability and limits of the insurance coverage, and the established accruals for liabilities. While the outcome of pending proceedings cannot be predicted with certainty, management believes that any liabilities that may result from these proceedings will not have a material adverse effect on the Company's liquidity, financial condition or results of operations.

Environmental - The Company is currently responsible for environmental remediation at various manufacturing facilities presently or formerly operated by the Company and has been named as a “potentially responsible party,” along with other companies, at off-site waste disposal facilities and regional sites.

As of June 30, 2012, the Company had a reserve of $11,889 for environmental matters, which are probable and reasonably estimable. This reserve is recorded based upon the best estimate of costs to be incurred in light of the progress made in determining the magnitude of remediation costs, the timing and extent of remedial actions required by governmental authorities and the amount of the Company's liability in proportion to other responsible parties.

The Company's estimated total liability for environmental matters ranges from a minimum of$11.9 million to a maximum of $71.5 million. The largest range for any one site is approximately $6.1 million. The actual costs to be incurred by the Company will be dependent on final determination of contamination and required remedial action, negotiations with governmental authorities with respect to cleanup levels, changes in regulatory requirements, innovations in investigatory and remedial technologies, effectiveness of remedial technologies employed, the ability of other responsible parties to pay, and any insurance or other third-party recoveries.

17. Quarterly Information
(Unaudited)

2012	1st	2nd	3rd	4th	Total
Net sales	**$ 3,233,881**	**$ 3,106,832**	**$ 3,393,563**	**$ 3,411,666**	**$ 13,145,942**
Gross profit	**819,439**	**725,510**	**803,248**	**839,408**	**3,187,605**
Net income attributable to common shareholders	**297,018**	**240,766**	**312,074**	**301,965**	**1,151,823**
Diluted earnings per share	**1.91**	**1.56**	**2.01**	**1.96**	**7.45**

2011	1st	2nd	3rd	4th	Total
Net sales	$ 2,829,273	$ 2,866,664	$ 3,240,103	$ 3,409,830	$ 12,345,870
Gross profit	691,399	670,936	777,020	819,058	2,958,413
Net income attributable to common shareholders	247,171	230,180	279,589	292,190	1,049,130
Diluted earnings per share	1.51	1.39	1.68	1.79	6.37

Earnings per share amounts are computed independently for each of the quarters presented, therefore, the sum of the quarterly earnings per share amounts may not equal the total computed for the year.

18. Stock Prices and Dividends
(Unaudited)

(In dollars)		1st	2nd	3rd	4th	Total
2012	**High**	**$ 92.01**	**$ 85.84**	**$ 91.47**	**$ 89.45**	**$ 92.01**
	Low	**60.36**	**59.26**	**76.92**	**71.90**	**59.26**
	Dividends	**0.37**	**0.37**	**0.39**	**0.41**	**1.54**
2011	High	$ 72.12	$ 87.36	$ 95.00	$ 99.40	$ 99.40
	Low	54.26	67.52	82.80	83.65	54.26
	Dividends	0.27	0.29	0.32	0.37	1.25
2010	High	$ 55.89	$ 59.36	$ 66.71	$ 72.50	$ 72.50
	Low	39.53	49.36	53.50	55.18	39.53
	Dividends	0.25	0.25	0.25	0.26	1.01

Common Stock Listing: New York Stock Exchange, Stock Symbol PH

Management's Report On Internal Control Over Financial Reporting

Our management, including the principal executive officer and the principal financial officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)). We assessed the effectiveness of our internal control over financial reporting as of June 30, 2012. In making this assessment, we used the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission in "Internal Control-Integrated Framework." We concluded that based on our assessment, the Company's internal control over financial reporting was effective as of June 30, 2012.

Deloitte & Touche LLP, the independent registered public accounting firm that audited the Company's consolidated financial statements, has issued an attestation report on the Company's internal control over financial reporting as of June 30, 2012, which is included herein.

/s/ Donald E. Washkewicz	/s/ Jon P. Marten
Chairman, Chief Executive Officer and President	Executive Vice President - Finance & Administration and Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Parker-Hannifin Corporation:

We have audited the accompanying consolidated balance sheets of Parker-Hannifin Corporation and subsidiaries (the "Company") as of June 30, 2012 and 2011, and the related consolidated statements of income, equity, and cash flows for each of the three years in the period ended June 30, 2012. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(1). We also have audited the Company's internal control over financial reporting as of June 30, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and financial statement schedule and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Parker-Hannifin Corporation and subsidiaries as of June 30, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2012, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2012, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ DELOITTE & TOUCHE LLP

Cleveland, Ohio
August 24, 2012

Five-Year Financial Summary

(Amounts in thousands, except per share information)	2012	2011	2010	2009	2008
Net sales	**$ 13,145,942**	$ 12,345,870	$ 9,993,166	$ 10,309,015	$ 12,145,605
Cost of sales	**9,958,337**	9,387,457	7,847,067	8,181,348	9,339,072
Selling, general and administrative expenses	**1,519,316**	1,467,773	1,277,080	1,290,379	1,364,082
Interest expense	**92,790**	99,704	103,599	112,071	98,996
Income taxes	**421,206**	356,751	198,452	172,939	377,058
Net Income attributable to common shareholders	**1,151,823**	1,049,130	554,065	508,515	949,466
Basic earnings per share	**7.62**	6.51	3.44	3.15	5.64
Diluted earnings per share	**$ 7.45**	$ 6.37	$ 3.40	$ 3.13	$ 5.53
Average number of shares outstanding - Basic	**151,222**	161,126	160,910	161,564	168,285
Average number of shares outstanding - Diluted	**154,665**	164,798	162,902	162,719	171,644
Cash dividends per share	**$ 1.540**	$ 1.250	$ 1.010	$ 1.000	$ 0.84
Net income attributable to common shareholders as a percent of net sales	**8.8%**	8.5%	5.5%	4.9%	7.8%
Return on average assets	**10.4%**	10.1%	5.6%	5.0%	10.1%
Return on average shareholders' equity	**22.4%**	21.5%	12.8%	10.7%	19.1%
Book value per share	**$ 32.72**	$ 34.71	$ 27.09	$ 26.59	$ 31.35
Working capital	**$ 2,012,101**	$ 1,914,213	$ 1,383,905	$ 1,118,027	$ 1,912,369
Ratio of current assets to current liabilities	**1.8**	1.8	1.6	1.6	1.9
Plant and equipment, net	**$ 1,719,968**	$ 1,797,179	$ 1,697,881	$ 1,880,554	$ 1,926,522
Total assets	**11,170,282**	10,886,805	9,910,382	9,855,902	10,386,854
Long-term debt	**1,503,946**	1,691,086	1,413,634	1,839,705	1,952,452
Shareholders' equity	**$ 4,896,515**	$ 5,383,854	$ 4,367,965	$ 4,268,199	$ 5,251,553
Debt to debt-shareholders' equity percent	**26.1%**	24.7%	28.9%	35.2%	28.3%
Depreciation	**$ 210,508**	$ 229,238	$ 245,295	$ 252,599	$ 257,570
Capital expenditures	**$ 218,817**	$ 207,294	$ 129,222	$ 270,733	$ 280,327
Number of employees	**59,331**	58,409	54,794	51,639	61,722
Number of shares outstanding at year-end	**149,631**	155,091	161,256	160,489	167,512

Exhibit (21)* to Report
on Form 10-K for
Fiscal Year Ended June 30, 2012
by Parker-Hannifin Corporation

Listed below, are the subsidiaries of the Company and their jurisdictions of organization. Except where otherwise noted, all of such subsidiaries are either directly or indirectly wholly-owned by the Company.

Name of Subsidiary	State/Country of Incorporation
UNITED STATES	
Alkid Corporation	California
Kittiwake Incorporated	Florida
Oil Air Holdings Inc.	Delaware
Olaer Inc.	Delaware
Olaer USA, Inc.	Texas
Parker Italy (PH Espana Holding) LLC	Delaware
Parker-Hannifin International Corp.	Delaware
Winco Enterprises Inc.	California
Parker Royalty Partnership	Ohio
PG Square LLC	Ohio
PH Spain LLC	Delaware
Parker Intangibles LLC	Delaware
Parker Italy Holding LLC	Delaware
INTERNATIONAL	
Parker Hannifin Argentina S.A.I.C.	Argentina
Olaer Australia Pty Ltd	Australia
Parker Hannifin Australia Assets Pty Limited	Australia
Parker Hannifin Australia Holding Pty Limited	Australia
Parker Hannifin (Australia) Pty. Limited	Australia
Snap-tite Australia Pty. Ltd.	Australia
Olaer Austria GmbH	Austria
Parker Hannifin Manufacturing Holding Austria GmbH	Austria
Parker Hannifin Manufacturing Austria GmbH	Austria
Parker Hannifin Ges.m.b.H.	Austria
Parker Hannifin Manufacturing Holding Belgium SPRL	Belgium
Parker Hannifin BeLux SPRL	Belgium
Parker Hannifin Manufacturing Belgium BVBA	Belgium
SA Olaer Benelux NV	Belgium
Parker Hannifin (Bermuda) Ltd.	Bermuda
Parker Hannifin BerLux Ltd.	Bermuda
Parker Hannifin Partner I GP	Bermuda
Parker Hannifin Partner II GP	Bermuda
Legris do Brasil Ltda.	Brazil

Name of Subsidiary	State/Country of Incorporation
Olaer do Brasil Sistemas Hidraulicos Ltda.	Brazil
Parker Adesivos e Selantes Químicos Indústria e Comércio Ltda.	Brazil
Parker Hannifin Indústria e Comércio Ltda.	Brazil
9183-7252 Quebec Inc.	Canada
Parker Canada Holding Co.	Canada
Parker Canada Investment Co.	Canada
Parker Hannifin Canada	Canada
Parker Ontario Holding Inc.	Canada
Ingenieria y Servicios Metalcrom Ltda.	Chile
Parker Hannifin Corporation Chile Ltda	Chile
Oiltech Hydraulic Manufacturing (Suzhou) Co., Ltd	China
Olaer Tianjin Hydraulic Manufacturing Co Ltd	China
Parker Hannifin Motion & Control (Wuxi) Company Ltd	China
Parker Asun Company Ltd	China
Parker Hannifin Fluid Power Systems & Components (Shanghai) Co., Ltd.	China
Taiyo System (Tianjin) Co., Ltd.	China
Wuxi Helvoet Rayco Technologies Co., Ltd.	China
Parker Hannifin Motion & Control (Shanghai) Co. Ltd.	China
ISR Shenyang Rubber Products Co., Ltd.	China
Rayco (Wuxi) Technologies Co., Ltd.	China
Shanghai Denison Hydraulics Components Limited (1)	China
Taiyo Parker Fluidpower (Shanghai) Co., Ltd.	China
Parker Hannifin Refrigeration and Air Conditioning (Wuxi) Co., Ltd.	China
Parker Hannifin Electronic Material (Shenzhen) Co., Ltd	China
Parker Hannifin Fluid Connectors Co., Ltd	China
Parker Hannifin Fluid Connectors (Qingdao) Co., Ltd.	China
Parker Hannifin Hydraulics (Tianjin) Co., Ltd	China
Parker Hannifin Management (Shanghai) Co Ltd	China
Olaer CZ, s.r.o.	Czech Republic
Parker Hannifin Manufacturing Holding Czech Republic s.r.o.	Czech Republic
Parker Hannifin Industrial s.r.o.	Czech Republic
Parker Hannifin Czech Republic s.r.o.	Czech Republic
Parker-Hannifin s.r.o.	Czech Republic
Parker Hannifin Manufacturing Holding Denmark ApS	Denmark
Parker Hannifin Danmark ApS	Denmark
Parker Hannifin Manufacturing Denmark ApS	Denmark
Olaer OY	Finland
Parker Hannifin Manufacturing Finland Oy	Finland
Parker Hannifin Oy	Finland
Olaer Industries SA	France
Parker Hannifin France Finance SAS	France
Parker Hannifin France Holding SAS	France
Parker Hannifin France SAS	France
Parker Hannifin Manufacturing France SAS	France
Olaer Industries GmbH	Germany

Name of Subsidiary	State/Country of Incorporation
Parker Hannifin Gebaeudeverwaltung eins GmbH & Co. KG	Germany
Parker Hannifin Gebaeudeverwaltung zwei GmbH & Co. KG	Germany
Parker Hannifin Manufacturing Germany GmbH & Co. KG	Germany
Parker Hannifin Real Estate Holding GmbH	Germany
Parker Hannifin Holding GmbH	Germany
Parker Hannifin GmbH	Germany
Parker Hannifin Verwaltungs-GmbH	Germany
Parker Hannifin (Gibraltar) Holding Limited	Gibraltar
Parker Hannifin (Gibraltar) Properties Limited	Gibraltar
Denison Hydraulics Limited	Hong Kong
Parker Hannifin Hong Kong, Ltd.	Hong Kong
Par Treasure Limited	Hong Kong
Legris Hungary Limited Liability Company	Hungary
Olaer Schweiz AG Kulfoldi Vallakozas Magyarorszagi Fioltelepe	Hungary
Parker International Capital Management Hungary Limited Liability Company	Hungary
Parker Hannifin Hungary LLC	Hungary
Annapurna Kenmore Tube Products Pvt. Ltd. (2)	India
Domnick Hunter India Pvt Ltd.	India
Legris India Private Ltd. (3)	India
Legris Holding India Private Ltd.	India
Olaer Hydraulics (India) Pvt. Ltd	India
Parker Hannifin India Private Ltd.	India
PT Domnick Hunter Indonesia	Indonesia
Acadia International Insurance Limited	Ireland
Parker Sales (Ireland) Limited	Ireland
Snap-Tite (Ireland) Limited	Ireland
Olaer Italiana SpA	Italy
Parker Hannifin Manufacturing Holding Italy srl	Italy
Parker Hannifin Italy srl	Italy
Parker Hannifin srl	Italy
Parker ITR srl	Italy
Parker Marine Hose Products srl	Italy
Kuroda Pneumatics Ltd.	Japan
Kuroda Precision Industries Ltd.	Japan
Parker Hannifin Japan Ltd.	Japan
Taiyo, Ltd.	Japan
Taiyo Tec Co, Ltd	Japan
Taiyo Techno Ltd	Japan
Pantra Tech Seal Ltd.	Korea
Parker Korea Ltd.	Korea
Parker Hannifin Climate & Industrial Controls Ltd.	Korea
Parker Hannifin Connectors Ltd.	Korea
Parker Mobile Control Division Asia Co., Ltd.	Korea
Parker Hannifin Luxembourg Investments 1 S.a.r.l.	Luxembourg
Parker Hannifin Europe S.a.r.l.	Luxembourg

Name of Subsidiary	State/Country of Incorporation
Parker Hannifin (Luxembourg) S.a.r.l.	Luxembourg
Parker Hannifin Outbound S.a.r.l.	Luxembourg
Parker Hannifin Partnership S.C.S.	Luxembourg
Parker Hannifin Global Capital Management S.a.r.l	Luxembourg
Parker Hannifin S.a.r.l.	Luxembourg
Parker Hannifin Bermuda Luxembourg S.C.S.	Luxembourg
Parker Hannifin Holding EMEA S.a.r.l.	Luxembourg
Parker Hannifin Luxembourg Acquisitions S.a.r.l.	Luxembourg
Parker Hannifin Lux FinCo S.a.r.l.	Luxembourg
Parker Hannifin Luxembourg Finance S.à r.l.	Luxembourg
Emitherm Sdn. Bhd.	Malaysia
Parker Hannifin Industrial (M) Sdn Bhd	Malaysia
Parker Hannifin Malaysia Sdn. Bhd	Malaysia
Arosellos, S.A. de C.V.	Mexico
Parker Hannifin de Mexico, S.A. de C.V.	Mexico
Parker Hannifin Holding, S. de R.L. de C.V.	Mexico
Parker Industrial, S. de R.L. de C.V.	Mexico
Parker Baja Servicios, S.A. de C.V.	Mexico
Parker Brownsville Servicios, S.A. de C.V.	Mexico
Parker Seal de Mexico, S.A.	Mexico
Parker Sistemas de Automatización, S. de R.L. de C.V.	Mexico
Parker Servicios de México, S.A. de C.V.	Mexico
Olaer Benelux BV	Netherlands
Parker Hannifin Manufacturing Netherlands (Filtration and Separation) B.V.	Netherlands
Parker Hannifin Netherlands Holdings B.V.	Netherlands
Parker Hannifin VAS Netherlands B.V.	Netherlands
Parker Hannifin B.V.	Netherlands
Parker Hannifin Manufacturing Netherlands (Filtration) B.V.	Netherlands
Parker Hannifin Manufacturing Netherlands (Hose) B.V.	Netherlands
Parker Hannifin Manufacturing Netherlands (Pneumatic) B.V.	Netherlands
Parker Hannifin Manufacturing Netherlands (Polyflex) B.V.	Netherlands
Parker Hannifin Netherlands Holdings 2 B.V.	Netherlands
Parker Hannifin (N.Z.) Limited	New Zealand
Olaer AS	Norway
Parker Hannifin AS	Norway
Parker Hannifin (Norway) Holdings AS	Norway
Parker Hannifin VAS Norway AS	Norway
Parker Maritime AS	Norway
Parker Scanrope AS	Norway
Scanrope Eiendom Nord AS	Norway
Parker Hannifin Manufacturing Holding Poland Sp. z o.o.	Poland
Parker Hannifin Manufacturing Poland Sp z.o.o.	Poland
Parker Hannifin Sales Poland Sp z.o.o.	Poland
Parker Hannifin Portugal Unipessoal Lda	Portugal
Legris Industries OOO	Russia

Name of Subsidiary	State/Country of Incorporation
Parker Hannifin LLC	Russia
Parker Hannifin Singapore Private Limited	Singapore
Rayco Technologies Pte. Ltd.	Singapore
Parker-Hannifin (Africa) (Pty) Ltd	South Africa
Olaer Iberica SAU	Spain
Parker Hannifin Cartera Industrial S.L.	Spain
Parker Hannifin Manufacturing Spain S.L.	Spain
Parker Hannifin España S.L.	Spain
Parker Hannifin Industries and Assets Holding S.L.	Spain
Parker Hannifin Manufacturing Holding Spain S.L.	Spain
Tecknit Europe España SL	Spain
Olaer AB	Sweden
Olaer Scandinavia AB	Sweden
Parker Hannifin Manufacturing Sweden AB	Sweden
Parker Hannifin Aktiebolag	Sweden
Olaer Schweiz AG	Switzerland
Parker Hannifin Manufacturing Switzerland SA	Switzerland
Parker Origa Holding GmbH	Switzerland
Tema Marketing AG	Switzerland
Parker Hannifin Taiwan Ltd.	Taiwan
KV Automation Thailand (4)	Thailand
Parker Hannifin (Thailand) Co. Ltd.	Thailand
Parker Hareket ve Kontrol Sistemleri Tic. Ltd. Şti.	Turkey
Parker İklim Kontrol Sistemleri San. ve Tic. A.Ş.	Turkey
Parker Middle East FZE	United Arab Emirates
Abbotshaugh Enterprises Limited	United Kingdom
Alenco (Holdings) Limited	United Kingdom
Parker Hannifin Manufacturing Limited	United Kingdom
Olaer International Limited	United Kingdom
Parker Hannifin Limited	United Kingdom
Parker Hannifin 2007 LLP	United Kingdom
Parker Hannifin Manufacturing (UK) Limited	United Kingdom
Parker Hannifin (GB) Limited	United Kingdom
Parker Hannifin (Holdings) Limited	United Kingdom
Kittiwake Developments Limited	United Kingdom
Kittiwake Holroyd Limited	United Kingdom
Kittiwake Procal Limited	United Kingdom
Olaer Fawcett Christie Limited	United Kingdom
Olaer Limited	United Kingdom
Domnick Hunter Group Limited	United Kingdom
Domnick Hunter Iberica Limited	United Kingdom
Domnick Hunter Investments Limited	United Kingdom
Parker Hannifin de Venezuela, S.A.	Venezuela
Parker Hannifin Vietnam Company Limited	Vietnam

(1) The Company owns 85% of such subisdiary's equity capital
(2) The Company owns 51% of such subsidiary's equity capital
(3) The Company owns 74% of such subsidiary's equity capital
(4) The Company owns 77% of such subsidiary's equity capital

All of the foregoing subsidiaries are included in the Company's consolidated financial statements. In addition to the foregoing, the Company owns 22 inactive or name holding companies.

Exhibit (23) to Report
On Form 10-K for Fiscal
Year Ended June 30, 2012
By Parker-Hannifin Corporation

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-169069), and Form S-8 (Nos. 033-53193, 333-95477, 333-34542, 333-103181, 333-103633, 333-107691, 333-117761, 333-126957, 333-130123, and 333-164335) of our report dated August 24, 2012, relating to the financial statements and the financial statement schedule of Parker-Hannifin Corporation and subsidiaries (the "Company"), and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended June 30, 2012.

/s/ DELOITTE & TOUCHE LLP
Cleveland, OH
August 24, 2012

Exhibit 24

Securities and Exchange Commission
Washington, D.C. 20549

Re: Parker-Hannifin Corporation

Commission File No. 1-4982
Annual Report on Form 10-K
Authorized Representatives

Gentlemen:

Parker-Hannifin Corporation (the "Company") is the issuer of Securities registered under Section 12(b) of the Securities Exchange Act of 1934 (the "Act"). Each of the persons signing his or her name below confirms, as of the date appearing opposite his or her signature, that each of the following "Authorized Representatives" is authorized on his or her behalf to sign and to submit to the Securities and Exchange Commission Annual Reports on Form 10-K and amendments thereto as required by the Act:

Authorized Representatives
Donald E. Washkewicz
Jon P. Marten
Thomas A. Piraino, Jr.

Each person so signing also confirms the authority of each of the Authorized Representatives named above to do and perform, on his or her behalf, any and all acts and things requisite or necessary to assure compliance by the signing person with the Form 10-K filing requirements. The authority confirmed herein shall remain in effect as to each person signing his or her name below until such time as the Commission shall receive from such person a written communication terminating or modifying the authority.

	Date		**Date**
/s/ D.E. Washkewicz	8/16/2012	/s/K.P. Müller	8/16/2012
Donald E. Washkewicz, Chairman of the Board, Chief Executive Officer and President(Principal Executive Officer)		Klaus-Peter Müller, Director	
/s/ Jon P. Marten	8/16/2012	/s/Candy M. Obourn	8/16/2012
Jon P. Marten, Executive Vice President – Finance & Administration and Chief Financial Officer (Principal Financial Officer)		Candy M. Obourn, Director	
/s/ Catherine A. Suever	8/16/2012	/s/Joseph M. Scaminace	8/16/2012
Catherine A. Suever, Vice President and Controller(Principal Accounting Officer)		Joseph M. Scaminace, Director	
/s/Robert G. Bohn	8/16/2012	/s/Wolfgang R. Schmitt	8/16/2012
Robert G. Bohn, Director		Wolfgang R. Schmitt, Director	
/s/Linda S. Harty	8/16/2012	/s/Åke Svensson	8/16/2012
Linda S. Harty, Director		Åke Svensson, Director	
/s/W.E. Kassling	8/16/2012	/s/James L. Wainscott	8/16/2012
William E. Kassling, Director		James L. Wainscott, Director	
/s/R.J. Kohlhepp	8/16/2012		
Robert J. Kohlhepp, Director			

Exhibit 31(a)

CERTIFICATIONS

I, Donald E. Washkewicz, certify that:

1. I have reviewed this annual report on Form 10-K of Parker-Hannifin Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 24, 2012

/s/ Donald E. Washkewicz

Donald E. Washkewicz
Chief Executive Officer

Exhibit 31(b)

CERTIFICATIONS

I, Jon P. Marten, certify that:

1. I have reviewed this annual report on Form 10-K of Parker-Hannifin Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 24, 2012

/s/ Jon P. Marten

Jon P. Marten
Executive Vice President – Finance &
Administration and Chief Financial Officer

Exhibit 32

Certification Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
§ 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Annual Report on Form 10-K of Parker-Hannifin Corporation (the "Company") for the fiscal year ended June 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, that, to such officer's knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Dated: August 24, 2012

/s/ Donald E. Washkewicz
Name: Donald E. Washkewicz
Title: Chief Executive Officer

/s/ Jon P. Marten
Name: Jon P. Marten
Title: Executive Vice President-Finance & Administration and Chief Financial Officer