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, 2010

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 **(State or other jurisdiction of Incorporation or Organization)**	**34-0451060** **(I.R.S. Employer Identification No.)**
6035 Parkland Boulevard, Cleveland, Ohio **(Address of Principal Executive Offices)**	**44124-4141** **(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: (Do not check if a smaller reporting company)	☐	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, 2009, excluding, for purpose of this computation only, stock holdings of the Registrant's Directors and Officers: $8,592,027,160.

The number of Common Shares outstanding on July 31, 2010 was 161,176,153.

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, 2010 is incorporated by reference into Parts I and II hereof.

(2) Definitive Proxy Statement for the Company's 2010 Annual Meeting of Shareholders to be held on October 27, 2010 is incorporated by reference into Part III hereof.

PARKER-HANNIFIN CORPORATION

FORM 10-K

Fiscal Year Ended June 30, 2010

PART I

ITEM 1. Business. Parker-Hannifin Corporation is a leading worldwide full-line 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, distribution and administrative facilities are located in 39 states and in 45 foreign countries. The Company's motion and control technologies and systems are used in the products of its three principal business segments: Industrial; Aerospace; and Climate & Industrial Controls. The products are sold as original and replacement equipment through product and distribution centers worldwide. The Company markets its products through direct-sales employees, independent distributors, sales representatives and builder/dealers. Parker products are supplied to approximately 471,000 customers in virtually every significant manufacturing, transportation and processing industry. For the fiscal year ended June 30, 2010, total net sales were $9,993,165,773. Industrial Segment products accounted for 74%, Aerospace Segment products accounted for 18%, and Climate & Industrial Controls Segment products accounted for 8% of those net sales.

Markets

Motion and control technologies and systems are used throughout various industries and in various applications. The approximately 471,000 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, 2010.

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

Automation Group:

- Alternative energy
- Converting and packaging
- Factory automation
- Food production machinery
- Life sciences and medical
- Material handling
- Paper machinery
- Primary metals
- 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
- Process
- Transportation
- Water

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
- Oil and gas
- Renewable energy
- Transportation

Hydraulics Group:	• Aerial lift • Agriculture • Construction machinery • Forestry • Industrial machinery • Machine tool • Material handling	• Marine • Mining • Oil and gas • Power generation • Renewable energy • Truck hydraulics • Factory automation
Instrumentation Group:	• Chemical and refining • Food and beverage • Medical and dental	• Microelectronics • Oil and gas • Power generation
Seal Group:	• Aerospace • Chemical processing • Consumer • Energy, oil and gas • Fluid power • General industrial	• Information technology • Life sciences • Military • Semiconductor • 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
- Appliances
- Food and beverage
- Industrial and commercial refrigeration
- Industrial machinery
- Oil and gas
- Life sciences and medical
- Precision cooling
- Process
- Supermarkets
- Transportation

Principal Products and Methods of Distribution

Industrial Segment. The products produced by the Company's Industrial Segment consist of a broad range of motion and control 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 instruments 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 zero air generators
- Process, chemical, water and microfiltration filters
- Water desalinization and purification

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
- Human machine interfaces
- 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

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-purity gas delivery fittings, valves, regulators and digital flow controllers
- 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 a particular end product. Both standard and custom products are also used in the replacement of original motion and control products. Industrial Segment products are marketed primarily through field sales employees and approximately 10,300 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 electromechanical 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:

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

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

The Aerospace Segment's fuel product line 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 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
- Oil and lubrication pumps and equipment
- Heat management
- Engine bleed control and anti-ice systems
- Electronic control and monitoring computers
- Motor-driven and hydraulic pumps
- Fuel and pneumatic filtration
- Fluid conveyance systems and engine build units
- Thrust reverser actuation

The Aerospace Segment also offers electronics 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 organization and are sold directly to 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
- 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.

No single product contributed more than 1% to the Company's total net sales for the fiscal year ended June 30, 2010.

Competition

The Company's business operates in highly competitive markets and industries. The Company offers hundreds of thousands of individual products over numerous, varied markets through its 132 reporting units operating in 46 countries and consequently has thousands of competitors when viewed across the various markets and product offerings. The Company's competitors include many large U.S. and non-U.S. companies, divisions of larger companies, and smaller regional or specialized companies. The degree of competition varies globally and regionally by product line, end market and geographic location. While each of the Company's segments has several global competitors and numerous regional and specialized local ones, 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 (a subsidiary of United Technologies Corp.), GE Aviation (formerly Smiths Aerospace), Eaton Corporation, Moog Inc., Woodwood 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 include 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;
- system solution capabilities that use the Company's core technologies from a variety of its segments; and
- global presence.

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 $316,181,141 in fiscal year 2010, $338,907,820 in fiscal year 2009, and $303,097,752 in fiscal year 2008. 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 2010, 2009, and 2008 were $40,276,911, $50,739,381, and $47,757,134, 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 13-5 to 13-7 of Exhibit 13 to this Annual Report on Form 10-K, is incorporated into this section by reference. The Company's backlog at June 30, 2010 was $3,141,244,079 and at June 30, 2009 was $2,885,284,015. Approximately 85% of the Company's backlog at June 30, 2010 is scheduled for delivery in the succeeding twelve months. The Company's business generally is not seasonal in nature.

Environmental Regulation

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 foreign 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 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, 2010, the Company is involved in environmental remediation at various United States and foreign 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.

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, 2010, the Company had a reserve of $15,825,492 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 the above mentioned sites ranges from a minimum of $15,825,492 to a maximum of $72,342,781. The largest range of the estimated total liability for any one site is approximately $6,100,000. The actual costs to be incurred by the Company will be dependent on final determination of contamination, final determination of remedial action required, negotiations with federal and state agencies 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 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 such 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, aluminum, elastomeric 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 54,800 persons as of June 30, 2010, of whom approximately 28,900 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 13-15 to 13-16 of Exhibit 13 to this Annual Report on Form 10-K, are incorporated into this section by reference.

Acquisitions

During fiscal year 2010, the Company completed one acquisition, as set forth on page 13-22 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 and adversely affect the Company's business, financial condition, results of operations and cash flows. 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 is subject to risks arising from uncertainty in worldwide economic conditions.

Current uncertainty regarding global economic conditions and the existence and rate of any 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 affect performance 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 effects may, among other things, negatively impact the level of purchases, capital expenditures and creditworthiness of the Company's distributors, customers and suppliers, and, therefore, the Company's revenues, operating profits and margins and order rates.

During the second half of fiscal 2010, the Company began to see signs of an economic recovery. Throughout the worldwide economic downturn, the Company 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's Win Strategy initiatives relating to growth and margin improvement as well as the implementation of a number of business realignment initiatives, including plant closures and general workforce reductions, continue to help meet this objective. There can be no assurance, however, that these or any other initiatives or contingency plans implemented by the Company will be successful or that the Company will have sufficient resources to manage the recovery if the economy rebounds more quickly than anticipated.

The Company cannot predict if, when or how much worldwide economic conditions will improve. These conditions are highly unpredictable 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 is 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 interruption in its ability to manage and operate its business, the Company's results of operations and financial condition could be adversely affected.

Potential product liability risks exist from the products that the Company sells.

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. 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. In the event of a claim against it, a lack of sufficient insurance coverage could have a material adverse effect on the Company's financial condition, liquidity and results of operations. Moreover, even if the Company maintains adequate insurance, a successful claim could still have a material adverse effect on its financial condition, liquidity and results of operations.

The Company may be adversely affected by litigation or other regulatory proceedings.

The Company is a defendant from time to time in litigation and regulatory proceedings relating to its business. Due to the inherent uncertainties of litigation and regulatory proceedings, the Company cannot accurately predict the ultimate outcome of any such litigation or proceedings. An unfavorable outcome could adversely impact the Company's business, financial condition or results of operations.

The Company is 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. In addition, the Company 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 adversely affected.

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, which would adversely affect its results of operations.

Numerous factors may affect the demand for and supply of the Company's products, including:

- 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 the market acceptance of its products;
- increased competition in the markets it serves;

- declines in the general level of industrial production; or
- 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 would adversely affect its results of operations.

The raw materials used in the Company's production processes and by its suppliers of component parts are subject to price and supply fluctuations that could increase the costs of products and adversely affect our results of operations.

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, sales contracts 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 and adversely affected.

The Company may face various risks relating to acquisitions, including limitations on its ability to complete acquisitions or successfully integrate acquired businesses.

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 adversely affected.

The Company operates in a highly competitive environment.

The Company's domestic and foreign operations are subject to competition from a wide variety of global 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 is subject to risks relating to its foreign operations.

The Company's net sales derived from customers outside the United States were approximately 45% in fiscal 2010, 44% in fiscal 2009 and 47% in fiscal 2008. In addition, many of the Company's manufacturing operations and suppliers are located outside the United States. The Company expects net sales from foreign markets to continue to represent a significant portion of its total net sales. The Company's foreign operations are subject to risk in addition to those risks of 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 foreign 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 its 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.

Changes in the Company's tax rates or exposure to additional income tax liabilities could affect profitability.

The Company is subject to income taxes in the United States and various foreign 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 adversely 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-United States 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 Obama administration has proposed legislation that would change how U.S. multinational corporations are taxed on their foreign income. If such legislation is enacted, the Company's effective tax rate and, in turn, the Company's profitability, could be materially impacted.

The Company's future growth is partly dependent on 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 adversely affect the Company's competitive position.

The Company's future growth is partly dependent on 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 case, 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 adversely affected by the impact of environmental and safety regulations to which it is subject.

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 foreign 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 in the United States. Changes in or to regulation of greenhouse gas emissions and other climate change concerns could subject the Company to additional costs and restrictions, including increased energy and raw material costs. While such regulation appears likely in the United States, 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.

Increasing costs of certain employee and retiree benefits could adversely affect the Company's results of operations.

The amount of expenses recorded for the Company's defined benefit pension plans is 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 expenses and may adversely impact the Company's future results of operations.

The Company does business with the United States government and as such is subject to government regulations.

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 are as follows:

Name	Position	Officer Since(1)	Age as of 8/15/2010
Donald E. Washkewicz	Chairman of the Board, Chief Executive Officer and President	1997	60
Marwan M. Kashkoush	Executive Vice President – Sales, Marketing and Operations Support	2000	56

Name	Position	Officer Since(1)	Age as of 8/15/2010
Timothy K. Pistell	Executive Vice President – Finance and Administration and Chief Financial Officer	1993	63
Lee C. Banks	Executive Vice President and Operating Officer	2001	47
Robert P. Barker	Executive Vice President, Operating Officer and President – Aerospace Group	2003	60
Thomas L. Williams	Executive Vice President and Operating Officer	2005	51
Dana A. Dennis	Senior Vice President – Finance	1999	62
Robert W. Bond	Vice President and President – Fluid Connectors Group	2000	52
Michael Chung	Vice President and President – Asia Pacific Group	2008	47
Jeffery A. Cullman	Vice President and President – Hydraulics Group	2006	55
John G. Dedinsky, Jr.	Vice President – Global Supply Chain and Procurement	2006	53
William G. Eline	Vice President – Chief Information Officer	2002	54
John R. Greco	Vice President and President – Instrumentation Group	2006	56
Thomas F. Healy	Vice President and President – Climate & Industrial Controls Group	2006	50
William R. Hoelting	Vice President – Tax	2007	53
Pamela J. Huggins	Vice President and Treasurer	2003	56
Kurt A. Keller	Vice President and President – Seal Group	2009	52
A. Ricardo Machado	Vice President and President – Latin America Group	2006	62
Jon P. Marten	Vice President and Controller	2008	54
M. Craig Maxwell	Vice President – Technology and Innovation	2003	52
Thomas A. Piraino, Jr.	Vice President, General Counsel and Secretary	1998	61
Peter Popoff	Vice President and President – Filtration Group	2008	58

Name	Position	Officer Since(1)	Age as of 8/15/2010
Charly Saulnier	Vice President and President – Europe, Middle East and Africa Group	2008	62
Daniel S. Serbin	Vice President – Human Resources	2005	56
Roger S. Sherrard	Vice President and President – Automation Group	2003	44

(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. Pistell, Eline, Maxwell, Piraino, Serbin and Sherrard and Ms. Huggins have served in the executive capacities indicated above opposite their respective names during each of the past five years.

Mr. Washkewicz has served as a Director of the Company since 2000. Mr. Washkewicz has been Chairman of the Board of Directors of the Company since October 2004, Chief Executive Officer of the Company since July 2001, and President since January 2007.

Mr. Kashkoush who will be retiring effective September 30, 2010 has been Executive Vice President – Sales, Marketing and Operations Support since October 2007. He was Corporate Vice President – Worldwide Sales and Marketing from October 2003 to October 2007.

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, Vice President from October 2001 to November 2006, and President of the Hydraulics Group from October 2003 to November 2006. 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 and President of the Aerospace Group since March 2003. He was a Senior Vice President from November 2006 to August 2008 and Vice President from April 2003 to November 2006.

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 and Vice President and President of the Instrumentation Group from March 2005 to November 2006. He is also a Director of Chart Industries, Inc.

Mr. Dennis who will be retiring effective September 30, 2010 has been Senior Vice President – Finance since August 2008. He was a Vice President from October 2001 to August 2008 and Controller from July 1999 to August 2008.

Mr. Bond has been a Vice President since July 2000 and has been President of the Fluid Connectors Group since March 2005.

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

Mr. Cullman has been a Vice President and President of the Hydraulics Group since November 2006. He was Vice President –Operations of the Hydraulics Group from July 2002 to November 2006.

Mr. Dedinsky has been Vice President – Global Supply Chain and Procurement since January 2006. He was Vice President – Global Sourcing and Procurement from July 2004 to January 2006.

Mr. Greco has been a Vice President and President of the Instrumentation Group since October 2006. He was Vice President and General Manager of the Global Parflex Division from August 2005 to October 2006 and General Manager of the Parflex Division from March 1996 to August 2005.

Mr. Healy has been a Vice President since April 2006 and has been President of the Climate & Industrial Controls Group since July 2006. He was a Climate & Industrial Controls Group Vice President and General Manager of Mobile Climate Systems Division from September 2004 to April 2006.

Mr. Hoelting has been Vice President – Tax since February 2007. He was Vice President – Taxation from January 1998 to February 2007.

Mr. Keller has been Vice President and President of the Seal Group since August 2009. He was Vice President of Operations of the Seal Group from July 2005 to August 2009 and General Manager of O-Ring Division from April 1999 to July 2005.

Mr. Machado has been a Vice President since January 2006 and has been President of the Latin America Group since March 2000.

Mr. Marten has been Vice President and Controller since August 2008. He was an Assistant Controller of the Corporation from July 2007 to August 2008 and Vice President and Controller of the Aerospace Group from October 2004 to July 2007.

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 and Vice President/General Manager of the Global Racor Division from July 2004 to April 2006.

Mr. Saulnier has been 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.

ITEM 2. Properties. The Company's corporate headquarters is located in Cleveland, Ohio and, at June 30, 2010, the Company had 304 manufacturing plants and 286 distribution centers and sales and administrative offices throughout the world, none of which were individually material to its operations. The facilities are situated in 39 states within the United States and in 45 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	255	90	151
Aerospace	24	3	12
Climate & Industrial Controls	25	3	27
Total	304	96	190

	Geographic Location			
	North America	Europe	Asia-Pacific	Latin America
Industrial	213	165	96	22
Aerospace	29	5	4	1
Climate & Industrial Controls	44	7	3	1
Total	286	177	103	24

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 since April 27, 2007, when a grand jury in the Southern District of Florida issued a subpoena to Parker ITR and the Company requiring the production of documents, in particular documents related to communications with competitors and customers related to Parker ITR's business unit that manufactures marine hose, typically used in oil transfer. 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 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. The time period for the alleged illegal activities by Parker ITR's marine hose business unit varies by jurisdiction. 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 lawsuits and investigations have concluded. The following lawsuits and investigations remain pending or were resolved after March 31, 2010.

Four class action lawsuits were filed in the Southern District of Florida: *Shipyard Supply LLC v. Bridgestone Corporation, et al*, filed May 17, 2007; *Expro Gulf Limited v. Bridgestone Corporation, et al.*, filed June 6, 2007; *Bayside Rubber & Products, Inc. v. Trelleborg Industrie S.A., et al*, filed June 25, 2007; *Bayside Rubber & Products, Inc. v. Caleca, et al.*, filed July 12, 2007; and one in the Southern District of New York: *Weeks Marine, Inc. v. Bridgestone Corporation, et al*, filed July 27, 2007. On September 12, 2008, the plaintiffs filed an amended consolidated class action complaint. These lawsuits involve conduct from January 1985 to May 2007. Plaintiffs have since filed another amended consolidated complaint naming prior owners of the Parker ITR business unit that manufactures and sells marine hose. Plaintiffs generally seek treble damages, a permanent injunction, attorneys' fees, and pre-judgment and post-judgment interest.

The Company and Parker ITR reached a settlement of the class action litigation in the United States, and the court granted final approval of that settlement on January 13, 2010. On February 17, 2009, Parker ITR entered into a separate agreement to settle possible private causes of action outside the United States.

Brazilian competition authorities commenced their investigations on November 14, 2007. Parker ITR filed a procedural defense in January 2008. The Brazilian competition authorities have not yet responded to Parker ITR's filing. The Brazilian competition authorities' investigation is ongoing and the Company and Parker ITR continue to cooperate. The Brazilian authorities appear to be investigating the period from 1999 through May 2007. Because the Brazilian competition authorities have not yet responded to Parker ITR's initial filing, the potential outcome of this investigation is uncertain and will depend on the resolution of numerous issues not yet addressed at the current preliminary 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.

The Australian Competition and Consumer Commission (ACCC) filed a statement of claim in the Federal Court of Australia on May 29, 2009 and named Parker ITR as a respondent. Counsel for Parker ITR accepted service related to the ACCC's statement of claim and hearings have been held in the matter. The ACCC is investigating conduct through 2007. On December 10, 2009, Parker ITR and the ACCC presented a proposed settlement to the court which provides for a total fine of 675,000 Australian dollars, which was approved on April 13, 2010. Parker ITR has paid this fine, which, as of April 23, 2010 (date of payment), was approximately $626 thousand (based on the then-current exchange rate).

An additional related action was brought against the Company 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.

ITEM 4. (Removed and Reserved).

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 30, 2010, the number of shareholders of record of the Company was 4,383.

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

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

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, 2010 through April 30, 2010	25,700	$ 68.05	25,700	9,356,608
May 1, 2010 through May 31, 2010	51,500	$ 64.94	51,500	9,305,108
June 1, 2010 through June 30, 2010	97,882(2)	$ 60.19	82,786	9,222,322
Total:	175,082	$ 62.74	159,986	9,222,322

(1) On August 16, 1990, the Company publicly announced that its Board of Directors authorized the repurchase by the Company of up to 3.0 million shares of its common stock. From time to time, the Board of Directors has adjusted the number of shares authorized for repurchase under this program. On January 28, 2009, the Finance Committee of the Board of Directors of the Company approved an increase in the number of shares authorized for repurchase under this program so that, beginning on such date, the aggregate number of shares authorized for repurchase was equal to 10.0 million. 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. There is no expiration date for this program.

(2) Includes 15,096 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 13-13 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 Company enters into forward exchange contracts and costless collar contracts, comprised of puts and calls, to reduce its exposure to fluctuations in both freely convertible and non-freely convertible foreign currencies. These contracts are with major financial institutions and the risk of loss is considered remote. None of these contracts were designated as hedging instruments. The Company does not hold or issue derivative financial instruments for trading purposes. The total fair value and carrying amount and any risk to the Company as a result of these arrangements is not material to the Company's financial position, liquidity or results of operations.

The Company considers Venezuela to be a highly inflationary economy; therefore, the United States dollar is the functional currency for the Company's Venezuelan operations. The effect of treating Venezuela as a highly inflationary economy did not have a material effect on the Company's results of operations or financial position.

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 $856,370.

For further discussion, see the discussion of Significant Accounting Policies Footnote on page 13-22 of Exhibit 13 to this Annual Report on Form 10-K and incorporated into this section by reference.

ITEM 8. Financial Statements and Supplementary Data. The information set forth on pages 13-14 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, 2010. Based on this evaluation, the Company's principal executive officer and principal financial officer concluded that, as of the end of fiscal year 2010, 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, 2010 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 "Election of Directors" in the definitive Proxy Statement for the Company's 2010 Annual Meeting of Shareholders to be held October 27, 2010 (the "2010 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 information set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the 2010 Proxy Statement is incorporated herein by reference.

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 2010 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 2010 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 caption "Principal Shareholders" in the 2010 Proxy Statement is incorporated herein by reference. The information set forth under the caption "Equity Compensation Plan Information" in the 2010 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 2010 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 2010 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/ Timothy K. Pistell
Timothy K. Pistell
Executive Vice President – Finance and
Administration and Chief Financial Officer

August 26, 2010

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 Chief Executive Officer; JON P. MARTEN, Principal Accounting Officer; ROBERT G. BOHN, Director; LINDA S. HARTY, Director; WILLIAM E. KASSLING, Director; ROBERT J. KOHLHEPP, Director; GIULIO MAZZALUPI, Director; KLAUS-PETER MÜLLER, Director; CANDY M. OBOURN, Director; JOSEPH M. SCAMINACE, Director; WOLFGANG R. SCHMITT, Director; ÅKE SVENSSON, Director; MARKOS I. TAMBAKERAS, Director; and JAMES L. WAINSCOTT, Director.

Date: August 26, 2010

/s/ Timothy K. Pistell
Timothy K. Pistell, Executive Vice President –
Finance and 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, 2010, 2009 and 2008	—	13 - 14
Consolidated Balance Sheet at June 30, 2010 and 2009	—	13 - 17
Consolidated Statement of Cash Flows for the years ended June 30, 2010, 2009 and 2008	—	13 - 18
Consolidated Statement of Equity for the years ended June 30, 2010, 2009 and 2008	—	13 - 19
Notes to Consolidated Financial Statements	—	13 - 20 to 13 - 40
Schedule:		
II - Valuation and Qualifying Accounts	F-2	—

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, 2008, 2009 and 2010
(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, 2008	$ 11,655	$ 8,470	$ (3,282)	$ 16,843
Year ended June 30, 2009	$ 16,843	$ 9,157	$ (6,185)	$ 19,815
Year ended June 30, 2010	$ 19,815	$ 1,871	$ (6,985)	$ 14,701
Deferred tax asset valuation allowance:				
Year ended June 30, 2008	$ 28,896	$ 53,324	$ (3,589)	$ 78,631
Year ended June 30, 2009	$ 78,631	$ 34,122	$ 130	$112,883
Year ended June 30, 2010	$112,883	$ 22,970	$ (43,054)	$ 92,799

(A) For allowance for doubtful accounts, net balance of deductions due to uncollectible accounts charged off and additions due to acquisitions or recoveries. For defered tax asset valuation allowance, 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).
	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 pages 13-28 to 13-29 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 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)	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)(h)	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)(i)	Parker-Hannifin Corporation Amended and Restated 2003 Stock Incentive Plan incorporated by reference to Exhibit 10(j) 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 2009 Omnibus Stock Incentive Plan incorporated by reference to Appendix A of the Registrant's Proxy Statement on Schedule 14A, filed with the Commission on September 28, 2009 (Commission File No. 1-4982).
(10)(k)	Parker-Hannifin Corporation Performance Bonus Plan incorporated by reference to Exhibit A to the Registrant's Definitive Proxy Statement filed with the Commission on September 26, 2005 (Commission File No. 1-4982).
(10)(l)	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)(m)	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)(n)	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)(o)	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)(p)	Form of Notice of FY09 Target Incentive Bonus Award Under the Parker-Hannifin Corporation 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, 2008 (Commission File No. 1-4982).
(10)(q)	Form of Notice of FY10 Target Incentive Bonus Award incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 2009 (Commission File No. 1-4982).
(10)(r)	Form of Notice of FY10 Target Incentive Bonus Award Under the Parker-Hannifin Corporation Performance Bonus Plan incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 2009 (Commission File No. 1-4982).
(10)(s)	Form of 2007-08-09 Long Term Incentive Award Letter Under the Parker-Hannifin Corporation Performance Bonus Plan incorporated by reference to Exhibit 10.6 to the Registrant's Report on Form 8-K filed with the Commission on August 22, 2006 (Commission File No. 1-4982).
(10)(t)	Form of 2008-09-10 Long Term Incentive Award Letter Under the Parker-Hannifin Corporation Performance Bonus Plan incorporated by reference to Exhibit 10.4 to the Registrant's Report on Form 8-K/A filed with the Commission on September 5, 2007 (Commission File No. 1-4982).
(10)(u)	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)(v)	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)(w)	Form of Notice of Long Term Incentive Performance Award Under the Parker-Hannifin Corporation Performance Bonus Plan.*
(10)(x)	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)(y)	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)(z)	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)(aa)	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)(bb)	Amendment to Parker-Hannifin Corporation Amended and Restated Pension Restoration Plan.*
(10)(cc)	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)(dd)	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)(ee)	Parker-Hannifin Corporation Sales Company Incentive Plan incorporated by reference to Exhibit 10(x) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2009 (Commission File No. 1-4982).
(10)(ff)	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)(gg)	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)(hh)	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)(ii)	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)(jj)	Form of 2007 Notice of Issuance of Restricted Stock for Non-Employee Directors incorporated by reference to Exhibit 10.2 to the Registrant's Report on Form 8-K filed with the Commission on August 22, 2006 (Commission File No. 1-4982).

(10)(kk)	Form of 2008 Notice of Issuance of Restricted Stock for Non-Employee Directors incorporated by reference to Exhibit 10(c) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2007 (Commission File No. 1-4982).
(10)(ll)	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)(mm)	Amended 2009 Notice of Issuance of Restricted Stock for Non-Employee Directors issued to William E. Kassling dated March 11, 2009 incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended March 31, 2009 (Commission File No. 1-4982).
(10)(nn)	Amended 2009 Notice of Issuance of Restricted Stock for Non-Employee Directors issued to Joseph M. Scaminace dated March 11, 2009 incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-Q for the quarterly period ended March 31, 2009 (Commission File No. 1-4982).
(10)(oo)	Amended 2009 Notice of Issuance of Restricted Stock for Non-Employee Directors issued to Wolfgang R. Schmitt dated March 11, 2009 incorporated by reference to Exhibit 10(c) to the Registrant's Report on Form 10-Q for the quarterly period ended March 31, 2009 (Commission File No. 1-4982).
(10)(pp)	Form of 2010 Notice of Issuance of Restricted Stock for Non-Employee Directors incorporated by reference to Exhibit 10(i) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2009 (Commission File No. 1-4982).
(10)(qq)	Amended and Restated Deferred Compensation Plan for Directors of Parker-Hannifin Corporation incorporated by reference to Exhibit 10(m) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).
(10)(rr)	Summary of the Compensation of the Non-Employee Members of the Board of Directors, effective October 1, 2008, incorporated by reference to Exhibit 10(n) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (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 13-26 of Exhibit 13 hereto.*
(12)	Computation of Ratio of Earnings to Fixed Charges as of June 30, 2010.*
(13)	Excerpts from Annual Report to Shareholders for the fiscal year ended June 30, 2010 which are incorporated herein by reference thereto.*
(21)	List of subsidiaries of the Registrant.*

(23)	Consent of Independent Registered Public Accounting Firm.*
(24)(a)	Power of Attorney.*
(24)(b)	Power of Attorney of Messrs. Bohn and Svensson.*
(31)(i)(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)(i)(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, 2010, 2009 and 2008, (ii) Consolidated Balance Sheet at June 30, 2010 and 2009, (iii) Consolidated Statement of Cash Flows for the years ended June 30, 2010, 2009 and 2008, (iv) Consolidated Statement of Equity for the years ended June 30, 2010, 2009 and 2008 and (v) Notes to Consolidated Financial Statements for the year ended June 30, 2010.

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 10(w)

TO: [Executive Name]

NOTICE OF
LONG TERM INCENTIVE PERFORMANCE (LTIP) AWARD
UNDER PERFORMANCE BONUS PLAN

The Human Resources and Compensation Committee of the Board of Directors (“Committee”) of Parker-Hannifin Corporation (“Company”) has granted you a Long Term Incentive Performance (“LTIP”) Award (“Award”) under the Company’s Performance Bonus Plan (the “Plan”) as follows:

Grant Date:	XX/XX/XXXX
Performance Period: (stated in calendar years)	CY 20XX-20XX-20XX
Target Shares Granted:	[Number granted]
Performance Multiplier:	As determined at the end of the Performance Period as provided below.

Your Award provides an incentive compensation opportunity based on the Company’s long-term performance against its peers, as provided below.

Target Shares Granted

Your Target Shares Granted is based on your grade level at the Grant Date and your expected service in your position through the end of the Performance Period. Your Target Shares Granted is subject to adjustment in the event of a change in your grade level or your employment status with the Company during the Performance Period, as more fully described in Section 1(b) below.

Company Performance & Shares Attained

The number of Shares actually earned upon completion of the Performance Period (“Shares Attained”) will be based on your Target Shares Granted (adjusted as provided herein) and the applicable payout percentage (“Performance Multiplier”), in accordance with the Company’s performance for the following weighted performance measures (“Performance Measures”), determined for the Company at the conclusion of the three calendar year Performance Period, in comparison to the performance of the members of the Company’s peer group as listed on the attached Exhibit A (“Peers” or “Peer Group”), determined for each Peer based on its performance at the conclusion of the three fiscal year period of the Peer ending with or immediately prior to the conclusion of the Performance Period:

Performance Measure	Weight
Revenue Growth	20%
Earnings Per Share (EPS) Growth	40%
Average Return on Invested Capital (ROIC)	40%

Each Performance Measure is calculated for each of the Company and the Peers by reference to sales and income from continuing operations and is computed under, or reconciled to, U.S. Generally Accepted Accounting Principles ("U.S. GAAP"). The number of Shares earned at the end of the Performance Period is determined based on a sliding scale with the maximum payout at 200% of Target and the minimum payout at 0% of Target. The total number of Shares Attained will be equal to the sum of the payouts determined under each of the Performance Measures, subject, however, to the Committee's exercise of negative discretion on payout. All calculations of results will be subject to Peer Group adjustments as provided below.

To earn 100% of your Target Shares allocable to each Weighted Performance Measure, the Company must rank in the 50th percentile among the Peers. Percentile rankings above or below the 50th percentile for the Performance Period among the Peers will result in a lesser or greater number of Shares Attained for that Performance Measure in accordance with the following table, or the interpolated percentage between the percentages in the table below:

Percentile Ranking:	£ 35	42.5	50	62.5	³ 75
Performance Multiplier:	0%	50%	100%	150%	200%

Peer Group Adjustments

Certain events affecting Peer Group performance data will result in changes to the Peer Group, or Peer Group company rankings, in accordance with the rules adopted by the Committee ("Peer Group Calculation Procedures") as set forth on the attached Exhibit B.

Payout of Your Award

Payments made pursuant to the Plan and this Award are intended to qualify as "performance-based compensation" for purposes of Section 162(m) of the Internal Revenue Code of 1986 and Section 1.162-27 of the Treasury Regulations.

All amounts earned under your Award will be paid in the form of common shares of stock in the Company ("Shares") to be issued as of the date the Committee certifies performance results and authorizes payment of your Award. Shares issued pursuant to this Award shall be issued under, and subject to, the Parker-Hannifin Corporation 2009 Omnibus Stock Incentive Plan ("2009 SIP") and the terms and conditions of this Award as an "Unrestricted Stock Award" (as defined in the 2009 SIP).

Except as otherwise provided below, you will receive notification of the number of Shares Attained from this Award within 30 days following certification by the Committee of the calculation of the Performance Measures, and you will receive the Shares Attained after the end of the Performance Period, but in no event later than the last day of the Company's fiscal year ending immediately following the Performance Period. The Committee may not increase your Shares Attained above the number determined under the terms of this Award. However, the Committee may, in its discretion, reduce the number of Shares Attained. Further, this Award is subject to reduction, cancellation, forfeiture, or recoupment, in the Committee's discretion, as

provided under the Company's Claw-back Policy, as established by the Committee, or the Board of Directors, as it now exists, or as it may be amended from time to time. Any payment pursuant to this Award is also subject to all applicable income or employment tax withholding requirements.

Additional Terms & Conditions

1. Change in Employment Status.

(a) If you voluntarily terminate your employment (except retirement), or your employment is terminated for cause at any time prior to the issuance of Shares under your Award, you will forfeit your Award.

(b) If your employment is terminated for any other reason, such as death, disability or retirement, during the Performance Period, or you otherwise have not served in an eligible position during the full Performance Period, your Target Shares Granted will be adjusted to result in your receipt of a pro-rated payout based on the number of full quarters served during the Performance Period.

2. Change in Control of the Company. In the event of a "Change in Control" (as defined in the 2009 SIP) of the Company during the Performance Period, you will receive full payment of the Award within fifteen (15) days following the date of the Change in Control in Shares equal to the greater of (a) the Target Shares Granted; or (b) the number of Shares that would have been issued as Shares Attained had the Company's percentile ranking among the Peers for each of the Performance Measures during the Performance Period through the end of the fiscal quarter immediately preceding the date of the Change in Control continued throughout the Performance Period at the same level. Notwithstanding the foregoing, in the event a Change in Control is deemed to occur during the Performance Period under the 2009 SIP as a result of your termination of employment prior to a Change in Control at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a Change in Control ("Anticipatory Termination"), you will receive full payment of the Award within 30 days following certification of the calculation of the Performance Measures by the Committee in Shares equal to Shares Attained based on Company performance through the end of the Performance Period; provided, however, that if a Change in Control occurs after such Anticipatory Termination and prior to such payment, you will receive full payment of the Award within fifteen (15) days following such Change in Control in Shares equal to the greater of (a) the Target Shares Granted, (b) the number of Shares that would have been issued as Shares Attained had the Company's percentile ranking among the Peers for each of the Performance Measures during the Performance Period through the end of the fiscal quarter immediately preceding the date of the Anticipatory Termination continued throughout the Performance Period at the same level, or (c) the number of Shares that would have been issued as Shares Attained had the Company's percentile ranking among the Peers for each of the Performance Measures during the Performance Period through the end of the fiscal quarter immediately preceding the date of the subsequent Change in Control continued throughout the Performance Period at the same level.

3. Terms of Other Plans Govern. Your Award is subject to all terms, conditions and provisions of the Plan, the 2009 SIP, and this Award. In the event of any conflict between their respective terms, conditions and provisions the Plan shall control.

4. Modifications. This Award is subject to modification in the discretion of the Committee as may be necessary to comply with Internal Revenue Code provisions affecting the Award, such as Sections 409A and 457A, or as may be needed in consideration of International Financial Reporting Standards ("IFRS") if and when adopted by the Company. Notwithstanding the foregoing, no such modification shall be made that will cause the Award to fail to qualify as performance based compensation under Code Section 162(m).

Please acknowledge receipt of this Award, and indicate your agreement with its terms, by clicking on the "OK" button below.

Sincerely yours,

/s/ Thomas A. Piraino, Jr.
Thomas A. Piraino, Jr.
Vice President, General Counsel and Secretary

LONG TERM INCENTIVE PERFORMANCE (LTIP) AWARD
UNDER PERFORMANCE BONUS PLAN

EXHIBIT A

Peer Group

Caterpillar Inc.

Cooper Industries, Ltd.

Cummins Inc.

Danaher Corporation

Deere & Company

Dover Corporation

Eaton Corporation

Emerson Electric Co.

Flowserve Corporation

Goodrich Corporation

Honeywell International Inc.

Illinois Tool Works Inc.

Ingersoll-Rand Company Limited

ITT Industries, Inc.

Johnson Controls, Inc.

Pall Corporation

Rockwell Automation, Inc.

SPX Corporation

Textron Inc.

LONG TERM INCENTIVE PERFORMANCE (LTIP) AWARD
UNDER PERFORMANCE BONUS PLAN

EXHIBIT B

Peer Group Calculation Procedures

- Member of the peer group begins the cycle with positive EPS in the base year and ends with negative EPS:
  - Calculate results for Parker and all peer group companies using a straight percentage change and rank accordingly. Those moving from positive EPS to negative EPS will have a percentage change of less than -100% and will rank at the bottom of the peer group.
- Member of the peer group has negative EPS in the base year:
  - Move to the bottom ranking for growth in EPS results.
  - Evaluate company at the beginning of the next cycle to determine if it is appropriate to continue in the peer group.
  - If more than 20% of the peer group companies have negative EPS in the base year, consider other alternatives such as widening the payout range or using an average of multiple-year EPS for the base EPS.
- Member of the peer group has very low positive EPS in the base year:
  - Leave this company in the peer group and rank in accordance with actual results. Small movements in EPS will generate large percentage changes, positive or negative.
  - Evaluate magnitude of the issue as we set goals and consider other alternatives if more than 20% of the peer group companies have very low positive EPS in the base year.
- Mergers and acquisitions of peer group companies:
  - If peer group company is the surviving company of a merger, leave in for existing cycles and re-evaluate for inclusion in future cycles.
  - If peer group company is not the survivor, remove from the peer group for purposes of determining results for all outstanding performance awards.
- Peer group company files for bankruptcy:
  - Move company to the bottom of the peer group for purposes of determining results for all cycles in which it was included in the peer group.

- Peer group company announces restatement of earnings.
  - If restated results available at the end of the performance period, use restated numbers for ranking.
  - If restated results are not available at the end of the performance period, remove the company's results for any metric in which company was ranked higher than Parker.
- Peer group company is early adopter of IFRS and US GAAP reconciliation numbers are not available at the end of the performance period:
  - Remove company from peer group for purposes of determining results.

Exhibit 10(bb)

PARKER-HANNIFIN CORPORATION

AMENDMENT TO THE
AMENDED AND RESTATED PENSION RESTORATION PLAN

Adopted: 04/15/2010
Effective: 01/01/2010

WHEREAS, by instrument effective as of January 1, 1995, the Pension Restoration Plan (the "Plan") was established for the benefit of certain employees of Parker-Hannifin Corporation; and

WHEREAS, the Plan has been amended and restated from time to time; and

WHEREAS, upon recommendation of the Human Resources & Compensation Committee of the Board, the Board of Directors desires to amend the terms, provisions, and conditions of the Plan;

NOW, THEREFORE, the Plan is hereby amended effective as of January 1, 2010 as follows:

Section 1.10 of the Plan is hereby amended in its entirety to read as follows:

1.10 Eligible Executive shall mean an employee of the Company or any of its subsidiaries who:

(a) is designated by the Administrator as eligible to participate in the Plan; and

(b) qualifies as a member of the "select group of management or highly compensated employees" under ERISA.

Article 2 of the Plan is hereby amended in its entirety to read as follows:

ARTICLE 2 PARTICIPATION

An Eligible Executive shall become a Participant in the Plan as of the earlier of:

(a) the date the Eligible Executive's retirement benefits under the Qualified Plan first become limited by any Statutory Limit;

(b) the date the Eligible Executive first elects to defer compensation under the SRP or EDP;

(c) the date of a Change in Control of the Company; or

(d) the date designated by the Administrator in a written agreement.

Section 3.3 of the Plan is hereby amended in its entirety to correct the scrivener’s errors and to read as follows:

3.3 Form of Retirement Benefits.

(a) Termination of Employment Before Early Retirement Date. Upon Termination of Employment before his Early Retirement Date, a Participant’s retirement benefit shall be paid in the form of a single lump sum payment.

(b) Termination of Employment On or After Early Retirement Date. Except as otherwise provided pursuant to Sections 3.3(b)(i) to 3.3(b)(vi), upon Termination of Employment on or after his Early Retirement Date, a Participant’s retirement benefit shall be paid in the form of a single life annuity.

(i) Initial Payment Elections by Participants. To the extent permitted by Section 409A of the Code and Section 1.409A-2(a)(5) of the Regulations, within 30 days following the date an Eligible Executive becomes a Participant, the Participant may elect for retirement benefits under this Plan to be paid in the form of (A) a single lump sum payment equal to the Actuarial Value of the Participant’s retirement benefits under this Plan, or (B) a single life annuity. In the event that the vesting requirement of Section 3.2 is accelerated for any Participant on account of death, Disability or a Change of Control, any election made by such Participant under this Section 3.3(b)(ii) will be disregarded.

(ii) Changes Between Actuarially Equivalent Forms of Annuity. A Participant may elect at any time prior to Termination of Employment to convert his retirement benefit from a single life annuity to any of the actuarially equivalent forms of annuity offered under the Qualified Plan.

(iii) Changes by SERP Participants. To the extent required by Section 409A of the Code, if any SERP Participant elects under the SERP to receive payment of his SERP benefit in a form different from that previously in effect for such Participant’s retirement benefit under this Plan, the Company shall change the form of payment of such SERP Participant’s retirement benefit under this Plan to the form of payment elected by such SERP Participant under the SERP. Any change in the form of payment of a Participant’s retirement benefit pursuant to this Section 3.3(b)(iii) shall cause the payment of such Participant’s retirement benefit under this Plan to be delayed for five years from the date payment would otherwise commence or be made (taking into account any delay in payment or commencement of payment under Section 3.4 on account of a Participant’s status as a Specified Employee).

(iv) Transitional Rule. Notwithstanding any other elections made hereunder and only to the extent permitted by the Company and transitional rules issued under Section 409A of the Code, through such date as specified by the Company pursuant to transitional guidance issued under Section 409A of the Code, a Participant may make one or more elections as to time and form of payment of his retirement benefit under this Plan, provided that (a) any such election(s) made during 2006 shall be available only for amounts that are payable after the 2006 calendar year and cannot accelerate any payment into the 2006 calendar year, (b) any such election(s) made during 2007 shall be available only for amounts that are payable after the 2007 calendar year and cannot accelerate any payment into the 2007 calendar year, and (c) any such election(s) made during 2008 shall be available only for amounts that are payable after the 2008 calendar year and cannot accelerate any payment into the 2008 calendar year. Any such election(s) must be made by the date specified by the Company consistent with guidance pursuant to Section 409A of the Code.

(v) One-Time Change by Participants. In addition to any election permitted by Sections 3.3(b)(i) – (iv), to the extent permitted by Section 409A of the Code, a Participant may make a one-time election to change the form of payment at any time up to 12 months before the first scheduled payment; provided, however, that (a) any such election shall not be effective for at least 12 months following the date made; and (b) to the extent required by Section 409A of the Code, as a result of any such change, payment or commencement of payment shall be delayed for 5 years from the date the first payment was scheduled to have been paid (taking into account any delay in payment or commencement of payment under Section 3.4 of the Plan on account of a Participant's status as a Specified Employee).

(vi) Small Benefit Exception.

(A) Benefits Payable Prior to January 1, 2008. Notwithstanding the foregoing provisions of this Section 3.3(b), with respect to a Participant's retirement benefit under the Plan that would otherwise be paid as an annuity prior to January 1, 2008, if the Actuarial Value of the benefit payable to the Participant under the Plan as of the date payment is scheduled to commence is less than fifteen thousand dollars ($15,000), the Company shall pay such benefit in a single lump sum; provided, however, that payment of a retirement benefit to any Specified Employee pursuant to this Section 3.3(b)(vi)(A) will be made on the first day of the seventh month following the Participant's Termination of Employment.

(B) Benefits Payable After December 31, 2007. Notwithstanding the foregoing provisions of this Section 3.3(b), effective December 31, 2007 with respect to a Participant's benefit under the Plan that would otherwise be paid as an annuity after December 31, 2007, if the aggregate of the Actuarial Value of all remaining benefits payable to the Participant under the Plan and the present value of all other remaining benefits under the SERP and any other nonqualified deferred compensation arrangement that is aggregated with the Plan and the SERP under Section 1.409A-1(c) of the Regulations as of the date payment is scheduled to commence is not greater than the applicable dollar amount in effect on such date under Section 402(g)(1)(B) of the Code, the Company shall pay the retirement benefit under the Plan in a single lump sum; provided, however, that payment of a retirement benefit to any Specified Employee pursuant to this Section 3.3(b)(vi)(B) will be made on the first day of the seventh month following the Participant's Termination of Employment.

Adopted April 15, 2010 by resolution of the Board of Directors of Parker-Hannifin Corporation.

/s/ Thomas A. Piraino, Jr.
Thomas A. Piraino, Jr., Secretary

Exhibit (12) to Report
on Form 10-K for Fiscal
Year Ended June 30, 2010
By Parker-Hannifin Corporation
Computation of Ratio of Earnings to Fixed Charges
(In thousands, except ratios)

	Fiscal Year Ended June 30,				
	2010	2009	2008	2007	2006
EARNINGS					
Income from continuing operations before income taxes and noncontrolling interests	$ 754,817	$ 683,083	$ 1,334,571	$ 1,166,463	$ 901,490
Adjustments:					
Interest on indebtedness, exclusive of interest capitalized and interest on ESOP loan guarantee	101,173	109,911	96,572	80,053	71,100
Amortization of deferred loan costs	2,426	2,143	1,793	1,511	1,888
Portion of rents representative of interest factor	41,194	41,839	35,378	29,000	25,609
Loss (income) of equity investees	6,757	(1,529)	2,596	1,059	(161)
Amortization of previously capitalized interest	259	262	278	282	304
Income as adjusted	$ 906,626	$ 835,709	$ 1,471,188	$ 1,278,368	$ 1,000,230
FIXED CHARGES					
Interest on indebtedness, exclusive of interest capitalized and interest on ESOP loan guarantee	$ 101,173	$ 109,911	$ 96,572	$ 80,053	$ 71,100
Capitalized interest				436	178
Amortization of deferred loan costs	2,426	2,143	1,793	1,511	1,888
Portion of rents representative of interest factor	41,194	41,839	35,378	29,000	25,609
Fixed charges	$ 144,793	$ 153,893	$ 133,743	$ 111,000	$ 98,775
RATIO OF EARNINGS TO FIXED CHARGES	6.26x	5.43x	11.00x	11.52x	10.13x

**Exhibit (13) to Report
On Form 10-K for Fiscal
Year Ended June 30, 2010
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 Company's future performance and earnings projections of the Company and 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 economic conditions in individual markets may have a particularly volatile effect on segment results. 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, and changes in contract cost and revenue estimates for new development programs,
- uncertainties surrounding timing, successful completion or integration of acquisitions,
- ability to realize anticipated costs 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, 2010, 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 strong 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;
- Aircraft miles flown and 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 around the world in the mobile and industrial markets is expanding. A PMI below 50 indicates the opposite. The PMI for the United States at the end of fiscal 2010 was 56.2, the PMI for the Eurozone countries was 55.6 at the end of fiscal 2010 and the PMI for China was 50.4 at the end of fiscal 2010. The PMI for the United States and the Eurozone countries have both sequentially increased during fiscal 2010 and the PMI for China has remained above 50 throughout fiscal 2010.

With respect to the aerospace market, the latest available information the Company has indicates that airlines are reducing capacity, resulting in a decline in average available seat miles of approximately two percent from the comparable fiscal 2009 level. Revenue passenger miles have increased approximately two percent from the comparable fiscal 2009 levels with improvement shown in all regions of the world, except in Europe. The Company anticipates that Department of Defense spending in fiscal 2011 will be about two percent higher than the fiscal 2010 level.

With respect to the North American residential air conditioning market and certain mobile construction markets, housing starts in June 2010 were approximately six percent lower than housing starts in June 2009.

The Company believes that there is a high negative correlation between interest rates and Industrial manufacturing activity. Increases in interest rates typically have a negative impact on industrial production thereby lowering future order rates while decreases in interest rates typically have the opposite effect.

During the latter part of fiscal 2010, the Company began to see signs of an economic recovery. Throughout the worldwide economic downturn, the Company 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's Win Strategy initiatives relating to growth and margin improvement as well as the implementation of a number of business realignment initiatives, including plant closures and general workforce reductions, continue to help meet this objective.

The financial condition of the Company remains strong. 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 favorable interest rates and currently has a debt to debt-shareholders' equity ratio of 28.9 percent.

While worldwide economic conditions during the past fiscal year necessitated the Company concentrate its efforts on maintaining financial strength, the Company continues to believe many opportunities for growth remain available and the Company will evaluate these opportunities as appropriate. Major opportunities for growth are as follows:

- Leveraging the Company's broad product line with customers desiring to consolidate their vendor base and outsource system engineering;
- Marketing systems solutions for customer applications;
- Expanding the Company's business presence outside of North America;
- Introducing new products, including those resulting from the Company's innovation initiatives;
- Completing strategic acquisitions in a consolidating motion and control industry; and
- Expanding the Company's vast distribution network.

The Company completed one acquisition and one divestiture during fiscal 2010. 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 13-14 to 13-18. 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.

(millions)	2010	2009	2008
Net sales	**$9,993**	$10,309	$12,146
Gross profit margin	**21.5%**	20.6%	23.1%
Selling, general and administrative expenses	**$1,277**	$ 1,290	$ 1,364
Selling, general and administrative expenses, as a percent of sales	**12.8%**	12.5%	11.2%
Interest expense	**104**	112	99
Other expense, net		42	12
Loss (gain) on disposal of assets	**10**		(3)
Effective tax rate	**26.3%**	25.3%	28.3%
Net income attributable to common shareholders	**$ 554**	$ 509	$ 949

Net sales in 2010 were 3.1 percent lower than 2009. The decline in sales in 2010 primarily reflects lower volume in all segments except for the Climate & Industrial Controls Segment. Acquisitions made in the last 12 months did not make a material contribution to the sales level in 2010. The effect of currency rate changes increased net sales by approximately $126 million.

Net sales in 2009 were 15.1 percent lower than 2008. The decline in sales in 2009 primarily reflects lower volume in all segments except for the Aerospace Segment. Acquisitions made in fiscal 2009 contributed approximately $539 million in sales. The effect of currency rate changes reduced net sales by approximately $490 million.

During the latter part of 2010, worldwide economic conditions improved and the Company experienced an increase in demand for its products in the Industrial and Climate & Industrial Controls Segments. Business conditions in the Aerospace Segment remained relatively unchanged throughout most of 2010 as commercial airlines continued to operate at reduced capacity. In 2011, the Company expects the increase in demand experienced in the latter part of 2010 in the Industrial Segment and Climate & Industrial Controls Segment to continue especially with respect to their operations in the Asia Pacific region. The Company anticipates business conditions in the commercial original equipment manufacturer (OEM) and aftermarket businesses of the Aerospace Segment will improve in 2011 but business conditions in the military OEM and aftermarket businesses will weaken due to the expiration of various defense contracts.

Gross profit margin was higher in 2010 primarily due to cost reduction initiatives and the benefits of past business realignment activities. Gross profit margin was lower in 2009 primarily due to the lower sales volume, resulting in manufacturing inefficiencies. Included in gross profit in 2010, 2009 and 2008 were business realignment charges of $43.0 million, $41.0 million and $5.3 million, respectively.

Selling, general and administrative expenses decreased 1.0 percent in 2010 and decreased 5.4 percent in 2009. The decrease in 2010 was primarily due to the lower sales volume, savings resulting from business realignment activities and lower professional fees partially offset by higher expenses related to employee benefits plans and contributions to the Company’s charitable foundation. The decrease in 2009 was primarily due to the lower sales volume as well as lower expenses related to incentive compensation plans.

Interest expense in 2010 decreased primarily due to lower average debt outstanding as well as lower interest rates on commercial paper borrowings. Interest expense in 2009 increased primarily due to higher average debt outstanding. The increase in borrowings in 2009 primarily related to the funding of acquisitions and the repurchase of the Company’s common shares.

Other expense, net in 2009 included $37.4 million of expense related to litigation settlements and $13.8 million of expense related to investment write downs. Other expense, net in 2008 included $20.0 million of expense related to litigation settlements.

Loss (gain) on disposal of assets in 2010 includes a loss of $4.8 million resulting from the divestiture of a business. Loss (gain) on disposal of assets in 2009 included income of $11.6 million from insurance recoveries for expenses incurred related to a previously divested business, $7.2 million of expense related to asset writedowns and $3.7 million of losses from asset sales.

Effective tax rate in 2010 was slightly higher primarily due to higher taxable income, especially in foreign jurisdictions and lower research and development tax credits. Effective tax rate in 2009 was lower primarily due to a tax benefit associated with a worthless stock deduction for tax reporting purposes related to a foreign subsidiary, higher research and development tax credits and lower taxable income, partially offset by the effect of litigation settlements.

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 (millions)

	2010	2009	2008
Sales			
North America	**$3,623**	$3,735	$4,250
International	**3,811**	3,896	5,006
Operating income			
North America	**487**	395	608
International	**394**	351	789
Operating income as a percent of sales			
North America	**13.4%**	10.6%	14.3%
International	**10.3%**	9.0%	15.8%
Backlog	**$1,505**	$1,200	$1,744
Assets	**7,310**	7,540	8,122
Return on average assets	**11.9%**	9.5%	19.3%

Sales in 2010 for the Industrial North American operations decreased 3.0 percent compared to a decrease of 12.1 percent from 2008 to 2009. The decrease in sales in 2010 was primarily due to lower demand experienced during the first half of 2010 from distributors as well as lower end-user demand in several markets, particularly the construction equipment, oil and gas, agriculture equipment and machine tools markets. An increase in volume in the semiconductor and automotive markets helped to mitigate the overall sales decline. The decrease in sales in 2009 was primarily due to lower demand experienced from distributors and lower end-user demand experienced in virtually all of the markets of the Industrial North American businesses as customer order levels declined in response to the economic conditions that existed at that time.

Sales in the Industrial International operations decreased 2.2 percent in 2010 following a decrease of 22.2 percent from 2008 to 2009. The sales decrease in 2010 was primarily due to lower sales volume across most markets in Europe partially offset by an increase in volume experienced in the Asia Pacific region and in Latin America. The sales decline in 2009 was primarily due to lower sales volume across most markets in all regions with the largest decline in volume experienced in Europe. Foreign currency rate changes, primarily the weakening of the U.S. dollar against the Euro, the Japanese yen, the Australian dollar and the Brazilian real, increased net sales in 2010 by $100 million.

The higher Industrial North American and Industrial International operating margins in 2010 were primarily due to the benefits from cost control measures and past business realignment activities. The lower Industrial North American operating margins in 2009 were primarily due to the lower sales volume, resulting in manufacturing inefficiencies as well as higher expenses associated with business realignment activities. The lower Industrial International operating margins in 2009 were primarily due to the lower sales volume, resulting in manufacturing inefficiencies as well as higher expenses associated with business realignment activities.

Included in Industrial North American operating income in 2010, 2009 and 2008 are business realignment charges of $11.6 million, $10.4 million and $4.5 million, respectively. Included in Industrial International operating income in 2010, 2009 and 2008 are business realignment expenses of $32.4 million, $23.3 million and $0.4 million, respectively. The business realignment expenses consist primarily of severance costs resulting from plant closures as well as general reductions in the work force. The Company anticipates realizing cost savings of approximately $44 million in 2011 resulting from the work force reductions taken in the Industrial Segment during 2010. The amount of savings that is actually realized may be lower than expected if the Company needs to hire employees in the future as a result of an increase in end-user demand. 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 2011.

The Company anticipates Industrial North American sales for 2011 will increase between 5.7 percent and 9.7 percent from the 2010 level and Industrial International sales for 2011 will increase between 1.6 percent and 4.6 percent from the 2010 level. Industrial North American operating margins in 2011 are expected to range from 14.3 percent to 14.9 percent and Industrial International margins are expected to range from 11.4 percent to 13.4 percent. The higher sales levels in 2011 are anticipated primarily due to higher end-user demand expected in most markets and the expected improved margins are primarily due to the result of the higher sales volume and benefits from past business realignment actions.

The increase in total Industrial Segment backlog in 2010 was primarily due to higher order rates experienced across virtually all Industrial North American and Industrial International businesses, particularly in the Asia Pacific region. The decrease in total Industrial Segment backlog in 2009 was primarily due to lower order rates in both the North American and International businesses, particularly in Europe and Asia Pacific.

The decrease in assets in 2010 was primarily due to the effect of currency fluctuations as well as decreases in property, plant & equipment, net, intangible assets, net and inventory partially offset by an increase in accounts receivable and cash and cash equivalents. The decrease in assets in 2009 was primarily due to the effect of currency fluctuations as well as decreases in accounts receivable and inventory partially offset by increases in assets from current-year acquisitions.

Aerospace Segment (millions)

	2010	**2009**	**2008**
Sales	**$1,744**	$1,883	$1,838
Operating income	**208**	262	251
Operating income as a percent of sales	**11.9%**	13.9%	13.6%
Backlog	**$1,474**	$1,559	$1,737
Assets	**911**	915	922
Return on average assets	**22.8%**	28.5%	29.5%

Sales in 2010 decreased 7.4 percent compared to an increase of 2.5 percent from 2008 to 2009. The decrease in sales in 2010 was primarily due to significantly lower commercial original equipment manufacturer (OEM) volume and lower commercial aftermarket volume, partially offset by higher military OEM and aftermarket volume. The increase in sales in 2009 was primarily due to an increase in both commercial and military aftermarket volume as well as an increase in military OEM volume.

The decrease in margin in 2010 was primarily due to the lower commercial OEM and aftermarket volume and higher engineering development costs, partially offset by the higher military aftermarket volume and lower operating costs. The increase in margin in 2009 was primarily due to a higher concentration of sales occurring in the higher margin aftermarket businesses partially offset by higher engineering development costs.

The decrease in backlog in 2010 was primarily due to shipments exceeding new order rates primarily in the military OEM business. The decrease in backlog in 2009 was primarily due to lower order rates in the commercial and military OEM businesses. For 2011, sales are expected to increase between 2.5 percent and 5.5 percent from the 2010 level primarily due to anticipated higher commercial OEM and aftermarket volume. Operating margins are expected to range from 11.9 percent to 13.4 percent. Lower commercial aftermarket volume in future product mix and higher than expected new product development costs could result in lower margins.

The slight decrease in assets in 2010 was primarily due to a decrease in inventory partially offset by an increase in intangible assets, net and assets from a current-year acquisition. The decrease in assets in 2009 was primarily due to a decrease in accounts receivable partially offset by an increase in inventory.

Climate & Industrial Controls Segment (millions)

	2010	2009	2008
Sales	**$814**	$795	$1,051
Operating income (loss)	**53**	(4)	59
Operating income (loss) as a percent of sales	**6.6%**	(0.5)%	5.7%
Backlog	**$162**	$127	$ 170
Assets	**693**	691	805
Return on average assets	**7.7%**	(0.5)%	7.3%

Sales in 2010 increased 2.4 percent compared to a 24.4 percent decrease in sales from 2008 to 2009. The increase in sales in 2010 was primarily due to increased volume in the automotive market and higher demand for air conditioning and refrigeration products. The decrease in sales in 2009 was primarily due to lower end-user demand in the residential air conditioning, commercial refrigeration, heavy-duty truck and automotive markets. The magnitude of the decline in sales in 2009 reflects the effect of the worldwide economic downturn especially with respect to housing starts and automotive production. The higher margin in 2010 was primarily due to the benefits of cost control measures and past business realignment actions. Margins in 2010 also benefited from the higher sales volume. The lower margin in 2009 was primarily due to the lower sales volume, resulting in manufacturing inefficiencies.

Included in operating income are business realignment charges in 2010 and 2009 of $3.9 million and $9.7 million, respectively. The business realignment charges primarily relate to severance costs resulting from plant closures. The Company anticipates realizing cost savings of approximately $4 million in 2011 resulting from the work force reductions taken in the Climate & Industrial Controls Segment during 2010. The amount of savings that is actually realized may be lower than expected if the Company needs to hire employees in the future as a result of an increase in end-user demand. 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 2011.

The Company anticipates sales in 2011 will increase between 3.7 percent and 7.7 percent from the 2010 level primarily due to an increase in end-user demand expected in most markets. Operating margins are expected to range from 8.0 percent to 8.6 percent.

The slight increase in assets in 2010 was primarily due to an increase in accounts receivable being mostly offset by decreases in intangible assets, net, property, plant & equipment, net and inventory. The decrease in assets in 2009 was primarily due to declines in accounts receivable, inventory and property, plant and equipment, net as well as the effect of foreign currency fluctuations.

Corporate assets increased 40.5 percent in 2010 compared to an increase of 31.8 percent from 2008 to 2009. The increase in 2010 was primarily due to an increase in cash and cash equivalents. The increase in 2009 was primarily due to a decrease in the LIFO reserve and increases in prepaid expenses 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.

(millions)	2010	2009
Accounts receivable	**$1,600**	$1,417
Inventories	**1,172**	1,255
Plant and equipment, net	**1,698**	1,881
Goodwill	**2,786**	2,903
Intangible assets, net	**1,150**	1,274
Notes payable	**363**	481
Accounts payable, trade	**889**	650
Shareholders' equity	**4,368**	4,268
Working capital	**$1,384**	$1,118
Current ratio	**1.63**	1.56

Accounts receivable are primarily receivables due from customers for sales of product ($1,443 million at June 30, 2010 and $1,280 million at June 30, 2009). Accounts receivable increased in conjunction with higher sales in the fourth quarter of 2010 compared to the prior year period. Days sales outstanding relating to trade receivables for the Company was 48 days in 2010 compared to 53 days in 2009. The Company believes that its receivables are collectible and appropriate allowances for doubtful accounts have been recorded.

Inventories decreased due to the Company's concerted effort to match inventory levels with current customer demand. Days supply of inventory on hand was 58 days in 2010 compared to 77 days in 2009.

Plant and equipment, net decreased primarily due to limited capital expenditures in 2010. Capital expenditures as a percent of sales were 1.3 percent in 2010 and 2.6 percent in 2009.

Goodwill did not change materially from 2009 due to a lower level of acquisition activity in 2010. The change in this amount is explained further in Note 7 to the Consolidated Financial Statements.

Intangible assets, net consist primarily of patents, trademarks and customer lists. The change in this amount is explained further in Note 7 to the Consolidated Financial Statements.

Notes payable decreased primarily due to payments made to reduce commercial paper borrowings partially offset by debt reclassified from long-term to current. The change in this amount is explained further in Note 8 to the Consolidated Financial Statements.

Accounts payable, trade increased primarily due to the timing of purchases and payments. The accounts payable, trade balance in 2009 was lower due to reduced spending and production levels. Days payable outstanding increased to 35 days in 2010 from 33 days in 2009.

Shareholders' equity included a decrease of $186.9 million related to foreign currency translation adjustments and primarily affected Accounts receivable, Inventories, Plant and equipment, Investments and other assets, Goodwill, Intangible assets, Accounts payable, trade and Long-term debt.

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:

(millions)	2010	2009	2008
Cash provided by (used in):			
Operating activities	**$1,219**	$1,129	$ 1,317
Investing activities	**(146)**	(961)	(1,171)
Financing activities	**(650)**	(274)	1
Effect of exchange rates	**(35)**	(32)	6
Net increase (decrease) in cash and cash equivalents	**$ 388**	$ (138)	$ 153

Cash Flows From Operating Activities increased from 2009 primarily due to the increase in Net Income. Operating cash flows in 2010 were also impacted by a $100 million discretionary cash contribution to the Company's defined benefit plans and a $54 million cash payment received as a result of the restructuring of an executive life insurance program. Operating cash flows provided by working capital decreased significantly during 2010 due to the changes in inventory and accounts receivable levels partially offset by an increase in accounts payable.

Cash Flows Used In Investing Activities decreased primarily due to a lower level of acquisition activity as compared with 2009. Refer to Note 2 to the Consolidated Financial Statements for a summary of net assets of acquired companies. Also, cash used for capital expenditures decreased as near-term economic uncertainties resulted in the Company reducing the level of capital expenditures in 2010.

Cash Flows From Financing Activities primarily consists of activity with regards to commercial paper borrowings, dividend payments and share repurchases. In 2009, additional commercial paper borrowings were used primarily to finance acquisition activity and share repurchases. In 2010, the Company focused on repaying debt, which resulted in reduced acquisition activity and a significantly lower level of share repurchases.

Dividends have been paid for 240 consecutive quarters, including a yearly increase in dividends for the last 54 fiscal years. The current annual dividend rate is $1.08 per share.

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)	2010	2009
Debt	**$1,777**	$2,321
Debt & Shareholders' Equity	**6,145**	6,589
Ratio	**28.9%**	35.2%

As of June 30, 2010, the Company has a line of credit totaling $1,500 million through a multi-currency revolving credit agreement with a group of banks, of which $1,483 million was available at June 30, 2010. The credit agreement expires in September 2012; 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 a facility fee of 4.5/100ths of one percent of the commitment per annum at the Company's present rating level. The revolving credit agreement contains provisions that increase the facility fee of the credit agreement 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's credit agreements and indentures governing certain debt agreements contain various covenants, the violation of which would limit or preclude the use of the credit agreements for future borrowings, or might accelerate the maturity of the related outstanding borrowings covered by the indentures. At the Company's present rating level, the most restrictive financial covenant 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, 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 $90.3 million at June 30, 2010. 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.

(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)	$ 1,759,147	$ 345,513	$ 293,592	$ 277	$ 1,119,765
Interest on long-term debt	365,721	60,356	96,166	77,513	131,686
Operating leases (Note 9)	293,377	78,013	93,019	41,418	80,927
Retirement benefits (Note 10)	2,239,611	399,400	366,315	353,753	1,120,143
Total	$ 4,657,856	$ 883,282	$ 849,092	$ 472,961	$ 2,452,521

Quantitative and Qualitative Disclosures About Market Risk

The Company enters into forward exchange contracts and costless collar contracts, comprised of puts and calls, to reduce its exposure to fluctuations in both freely convertible and non-freely convertible foreign currencies. These contracts are with major financial institutions and the risk of loss is considered remote. None of these contracts were designated as hedging instruments. The Company does not hold or issue derivative financial instruments for trading purposes. The contracts are recognized on the 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. The gain or loss on the adjustment to fair value is reported in Net income. The total fair value and carrying amount and any risk to the Company as a result of these arrangements is not material to the Company's financial position, liquidity or results of operations.

The Company considers Venezuela to be a highly inflationary economy therefore the Unites States dollar is the functional currency for the Company's Venezuelan operations. The effect of treating Venezuela as a highly inflationary economy did not have a material effect on the Company's results of operations or financial position.

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 $0.9 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 the risks and rewards of ownership and title to the product have transferred to the customer. This generally takes place at the time the product is shipped. The Aerospace Segment uses the percentage of completion method and the extent of progress toward completion is primarily measured using the units-of-delivery method. The percentage of completion method requires the use of estimates of costs to complete long-term contracts and for some contracts includes estimating costs related to aftermarket orders. The estimation of these costs requires substantial judgment on the part of management due to the duration of the contracts as well as the technical nature of the products involved. Adjustments to estimated costs are made on a consistent basis and a contract reserve is established when the costs to complete a contract exceed the 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 analyses. 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 analyses to the Company's overall market capitalization.

The results of the Company's 2010 annual goodwill impairment test performed as of December 31, 2009 indicated that no goodwill impairment existed. However, each of the following reporting units had an estimated fair value that the Company determined, from both a quantitative and qualitative perspective, was not significantly in excess of its carrying value (dollars in millions):

Reporting Unit	Goodwill Balance	Fair Value In Excess of Carrying Value
Origa Europe	**$ 27.3**	108%
dh Industrial	**158.1**	105%
Integrated Seal	**121.1**	101%

All of these reporting units are part of the Industrial Segment. For each of these reporting units, the sales growth assumption had the most significant influence on the estimation of fair value.

The sales growth assumption for Origa Europe was primarily based on improved overall market conditions, new product development as well as benefits from synergies of fully integrating this reporting unit into the Company's distribution networks. The key uncertainties in the sales growth assumption used in the estimation of the fair value of this reporting unit is the growth of the markets that this reporting unit serves as well as the ability to realize the expected level of integration benefits.

The sales growth assumption for dh Industrial was primarily based on improved overall market conditions as well as new product development. The key uncertainty in the sales growth assumption used in the estimation of the fair value of this reporting unit is the increase in customer demand in the markets that this reporting unit serves as well as market acceptance of new products.

The sales growth assumption for Integrated Seal was primarily based on economic forecasts of worldwide automotive production. Sales growth resulting from penetration into new markets through the modification of its existing products was also assumed. The key uncertainty in the sales growth assumption used in the estimation of the fair value of this reporting unit is the actual level of worldwide automotive production over the forecasted period.

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 recent financial performance of a reporting unit with approximately $165 million of goodwill prompted the Company to update the fair value calculation of this reporting unit as of June 30, 2010. Sales growth assumptions used in the estimation of this reporting unit's fair value were based on the latest market data available as well as sales growth resulting from penetration into new markets. The key uncertainty in the sales growth assumption used in the estimation of the fair value of this reporting unit is the actual level of market demand in the oil and gas industry. The fair value of this reporting unit exceeded its carrying value. 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 other reporting units. If the recovery of the current economic environment is not consistent with the Company's current expectations, 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 2010, 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 U.S. 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 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 $4 million effect on pension expense and a 25 basis point decrease in the discount rate is estimated to increase pension expense by $8 million. As of June 30, 2010, $934 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 10 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.

Consolidated Statement of Income

(Dollars in thousands, except per share amounts)	For the years ended June 30, 2010	2009	2008
Net Sales	**$ 9,993,166**	$ 10,309,015	$ 12,145,605
Cost of sales	**7,847,067**	8,181,348	9,339,072
Gross profit	**2,146,099**	2,127,667	2,806,533
Selling, general and administrative expenses	**1,277,080**	1,290,379	1,364,082
Interest expense	**103,599**	112,071	98,996
Other expense, net	**311**	42,470	12,280
Loss (gain) on disposal of assets	**10,292**	(336)	(3,396)
Income before income taxes	**754,817**	683,083	1,334,571
Income taxes (Note 4)	**198,452**	172,939	377,058
Net income	**556,365**	510,144	957,513
Less: Noncontrolling interest in subsidiaries earnings	**2,300**	1,629	8,047
Net Income Attributable to Common Shareholders	**$ 554,065**	$ 508,515	$ 949,466
Earnings per Share Attributable to Common Shareholders (Note 5)			
Basic earnings per share	**$ 3.44**	$ 3.15	$ 5.64
Diluted earnings per share	**$ 3.40**	$ 3.13	$ 5.53

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

Business Segment Information

By Industry

(Dollars in thousands)	2010	2009	2008
Net Sales:			
Industrial:			
North America	**$ 3,623,460**	$ 3,734,613	$ 4,249,918
International	**3,811,464**	3,895,874	5,006,310
Aerospace	**1,744,283**	1,883,273	1,837,888
Climate & Industrial Controls	**813,959**	795,255	1,051,489
	$ 9,993,166	$ 10,309,015	$ 12,145,605
Segment Operating Income:			
Industrial:			
North America	**$ 487,137**	$ 394,923	$ 607,821
International	**394,089**	350,662	788,925
Aerospace	**208,002**	261,953	250,523
Climate & Industrial Controls	**53,452**	(3,737)	59,494
Total segment operating income	**1,142,680**	1,003,801	1,706,763
Corporate administration	**153,965**	152,118	192,966
Income before interest expense and other	**988,715**	851,683	1,513,797
Interest expense	**103,599**	112,071	98,996
Other expense	**130,299**	56,529	80,230
Income before income taxes	**$ 754,817**	$ 683,083	$ 1,334,571
Assets:			
Industrial	**$ 7,309,735**	$ 7,539,504	$ 8,121,793
Aerospace	**910,740**	915,155	921,935
Climate & Industrial Controls	**692,532**	691,423	804,526
Corporate (a)	**997,375**	709,820	538,600
	$ 9,910,382	$ 9,855,902	$ 10,386,854
Property Additions (b):			
Industrial	**$ 95,838**	$ 346,691	$ 329,125
Aerospace	**21,619**	21,877	17,274
Climate & Industrial Controls	**6,040**	6,645	9,664
Corporate	**6,133**	2,798	14,879
	$ 129,630	$ 378,011	$ 370,942
Depreciation:			
Industrial	**$ 200,617**	$ 205,584	$ 205,797
Aerospace	**20,501**	20,477	20,969
Climate & Industrial Controls	**14,117**	16,640	20,327
Corporate	**10,060**	9,898	10,477
	$ 245,295	$ 252,599	$ 257,570

(Dollars in thousands)	2010	2009	2008
By Geographic Area (c)			
Net Sales:			
North America	**$ 5,913,770**	$ 6,090,176	$ 6,736,419
International	**4,079,396**	4,218,839	5,409,186
	$ 9,993,166	$ 10,309,015	$ 12,145,605
Long-Lived Assets:			
North America	**$ 856,782**	$ 927,318	$ 967,727
International	**841,099**	953,236	958,795
	$ 1,697,881	$ 1,880,554	$ 1,926,522

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, 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 (2010 - $408; 2009 - $107,278; 2008 - $90,615)

(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, 2010	2009
Assets		
Current Assets		
Cash and cash equivalents	**$ 575,526**	$ 187,611
Accounts receivable, less allowance for doubtful accounts (2010 - $14,701; 2009 - $19,815)	**1,599,941**	1,417,305
Inventories (Notes 1 and 6):		
Finished products	**465,477**	514,495
Work in process	**564,204**	581,266
Raw materials	**141,974**	158,789
	1,171,655	1,254,550
Prepaid expenses	**111,545**	142,335
Deferred income taxes (Notes 1 and 4)	**130,129**	121,980
Total Current Assets	**3,588,796**	3,123,781
Plant and equipment (Note 1):		
Land and land improvements	**284,971**	278,290
Buildings and building equipment	**1,326,793**	1,324,504
Machinery and equipment	**2,897,049**	3,027,155
Construction in progress	**45,184**	75,111
	4,553,997	4,705,060
Less accumulated depreciation	**2,856,116**	2,824,506
	1,697,881	1,880,554
Investments and other assets (Note 1)	**687,320**	674,628
Goodwill (Notes 1 and 7)	**2,786,334**	2,903,077
Intangible assets, net (Notes 1 and 7)	**1,150,051**	1,273,862
Total Assets	**$ 9,910,382**	$ 9,855,902
Liabilities and Equity		
Current Liabilities		
Notes payable and long-term debt payable within one year (Notes 8 and 9)	**$ 363,272**	$ 481,467
Accounts payable, trade	**888,743**	649,718
Accrued payrolls and other compensation	**371,393**	356,776
Accrued domestic and foreign taxes	**176,349**	113,107
Other accrued liabilities	**405,134**	404,686
Total Current Liabilities	**2,204,891**	2,005,754
Long-term debt (Note 9)	**1,413,634**	1,839,705
Pensions and other postretirement benefits (Note 10)	**1,500,928**	1,233,271
Deferred income taxes (Notes 1 and 4)	**135,321**	183,457
Other liabilities	**196,208**	243,275
Total Liabilities	**5,450,982**	5,505,462
Equity (Note 11)		
Shareholders' Equity		
Serial preferred stock, $.50 par value, authorized 3,000,000 shares; none issued		
Common stock, $.50 par value, authorized 600,000,000 shares; issued 181,046,128 shares in 2010 and 2009	**90,523**	90,523
Additional capital	**637,442**	588,201
Retained earnings	**6,086,545**	5,722,038
Accumulated other comprehensive (loss)	**(1,208,561)**	(843,019)
Treasury shares at cost: 19,790,110 in 2010 and 20,557,537 in 2009	**(1,237,984)**	(1,289,544)
Total Shareholders' Equity	**4,367,965**	4,268,199
Noncontrolling interests	**91,435**	82,241
Total Equity	**4,459,400**	4,350,440
Total Liabilities and Equity	**$ 9,910,382**	$ 9,855,902

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, 2010	2009	2008
Cash Flows From Operating Activities			
Net income	**$ 556,365**	$ 510,144	$ 957,513
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**245,295**	252,599	257,570
Amortization	**117,214**	105,138	69,154
Share incentive plan compensation	**59,318**	47,215	44,947
Deferred income taxes	**(17,353)**	(13,048)	(33,933)
Foreign currency transaction (gain) loss	**(1,249)**	1,786	(6,293)
Loss (gain) on sale of plant and equipment	**10,292**	(336)	(3,396)
Changes in assets and liabilities, net of effects from acquisitions:			
Accounts receivable	**(220,349)**	598,065	(114,578)
Inventories	**53,862**	218,595	(53,556)
Prepaid expenses	**29,581**	(61,646)	(4,034)
Other assets	**42,031**	63,998	(3,964)
Accounts payable, trade	**259,436**	(304,863)	74,998
Accrued payrolls and other compensation	**26,014**	(67,654)	55,591
Accrued domestic and foreign taxes	**63,119**	(40,598)	12,666
Other accrued liabilities	**36,137**	(159,642)	(26,623)
Pensions and other postretirement benefits	**(9,879)**	28,522	58,548
Other liabilities	**(31,012)**	(49,083)	32,000
Net cash provided by operating activities	**1,218,822**	1,129,192	1,316,610
Cash Flows From Investing Activities			
Acquisitions (less cash acquired of $24,203 in 2009 and $21,276 in 2008)	**(5,451)**	(722,635)	(921,014)
Capital expenditures	**(129,222)**	(270,733)	(280,327)
Proceeds from sale of plant and equipment	**11,929**	28,986	29,997
Other	**(23,429)**	3,551	544
Net cash (used in) investing activities	**(146,173)**	(960,831)	(1,170,800)
Cash Flows From Financing Activities			
Proceeds from exercise of stock options	**10,307**	3,557	33,406
(Payments for) common shares	**(24,999)**	(447,800)	(584,603)
Tax benefit from share incentive plan compensation	**13,698**	3,692	27,640
(Payments of) proceeds from notes payable, net	**(421,974)**	346,081	(48,320)
Proceeds from long-term borrowings	**3,293**	2,368	778,934
(Payments of) long-term borrowings	**(67,582)**	(20,671)	(63,575)
Dividends paid, net of tax benefit of ESOP shares	**(162,739)**	(161,575)	(142,260)
Net cash (used in) provided by financing activities	**(649,996)**	(274,348)	1,222
Effect of exchange rate changes on cash	**(34,738)**	(32,450)	6,310
Net increase (decrease) in cash and cash equivalents	**387,915**	(138,437)	153,342
Cash and cash equivalents at beginning of year	**187,611**	326,048	172,706
Cash and cash equivalents at end of year	**$ 575,526**	$ 187,611	$ 326,048
Supplemental Data:			
Cash paid during the year for:			
Interest	**$ 104,812**	$ 111,648	$ 90,176
Income taxes	**127,320**	211,281	329,666

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

Consolidated Statement of Equity

(Dollars in thousands)	Common Stock	Additional Capital	Retained Earnings	Guarantee of ESOP Debt	Accumulated Other Comprehensive (Loss)	Treasury Shares	Noncontrollig Interests	Total
Balance June 30, 2007	**$90,513**	**$484,337**	**$4,625,195**	**$ (15,192)**	**$ (111,606)**	**$ (360,567)**	**$ 61,817**	**$4,774,497**
Net income			949,466				8,047	957,513
Other comprehensive (loss) income:								
Foreign currency translation, net of tax of $22,729					272,049		8,433	280,482
Retirement benefits plan activity, net of tax of $28,856					(46,414)			(46,414)
Net unrealized loss, net of tax of $2,352					(3,805)			(3,805)
Total comprehensive (loss) income							16,480	1,187,776
Dividends paid			(142,260)				(3,890)	(146,150)
Stock incentive plan activity	10	28,670	(20,764)			81,837		89,753
Shares purchased at cost						(584,263)	(1,185)	(585,448)
Retirement benefits plan activity		17,907		10,241				28,148
Acquisition activity							5,367	5,367
Effect of new accounting rules for uncertain tax positions			(23,801)					(23,801)
Balance June 30, 2008	**$90,523**	**$530,914**	**$5,387,836**	**$ (4,951)**	**$ 110,224**	**$ (862,993)**	**$ 78,589**	**$5,330,142**
Net income			508,515				1,629	510,144
Other comprehensive (loss) income:								
Foreign currency translation, net of tax of $10,131					(498,553)		4,008	(494,545)
Retirement benefits plan activity, net of tax of $253,261					(454,457)			(454,457)
Net unrealized loss, net of tax of $173					(233)			(233)
Total comprehensive (loss) income							5,637	(439,091)
Dividends paid			(161,575)				(4,936)	(166,511)
Stock incentive plan activity		49,379	(6,348)			18,147		61,178
Shares purchased at cost						(447,800)	(824)	(448,624)
Retirement benefits plan activity		7,908	(6,390)	4,951		3,102		9,571
Acquisition activity							3,775	3,775
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**

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

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share amounts)

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 general 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 43 countries throughout Europe, Asia Pacific, Latin America, the Middle East and Africa.

The Aerospace Segment produces hydraulic, fuel and 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 13-15 and 13-16 for further disclosure of business segment information.

There are no individual customers to whom sales are three percent or more 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 the risks and rewards of ownership and title to the product have transferred to the customer. The Company's revenue recognition policies are in compliance with the SEC's Staff Accounting Bulletin (SAB) No. 104. 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. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

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.

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% 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.

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, 2010 and 2009 is immaterial to the financial position of the Company and the change in the accrual during 2010, 2009 and 2008 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 and amounted to a loss of $9,800 in 2010.

Financial Instruments - The Company's financial instruments consist primarily of cash, 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, cash equivalents, Accounts receivable, net, Accounts payable, trade and Notes payable approximate fair value. See Note 15 for fair value of long-term investments and Note 9 for fair value of Long-term debt.

The Company enters into forward exchange contracts (forward contracts) and costless collar contracts, comprised of puts and calls, to reduce its exposure to fluctuations in both freely convertible and non-freely convertible foreign currencies. These contracts are with major financial institutions and the risk of loss is considered remote. The Company does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognized on the balance sheet as either assets or liabilities and are measured at fair value. Gains or losses on derivatives that are not hedges are adjusted to fair value through Net income. Gains or losses on derivatives that hedge specific transactions are recognized in Net income or recognized in Other comprehensive (loss) until the hedged item is recognized in earnings. See Note 15 for disclosure of fair value of derivative financial instruments.

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

The total carrying and fair value of open forward exchange and costless collar contracts and any risk to the Company as a result of the arrangements described above is not material.

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, 2010. No subsequent events occurred that required either adjustment to or disclosure in these financial statements.

Reclassifications and Revisions - Certain prior period amounts have been reclassified to conform to the current-year presentation. These include the adoption of new accounting rules regarding noncontrolling interests on July 1, 2009.

2. Acquisitions

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

In October 2008, the Company acquired Legris SA, a manufacturer of fluid circuit components and systems for pneumatic, hydraulic, and chemical processing applications. In October 2008, the Company acquired Origa Group, a manufacturer of rodless pneumatic actuators, electric actuators, filter regulator lubricators and pneumatic cylinders and valves. Aggregate annual sales for these businesses and seven other businesses acquired during 2009, for their most recent fiscal year prior to acquisition, were approximately $532 million. Total purchase price for all businesses acquired during 2009 was approximately $747 million in cash and $4 million in assumed debt.

In November 2007, the Company acquired Scan Subsea ASA whose primary businesses include the design, production, and marketing of power and production umbilical cables for subsea installations as well as mooring lines for floating oil production and exploration units. In April 2008, the Company acquired Vansco Electronics, a global leader in the design and manufacture of electronic controls, displays and terminals, communication and operator interfaces, and sensors. Aggregate annual sales for these businesses and eight other businesses acquired during 2008, for their most recent fiscal year prior to acquisition, were approximately $546 million. Total purchase price for all businesses acquired during 2008 was approximately $942 million in cash and $11 million in assumed debt.

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 2010, 2009 and 2008 are presented below.

	2010	2009	2008
Assets acquired:			
Accounts receivable	**$ 908**	$ 116,931	$ 79,342
Inventories	**447**	87,230	91,197
Prepaid expenses	**(575)**	3,957	4,055
Deferred income taxes		7,899	5,265
Plant and equipment	**408**	107,278	90,615
Intangible and other assets	**4,198**	431,964	468,609
Goodwill	**2,891**	319,193	439,667
	8,277	1,074,452	1,178,750
Liabilities assumed:			
Notes payable		2,622	611
Accounts payable, trade	**531**	49,421	54,495
Accrued payrolls and other compensation	**219**	33,714	16,364
Accrued domestic and foreign taxes	**(91)**	22,111	1,366
Other accrued liabilities	**2,587**	97,093	77,285
Long-term debt		1,640	10,023
Pensions and other postretirement benefits		5,418	653
Deferred income taxes	**(420)**	136,864	97,640
Other liabilities		2,934	(701)
	2,826	351,817	257,736
Net assets acquired	**$5,451**	$ 722,635	$ 921,014

3. Charges Related to Business Realignment

In 2010, the Company recorded a $48.5 million charge for the costs to structure its businesses in light of current and anticipated customer demand. 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 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 Industrial Segment recognized $44.0 million of the total charge and included severance costs related to approximately 1,455 employees. The Climate & Industrial Controls Segment recognized $3.9 million of the total charge and included severance costs related to approximately 255 employees. The Aerospace Segment recognized $0.6 million of the total charge and included severance costs related to approximately 50 employees. The business realignment costs are presented in the Consolidated Statement of Income for 2010 in the following captions: $43.0 million in Cost of sales and $5.5 million in Selling, general and administrative expenses. As of June 30, 2010, approximately $36.7 million in severance payments have been made with the remaining payments expected to be made by December 31, 2010.

In 2009, the Company recorded a $52.1 million charge for the costs to structure its businesses in light of current and anticipated customer demand. 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 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 Industrial Segment recognized $33.7 million of the total charge and included severance costs related to approximately 3,345 employees. The Climate & Industrial Controls Segment recognized $9.7 million of the total charge and included severance costs related to approximately 745 employees. The Aerospace Segment recognized $2.0 million of the total charge and included severance costs related to approximately 205 employees. Approximately $6.7 million of the charge was recorded below segment operating income. All required severance payments have been made. The business realignment costs are presented in the Consolidated Statement of Income for 2009 in the following captions: $41.0 million in Cost of sales, $6.2 million in Selling, general and administrative expenses and $4.9 million in Loss (gain) on disposal of assets.

In 2008, the Company recorded a $5.7 million charge for the costs to structure its businesses in light of current and anticipated customer demand. The charges primarily consist of severance costs related to general workforce reductions implemented primarily in the Industrial North American operations. 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 Industrial Segment recognized $4.9 million of the total charge and included severance costs related to approximately 145 employees. The Climate & Industrial Controls Segment recognized $0.6 million of the total charge and included severance costs related to approximately 115 employees. The Aerospace Segment recognized $0.2 million of the total charge and included severance costs related to approximately 25 employees. All required severance payments have been made. The business realignment costs are primarily presented in the Cost of sales caption in the Consolidated Statement of Income for 2008.

4. Income Taxes

Income before income taxes was derived from the following sources:

	2010	2009	2008
United States	**$ 354,675**	$ 390,507	$ 509,811
Foreign	**400,142**	292,576	824,760
	$ 754,817	$ 683,083	$ 1,334,571

Income taxes include the following:

	2010	2009	2008
Federal			
Current	**$ 84,878**	$ 46,524	$199,457
Deferred	**6,104**	37,670	(31,024)
Foreign			
Current	**105,927**	120,963	187,034
Deferred	**(22,788)**	(50,560)	(435)
State and local			
Current	**25,000**	18,500	24,500
Deferred	**(669)**	(158)	(2,474)
	$198,452	$172,939	$377,058

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

	2010	2009	2008
Statutory Federal income tax rate	**35.0%**	35.0%	35.0%
State and local income taxes	**2.1**	1.7	1.0
Litigation settlements		1.8	
Foreign tax rate difference	**(7.4)**	(8.7)	(7.5)
Cash surrender of life insurance	**(1.0)**	2.3	.2
Research tax credit	**(0.7)**	(2.5)	(.4)
Worthless stock benefit		(3.2)	
Other	**(1.7)**	(1.1)	
Effective income tax rate	**26.3%**	25.3%	28.3%

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:

	2010	2009
Postretirement benefits	**$ 565,258**	$ 491,655
Other liabilities and reserves	**118,882**	107,694
Long-term contracts	**4,323**	3,572
Stock-based compensation	**60,882**	47,250
Loss carryforwards	**106,106**	135,901
Foreign tax credit carryforwards		9,857
Unrealized currency exchange gains and losses	**15,312**	37,342
Inventory	**21,123**	16,963
Depreciation and amortization	**(455,684)**	(502,105)
Valuation allowance	**(92,799)**	(112,883)
Net deferred tax asset	**$ 343,403**	$ 235,246
Change in net deferred tax asset:		
Provision for deferred tax	**$ 17,353**	$ 13,048
Items of other comprehensive income	**94,854**	263,565
Acquisitions and other	**(4,050)**	(122,539)
Total change in net deferred tax	**$ 108,157**	$ 154,074

At June 30, 2010, the Company had recorded deferred tax assets of $106,106 resulting from $379,093 in loss carryforwards. A valuation allowance of $92,799 has been established due to the uncertainty of realizing certain loss carryforwards, 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 one to 19 years. No material valuation allowance was recorded during the year attributable to acquisitions.

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 $1,102,978, $1,298,102 and $1,435,394, at June 30, 2010, 2009 and 2008, respectively.

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

	2010	2009	2008
Balance July 1	**$132,954**	$105,070	$ 74,459
Additions for tax positions related to current year	**10,815**	31,414	24,951
Additions for tax positions of prior years	**23,408**	15,899	6,470
Additions for acquisitions	**294**	760	993
Reductions for tax positions of prior years	**(64,821)**	(10,566)	(2,452)
Reductions for settlements	**(21,770)**	(3,768)	(538)
Reductions for expiration of statute of limitations	**(37)**		(45)
Effect of foreign currency translation	**1,246**	(5,855)	1,232
Balance June 30	**$ 82,089**	$132,954	$105,070

The total amount of unrecognized tax benefits that, if recognized, would affect the effective rate was $81,927, $114,210 and $76,868 as of June 30, 2010, 2009 and 2008, respectively. The accrued interest related to the gross unrecognized tax benefits, excluded from the amounts above, was $8,200, $9,179 and $9,748 as of June 30, 2010, 2009 and 2008, respectively.

The Company and its subsidiaries file income tax returns in the United States and various state and 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 Internal Revenue Service for fiscal years through 2007. All significant state and local and foreign tax returns have been examined for fiscal years through 2001. The Company does not anticipate that the total unrecognized tax benefits will significantly change within the next twelve months due to the settlement of examinations and the expiration of statute of limitations.

5. Earnings Per Share

Basic earnings per share is computed using the weighted-average number of common shares outstanding during the year. Diluted earnings per share is 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:

	2010	2009	2008
Numerator:			
Net income attributable to common shareholders	**$ 554,065**	$ 508,515	$ 949,466
Denominator:			
Basic – weighted-average common shares	**160,909,655**	161,564,111	168,285,487
Increase in weighted-average common shares from dilutive effect of stock-based awards	**1,992,062**	1,155,037	3,358,348
Diluted – weighted-average common shares, assuming exercise of stock-based awards	**162,901,717**	162,719,148	171,643,835
Basic earnings per share	**$ 3.44**	$ 3.15	$ 5.64
Diluted earnings per share	**$ 3.40**	$ 3.13	$ 5.53

For 2010, 2009 and 2008, 9.0 million, 6.4 million, and 1.1 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 approximately 28 percent of total inventories in 2010 and 2009. The current cost of these inventories exceeds their valuation determined on the LIFO basis by $193,519 in 2010 and $204,294 in 2009. During 2009, inventory reductions resulted in a pre-tax LIFO liquidation gain of $12,500. Progress payments of $33,676 in 2010 and $57,704 in 2009 are netted against inventories.

7. Goodwill and Intangible Assets

The Company's annual impairment tests performed in fiscal years 2010, 2009, and 2008 resulted in no impairment loss being recognized.

The changes in the carrying amount of goodwill for the years ended June 30, 2009 and June 30, 2010 are as follows:

	Industrial Segment	Aerospace Segment	Climate & Industrial Controls Segment	Total
Balance June 30, 2008	$2,382,479	$100,413	$ 315,200	$2,798,092
Acquisitions	318,818		375	319,193
Foreign currency translation	(196,318)	(45)	(7,662)	(204,025)
Goodwill adjustments	(8,530)	(1,659)	6	(10,183)
Balance June 30, 2009	$2,496,449	$ 98,709	$ 307,919	$2,903,077
Acquisitions		**193**		**193**
Foreign currency translation	**(115,175)**	**(46)**	**(1,081)**	**(116,302)**
Goodwill adjustments	**(634)**			**(634)**
Balance June 30, 2010	**$2,380,640**	**$ 98,856**	**$ 306,838**	**$2,786,334**

"Goodwill adjustments" primarily represent final adjustments to the purchase price allocation during the twelve-month period subsequent to the acquisition date and primarily involved the valuation of income tax liabilities. Goodwill adjustments in 2010 included goodwill related to a business that was divested and goodwill associated with an investment that was written down.

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:

	2010		2009	
June 30,	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents	**$ 114,935**	**$ 48,682**	$ 119,811	$ 42,188
Trademarks	**289,017**	**83,936**	287,691	62,926
Customer lists and other	**1,125,782**	**247,065**	1,154,713	183,239
Total	**$ 1,529,734**	**$ 379,683**	$ 1,562,215	$ 288,353

During 2010, the Company acquired intangible assets with an initial purchase price allocation and weighted-average life as follows:

	Purchase Price Allocation	Weighted-Average Life
Patents	**$ 1,630**	**13 years**
Trademarks	**160**	**5 years**
Customer lists and other	**2,328**	**25 years**
Total	**$ 4,118**	**20 years**

Total intangible amortization expense in 2010, 2009 and 2008 was $114,749, $102,750 and $67,391, respectively. The estimated amortization expense for the five years ending June 30, 2011 through 2015 is $102,648, $93,757, $86,391, $80,900 and $78,233, 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, of which $1,482,623 was available at June 30, 2010. The credit agreement expires in September 2012, 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 a facility fee of up to 4.5/100ths of one percent of the commitment per annum at the Company's present rating level. The revolving credit agreement contains provisions that increase the facility fee of the credit agreement in the event the Company's credit ratings are lowered.

The Company is currently authorized to sell up to $1,370,000 of short-term commercial paper notes. No commercial paper notes were outstanding at June 30, 2010 and $354,500 were outstanding at June 30, 2009.

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 agreement for future borrowings, or might accelerate the maturity of the related outstanding borrowings covered by the indentures. At the Company's present rating level, the most restrictive covenant provides that the ratio of secured debt to net tangible assets be less than 10 percent. As of June 30, 2010, the Company does not have any secured debt outstanding. The Company is in compliance with all covenants.

Notes payable is comprised of short-term lines of credit and borrowings from foreign banks. At June 30, 2010, the Company had $167,985 in lines of credit from various foreign banks, of which $167,494 was available. Most of these agreements are renewed annually. The balance and weighted-average interest rate of the Notes payable at June 30, 2010 and 2009 were $17,759 and 0.5 percent and $431,044 and 1.5 percent, respectively.

9. Debt

June 30,	2010	2009
Domestic:		
Debentures		
7.30%, due 2011	**$ 100,000**	$ 100,000
Fixed rate medium-term notes		
5.50% to 6.55%, due 2018-2038	**875,000**	915,000
Fixed rate senior notes		
4.88%, due 2013	**225,000**	225,000
Variable rate demand bonds		
0.6%, due 2010-2025		20,035
Foreign:		
Bank loans, including revolving credit		
1% to 7.2%, due 2011-2017	**1,807**	6,357
Euro Bonds 3.5%, due 2011	**244,580**	280,580
4.125%, due 2016	**244,580**	280,580
Japanese Yen credit facility		
Libor plus 20 bps, due 2012	**67,878**	62,292
Other long-term debt,		
including capitalized leases	**302**	284
Total long-term debt	**1,759,147**	1,890,128
Less long-term debt payable		
within one year	**345,513**	50,423
Long-term debt, net	**$ 1,413,634**	$ 1,839,705

Principal amounts of Long-term debt payable in the five years ending June 30, 2011 through 2015 are $345,513, $68,373, $225,219, $146 and $131, respectively. The carrying value of the Company's Long-term debt (excluding leases) was $1,758,845 and $1,889,844 at June 30, 2010 and 2009, respectively, and was estimated to have a fair value of $1,925,397 and $1,899,246, at June 30, 2010 and 2009, respectively. The fair value of the Long-term debt (excluding leases) was estimated using discounted cash flow analyses assuming current interest rates for similar types of borrowing arrangements and maturities.

Lease Commitments - Future minimum rental commitments as of June 30, 2010, under non-cancelable operating leases, which expire at various dates, are as follows: 2011-$78,013; 2012-$56,838; 2013-$36,181; 2014-$23,279; 2015-$18,139 and after 2015-$80,927.

Rental expense in 2010, 2009 and 2008 was $123,582, $125,516 and $106,135, 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:

Benefit cost	2010	2009	2008
Service cost	**$ 70,977**	$ 71,187	$ 76,315
Interest cost	**178,562**	172,321	163,635
Expected return on plan assets	**(177,559)**	(186,417)	(190,362)
Amortization of prior service cost	**13,974**	11,787	13,318
Amortization of unrecognized actuarial loss	**65,823**	31,507	45,757
Amortization of initial net (asset)	**(55)**	(53)	(71)
Net periodic benefit cost	**$ 151,722**	$ 100,332	$ 108,592

	2010	2009
Change in benefit obligation		
Benefit obligation at beginning of year	**$ 2,952,297**	$ 2,731,472
Service cost	**70,977**	71,187
Interest cost	**178,562**	172,321
Actuarial loss	**440,941**	184,275
Benefits paid	**(150,176)**	(140,842)
Plan amendments	**11,902**	6,442
Acquisitions	**419**	16,872
Foreign currency translation and other	**(74,087)**	(89,430)
Benefit obligation at end of year	**$ 3,430,835**	$ 2,952,297
Change in plan assets		
Fair value of plan assets at beginning of year	**$ 1,807,479**	$ 2,344,832
Actual gain (loss) on plan assets	**261,820**	(384,309)
Employer contributions	**153,291**	61,933
Benefits paid	**(150,176)**	(140,842)
Acquisitions		10,781
Foreign currency translation and other	**(52,228)**	(84,916)
Fair value of plan assets at end of year	**$ 2,020,186**	$ 1,807,479
Funded status	**$(1,410,649)**	$(1,144,818)

	2010	2009
Amounts recognized on the Consolidated Balance Sheet		
Investments and other assets	**$**	$ 182
Other accrued liabilities	**(12,866)**	(8,828)
Pensions and other postretirement benefits	**(1,397,783)**	(1,136,172)
Net amount recognized	**$ (1,410,649)**	$ (1,144,818)
Amounts recognized in Accumulated Other Comprehensive (Loss)		
Net actuarial loss	**$ 1,496,209**	$ 1,228,240
Prior service cost	**70,810**	73,094
Transition obligation	**105**	63
Net amount recognized	**$ 1,567,124**	$ 1,301,397

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 asset that will be amortized from accumulated other comprehensive (loss) into net periodic benefit pension cost in 2011 is $102,622, $12,476 and $51, respectively.

The accumulated benefit obligation for all defined benefit plans was $3,096,603 and $2,699,942 at June 30, 2010 and 2009, 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 $3,401,504, $3,072,016 and $1,991,174, respectively, at June 30, 2010, and $2,911,759, $2,666,229 and $1,767,765, respectively, at June 30, 2009.

The Company expects to make cash contributions of approximately $250 million to its defined benefit pension plans in 2011, the majority of which relate to U.S. defined benefit plans. Estimated future benefit payments in the five years ending June 30, 2011 through 2015 are $144,209, $164,493, $191,499, $165,679 and $177,838, respectively and $1,095,388 in the aggregate for the five years ending June 30, 2016 through June 30, 2020.

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

	2010	2009	2008
U.S. defined benefit plans			
Discount rate	**6.25%**	6.8%	6.3%
Average increase in compensation	**4.34%**	4.7%	4.7%
Expected return on plan assets	**8.5%**	8.5%	8.5%
Non-U.S. defined benefit plans			
Discount rate	**2.0 to 6.78%**	2.25 to 6.9%	2.25 to 6.3%
Average increase in compensation	**2.0 to 4.7%**	1.0 to 4.5%	1.0 to 4.25%
Expected return on plan assets	**1.0 to 8.0 %**	1.0 to 8.0%	1.0 to 7.75%

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

	2010	2009
U.S. defined benefit plans		
Discount rate	**5.3%**	6.25%
Average increase in compensation	**5.21%**	4.34%
Non-U.S. defined benefit plans		
Discount rate	**1.75 to 6.0%**	2.0 to 6.78%
Average increase in compensation	**2.0 to 4.5%**	2.0 to 4.7%

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:

	2010	2009
Equity securities	**56%**	60%
Debt securities	**37%**	32%
Other	**7%**	8%
	100%	100%

The weighted-average target asset allocation as of June 30, 2010 is 61 percent equity securities, 33 percent debt securities and 6 percent otherThe investment strategy for defined benefit pension plan assets focuses on achieving prudent actuarial funding ratios while maintaining acceptable levels of risk and providing adequate liquidity to meet immediate and future benefit requirements. This strategy requires an investment portfolio that is broadly diversified across various asset classes and external investment managers. The Company's overall investment strategy 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 will be added to the portfolio. These securities will be 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 at June 30, 2010, by asset class, are as follows:

	Total	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	**$ 74,302**	**$ 74,302**	**$**	$
Equity securities	**605,067**	**605,067**		
Fixed income securities				
Corporate bonds	**116,571**		**116,571**	
Government issued securities	**130,070**		**130,070**	
Mutual funds				
Equity funds	**10,370**		**10,370**	
Fixed income funds	**131,777**		**131,777**	
Common/Collective trusts				
Equity funds	**613,246**		**613,246**	
Fixed income funds	**245,229**		**245,229**	
Limited Partnership	**68,648**		**68,648**	
Miscellaneous	**24,906**		**24,906**	
Total at June 30, 2010	**$2,020,186**	**$ 679,369**	**$1,340,817**	

Equity securities consist of common stock of both U.S. and foreign corporations and are valued at the closing price reported on the active market on which the individual securities are traded. Equity securities include Company stock with a fair value of $74,000 as of June 30, 2010 ($53,717 as of June 30, 2009).

Fixed income securities, mutual funds and limited partnership are valued using market observable inputs for similar assets that are traded on an active market. The value of the limited partnership is estimated using the pro-rata interest in the underlying investments of the partnership.

Common/Collective trusts are valued using market observable inputs for similar assets that are traded on an active market. The value is estimated using a net asset value per share which is based on the underlying value of the investments in the trust.

Miscellaneous assets primarily includes insurance contracts held in the asset portfolio of the Company's international pension plans and is valued as 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 the limited partnership 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.

A breakdown of shares held by the ESOP is as follows:

	2010	2009	2008
Allocated shares	**10,950,349**	11,189,598	11,123,057
Suspense shares			202,587
Total shares held by the ESOP	**10,950,349**	11,189,598	11,325,644
Fair value of suspense shares			$ 14,449

In 1999, the ESOP was leveraged and the loan was unconditionally guaranteed by the Company. The Company's matching contribution and dividends on the shares held by the ESOP were used to repay the loan, and shares were released from the suspense account as the principal and interest are paid. The unreleased portion of the shares in the ESOP suspense account were not considered outstanding for purposes of earnings per share computations. The ESOP Trust repaid the loan in 2009 so there are no suspense shares remaining. Company contributions to the ESOP, recorded as compensation and interest expense, were $48,336 in 2010, $51,593 in 2009 and $53,019 in 2008. Dividends earned by the suspense shares and interest income within the ESOP totaled $28 in 2010, $162 in 2009 and $796 in 2008. In 2010 and 2009, in lieu of cash, the Company issued 510,984 and 49,422, of its common shares, respectively, 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 $12,598, $14,489 and $10,826 in expense related to the RIA in 2010, 2009 and 2008, respectively.

In addition to shares within the ESOP, as of June 30, 2010, employees have elected to invest in 3,827,222 shares of common stock within the Company Stock Fund of the Parker Retirement Savings 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 or eliminate 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:

Benefit cost	2010	2009	2008
Service cost	**$ 545**	$ 1,034	$ 1,519
Interest cost	**3,920**	5,193	5,700
Net amortization and deferral	**(461)**	(753)	(742)
Net periodic benefit cost	**$4,004**	$ 5,474	$ 6,477

	2010	2009
Change in benefit obligation		
Benefit obligation at beginning of year	**$ 64,434**	$ 91,851
Service cost	**545**	1,034
Interest cost	**3,920**	5,193
Actuarial loss (gain)	**8,689**	(3,667)
Benefits paid	**(7,720)**	(7,703)
Acquisitions		139
Plan settlement		(22,413)
Benefit obligation at end of year	**$ 69,868**	$ 64,434
Funded status	**$(69,868)**	$(64,434)
Amounts recognized on the Consolidated Balance Sheet		
Other accrued liabilities	**$ (5,176)**	$ (5,318)
Pensions and other postretirement benefits	**(64,692)**	(59,116)
Net amount recognized	**$(69,868)**	$(64,434)
Amounts recognized in Accumulated Other Comprehensive (Loss)		
Net actuarial loss (gain)	**$ 5,870**	$ (1,562)
Prior service (credit)	**(1,113)**	(2,829)
Net amount recognized	**$ 4,757**	$ (4,391)

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 prior service (credit) and net actuarial loss (gain) that will be amortized from accumulated other comprehensive (loss) into net periodic postretirement cost in 2011 is $45 and $202, respectively.

Historically, the Company has provided self-insured retiree medical plan benefits for non-union employees upon their retirement. The retiree was responsible for paying the premiums for the medical coverage but the Company paid the costs of administering the plans (i.e., claims processing costs). Absorbing the administration costs was considered a benefit under the postretirement benefit accounting rules as the employees who elected to enroll in the retiree medical plans paid a lower premium since the Company was paying the costs to administer the plan. In 2009, the Company discontinued its self-insured retiree medical plans for non-union employees and has therefore eliminated the cost associated with administering the plans. The Company recognized $22.4 million in income in 2009 as a result of eliminating the liability related to this benefit.

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

	2010	2009	2008
Discount rate	**6.1%**	6.71%	6.23%
Current medical cost trend rate	**8.5%**	9.25%	9.7%
Ultimate medical cost trend rate	**5.0%**	5.0%	5.0%
Medical cost trend rate decreases to ultimate in year	**2018**	2014	2014

The discount rate assumption used to measure the benefit obligation was 5.01 percent in 2010 and 6.1 percent in 2009.

Estimated future benefit payments for other postretirement benefits in the five years ending June 30, 2011 through 2015 are $5,191, $5,194, $5,129, $5,123 and $5,113, respectively, and $24,755 in the aggregate for the five years ending June 30, 2016 through June 30, 2020.

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	**$ 220**	**$ (184)**
Effect on postretirement benefit obligation	**$ 3,550**	**$ (2,973)**

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 2010, 2009 and 2008, the Company recorded (income) expense relating to deferred compensation of $21,553, $(27,167) and $8,785, 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. Shareholders' Equity

Retirement benefit plan activity for Retained earnings in 2009 includes $3,391 related to the adoption of new accounting rules for split dollar insurance arrangements and $2,106 related to the adoption of the measurement date provision of pension accounting rules.

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

	2010	2009
Foreign currency translation	**$ (187,746)**	$ (821)
Retirement benefit plans	**(1,019,762)**	(836,398)
Other	**(1,053)**	(5,800)

The balance of Accumulated other comprehensive (loss) income in Noncontrolling interests relates to foreign currency translation and amounted to $18,519 and $11,426, at June 30, 2010 and June 30, 2009, respectively.

Share Repurchases - The Company has a program to repurchase its common shares. Under the program, the Company is authorized to repurchase an amount of common shares each fiscal year 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. 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:

	2010	2009	2008
Shares repurchased	**441,118**	7,557,284	1,255,062
Average price per share	**$ 56.67**	$ 59.25	$ 66.82

In August 2007, the Company's Board of Directors authorized the accelerated purchase of $500 million of the Company's common shares. This authorization is in addition to the Company's previously announced share repurchase program. Under the accelerated repurchase program, the Company repurchased a total of 6,629,981 shares at an average purchase price of $75.48 per share.

12. Stock Incentive Plans

Stock-Based Awards - The Company's 2003 and 2009 Stock Incentive Programs provide for the granting of nonqualified options and stock appreciation rights (SARs) to officers and key employees of the Company. The nonqualified options allow the recipient to purchase shares of common stock at a price not less than 100 percent of the fair market value of the stock on the date the stock-based awards are granted. Upon exercise, SARs entitle the recipient to receive shares of common stock equal to the increase in value of the award between the grant date and the exercise date. Outstanding options and SARs are exercisable from one to three years after the date of grant and expire no more than 10 years after grant. The Company satisfies stock option and SAR exercises by issuing common shares 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 shares (24,838 previously unissued common shares were issued in 2008).

During 2010, 2009 and 2008, the Company recognized stock-based compensation expense of $44,415, $41,488 and $44,947, respectively, relating to the 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.

The fair value of each stock-based award granted in 2010, 2009 and 2008 were estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	2010	2009	2008
Risk-free interest rate	**2.9%**	3.2%	4.4%
Expected life of award	**5.3 yrs**	4.9 yrs	5.2 yrs
Expected dividend yield of stock	**1.4%**	1.3%	1.4%
Expected volatility of stock	**34.5%**	26.6%	25.6%
Weighted-average fair value	**$ 15.77**	$ 16.56	$ 16.61

The risk-free interest rate was based on U.S. Treasury yields with 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-based award activity during 2010 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, 2009	14,631,280	$ 47.88		
Granted	**3,234,283**	**50.46**		
Exercised	**(1,496,389)**	**34.00**		
Canceled	**(216,681)**	**57.55**		
Outstanding June 30, 2010	**16,152,493**	**$ 49.55**	5.6 years	$ 140.2
Exercisable June 30, 2010	**10,565,620**	**$ 46.01**	4.6 years	$ 122.1

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

	Number of Shares	Weighted-Average Grant Date Fair Value
Nonvested June 30, 2009	4,929,680	$ 16.32
Granted	**3,234,283**	**15.77**
Vested	**(2,511,704)**	**16.12**
Canceled	**(65,386)**	**15.52**
Nonvested June 30, 2010	**5,586,873**	**$ 16.10**

At June 30, 2010, $30,096 of expense with respect to nonvested stock-based awards has yet to be recognized and will be amortized into expense over a weighted-average period of approximately 18 months. The total fair value of shares vested during 2010, 2009 and 2008 was $40,494, $40,082 and $29,326, respectively.

Information related to stock-based awards exercised during 2010, 2009 and 2008 is as follows:

	2010	2009	2008
Net cash proceeds	**$ 10,307**	$ 3,557	$ 33,406
Intrinsic value	**45,424**	4,787	82,415
Income tax benefit	**14,031**	1,517	26,360

Shares surrendered upon exercise of stock options and SARS: 2010 – 606,554; 2009 – 90,129; 2008 – 732,920.

Restricted Stock - The Company's 2003 Stock Incentive Programs provided for the issuance of restricted shares to certain key employees under the Company's 2007-08-09, 2006-07-08 and 2005-06-07 Long Term Incentive Plans (LTIP). Value of the payments was set at the market value of the Company's common stock on the date of issuance. Shares were earned and awarded, and an estimated value was accrued, based upon attainment of criteria specified in the LTIP over the cumulative years of each three-year plan. Plan participants are entitled to cash dividends and to vote their respective shares, but the shares are restricted as to transferability for three years following issuance.

Restricted Shares for LTIP	2010	2009	2008
Number of shares issued	**68,172**	172,130	294,418
Average share value on date of issuance	**$ 48.58**	$ 65.34	$ 60.93
Total value	**$ 3,312**	$ 11,247	$ 17,940

Under the Company's 2008-09-10 LTIP a payout of restricted shares from the Company's 2003 Stock Incentive Program will be issued to certain key employees in August 2010. In lieu of restricted shares, the participant may elect to receive the 2008-09-10 LTIP payout as deferred cash compensation. Retired participants receive the 2008-09-10 LTIP payout in cash. The total payout, valued at $9,456, has been accrued over the three years of the plan. During 2010, 2009 and 2008, the Company recorded expense (income) relating to the LTIP of $15,018, $(5,562) and $25,681 respectively. The decrease in expense in 2009 was primarily attributable to the impact the economic downturn had on the Company's performance and stock price during 2009.

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, 2009	1,395,224	$ 56.69
Granted	**423,600**	**51.95**
Vested	**(318,330)**	**49.75**
Canceled	**(150,466)**	**48.58**
Nonvested June 30, 2010	**1,350,028**	**$ 57.74**

Shares surrendered in connection with the LTIP: 2010– 83,991; 2009 – 60,247; 2008 – 109,642.

In 2010, 2009 and 2008, 20,000, 12,150 and 14,850 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, non-employee members of the Board of Directors have been 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 2010, 2009 and 2008, 4,578, 3,868 and 2,526 restricted shares, respectively, were issued in lieu of directors' fees.

At June 30, 2010, the Company had approximately 25 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, 2010, 161,256,018 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 $316,181 in 2010, $338,908 in 2009 and $303,098 in 2008. 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 $40,277 in 2010, $50,739 in 2009 and $47,757 in 2008. These costs are included in the total research and development cost for each of the respective years.

15. Fair Value Measurements

On July 1, 2009, the Company adopted new accounting guidance relating to fair value measurements of nonfinancial assets and nonfinancial liabilities, which includes goodwill and long-lived assets. These items are recognized at fair value when an impairment exists. No material fair value adjustments were made to the Company's nonfinancial assets and nonfinancial liabilities during 2010.

A summary of financial assets and liabilities that were measured at fair value on a recurring basis at June 30, 2010 and June 30, 2009 is as follows:

	Total Value At June 30, 2010	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Available for sale securities	**$ 3,542**	**$**	**$**	**$ 3,542**
Derivatives	**1,624**		**1,624**	
Liabilities:				
Deferred compensation plans	**112,189**		**112,189**	
Derivatives	**2,334**		**2,334**	

	Total Value At June 30, 2009	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Available for sale securities	$ 3,493	$ 3,493	$	$
Derivatives	203		203	
Liabilities:				
Deferred compensation plans	99,007		99,007	
Derivatives	1,513		1,513	

Available for sale securities consist of an investment in stock in an electronic and electrical equipment company. The fair value of available for sale securities was transferred from Level 1 to Level 3 in 2010 as a result of the delisting of the electronic and electrical equipment company's stock from the international market of the London Stock Exchange. The fair value of available for sale securities as of June 30, 2010 was estimated using a market and income approach with equal weighting given to each approach. The market approach estimates a fair value by applying price-to-earnings multiples for similar companies that are publicly traded while the income approach estimates a fair value using a discounted cash flow analysis. During 2010, there were no purchases, sales, issuances or settlements of available for sale securities. After the stock delisting, it was determined that the fair value of the investment in the electronic and electrical equipment company had permanently declined and an expense of $7,251 was recognized in Net income, the amount of which had previously been included in Accumulated other comprehensive (loss). The fair value of available for sale securities as of June 30, 2009 was measured using quoted market prices. Derivatives primarily consist of costless collar contracts, the fair value of which is calculated through a model that utilizes market observable inputs including both spot and forward prices for the same underlying currencies. The Company has established nonqualified deferred compensation programs which permit officers, directors and certain management employees to defer a portion of their compensation, on a pre-tax basis, until their termination of employment. Changes in the fair value of the compensation deferred under these programs are recognized based on the quoted market prices for the participants' investment elections.

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.

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 majority of which have either been settled or are pending an appeal filed by the Company.

With respect to the class action lawsuits, the Company recognized $20,000 in expense in 2008 and $2,322 in expense in 2009. No expenses related to the class action lawsuits were recognized during 2010. With respect to the regulatory investigations, the Company recognized $35,084 in expense in 2009 and $654 in expense in 2010. No expenses related to the regulatory investigations were recognized in 2008.

As of June 30, 2010, the Company has made all required payments relating to the class action lawsuits and regulatory investigations and has no remaining accrual related to these matters. With respect to the class action lawsuits, the Company made payments of $22,322 in 2009. No payments were made in 2008 or 2010. With respect to the regulatory investigations, the Company made payments of $32,794 in 2009 and $2,944 in 2010. No payments were made in 2008.

Legal expenses related to these matters are being expensed as incurred and totaled $1,445, $3,092, and $5,767 in 2010, 2009 and 2008, respectively.

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, 2010, the Company has a reserve of $15,825 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. This reserve is net of $1,451 for discounting, primarily at a 4.5 percent discount rate, a portion of the costs to operate and maintain remediation treatment systems as well as gauge treatment system effectiveness through monitoring and sampling over periods up to 15 years.

The Company's estimated total liability for the above mentioned sites ranges from a minimum of $15.8 million to a maximum of $72.3 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 remedial action required, negotiations with federal and state agencies, changes in regulatory requirements and technology innovation, the effectiveness of remedial technologies employed, the ability of other responsible parties to pay, and any insurance or third party recoveries.

17. Quarterly Information (Unaudited)

2010	**1st**	**2nd**	**3rd**	**4th**	**Total**
Net sales	**$ 2,237,165**	**$ 2,354,708**	**$ 2,614,823**	**$ 2,786,470**	**$ 9,993,166**
Gross profit	**436,220**	**485,227**	**552,372**	**672,280**	**2,146,099**
Net income attributable to common shareholders	**73,493**	**104,546**	**153,863**	**222,163**	**554,065**
Diluted earnings per share	**.45**	**.64**	**.94**	**1.35**	**3.40**

2009	1st	2nd	3rd	4th	Total
Net sales	$ 3,064,688	$ 2,688,656	$ 2,344,713	$ 2,210,958	$ 10,309,015
Gross profit	727,466	567,206	436,106	396,889	2,127,667
Net income attributable to common shareholders	250,176	155,401	53,422	49,516	508,515
Diluted earnings per share	1.50	.96	.33	.31	3.13

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	Full Year
2010	**High**	**$55.89**	**$59.36**	**$66.71**	**$72.50**	**$ 72.50**
	Low	**39.53**	**49.36**	**53.50**	**55.18**	**39.53**
	Dividends	**.25**	**.25**	**.25**	**.26**	**1.01**
2009	High	$72.69	$52.52	$46.45	$48.45	$ 72.69
	Low	48.67	31.29	27.69	33.13	27.69
	Dividends	.25	.25	.25	.25	1.00
2008	High	$78.43	$86.56	$76.03	$86.91	$ 86.91
	Low	58.19	71.15	58.10	69.46	58.10
	Dividends	.21	.21	.21	.21	.84

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, 2010. 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, 2010.

Deloitte & Touche LLP, the independent registered 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, 2010, which is included herein.

/s/ Donald E. Washkewicz	/s/ Timothy K. Pistell
Chairman, Chief Executive Officer and President	Executive Vice President – Finance and 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, 2010 and June 30, 2009, and the related consolidated statements of income, equity, and cash flows for each of the three years in the period ended June 30, 2010. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(l). We also have audited the Company's internal control over financial reporting as of June 30, 2010, 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 consolidated financial statements, 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, 2010 and June 30, 2009, and the results of their operations and their cash flows for the three years in the period ended June 30, 2010, 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, present 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, 2010, 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 26, 2010

Five-Year Financial Summary

(Amounts in thousands, except per share information)	2010	2009	2008	2007	2006
Net sales	**$9,993,166**	$10,309,015	$12,145,605	$10,718,059	$9,385,888
Cost of sales	**7,847,067**	8,181,348	9,339,072	8,272,949	7,367,618
Selling, general and administrative expenses	**1,277,080**	1,290,379	1,364,082	1,226,861	1,036,646
Interest expense	**103,599**	112,071	98,996	83,414	75,763
Income taxes	**198,452**	172,939	377,058	329,236	261,682
Income - continuing operations	**554,065**	508,515	949,466	830,046	638,276
Net Income attributable to common shareholders	**554,065**	508,515	949,466	830,046	673,167
Basic earnings per share - continuing operations	**3.44**	3.15	5.64	4.75	3.57
Diluted earnings per share - continuing operations	**3.40**	3.13	5.53	4.68	3.52
Basic earnings per share	**3.44**	3.15	5.64	4.75	3.76
Diluted earnings per share	**$ 3.40**	$ 3.13	$ 5.53	$ 4.68	$ 3.71
Average number of shares outstanding - Basic	**160,910**	161,564	168,285	174,643	178,817
Average number of shares outstanding - Diluted	**162,902**	162,719	171,644	177,495	181,326
Cash dividends per share	**$ 1.010**	$ 1.000	$ .840	$ .692	$ .612
Net income attributable to common shareholders as a percent of net sales	**5.5%**	4.9%	7.8%	7.7%	7.2%
Return on average assets	**5.6%**	5.0%	10.1%	10.0%	9.0%
Return on average shareholders' equity	**12.8%**	10.7%	19.1%	18.5%	17.8%
Book value per share	**$ 27.09**	$ 26.59	$ 31.35	$ 27.14	$ 23.64
Working capital	**$1,383,905**	$ 1,118,027	$ 1,912,369	$ 1,460,930	$1,457,873
Ratio of current assets to current liabilities	**1.6**	1.6	1.9	1.8	1.9
Plant and equipment, net	**$1,697,881**	$ 1,880,554	$ 1,926,522	$ 1,736,372	$1,693,794
Total assets	**9,910,382**	9,855,902	10,386,854	8,441,413	8,173,432
Long-term debt	**1,413,634**	1,839,705	1,952,452	1,089,916	1,059,461
Shareholders' equity	**$4,367,965**	$ 4,268,199	$ 5,251,553	$ 4,712,680	$4,240,904
Debt to debt-shareholders' equity percent	**28.9%**	35.2%	28.3%	21.4%	21.1%
Depreciation	**$ 245,295**	$ 252,599	$ 257,570	$ 245,058	$ 245,681
Capital expenditures	**$ 129,222**	$ 270,733	$ 280,327	$ 237,827	$ 198,113
Number of employees	**54,794**	51,639	61,722	57,338	57,073
Number of shares outstanding at year-end	**161,256**	160,489	167,512	173,618	179,417

Exhibit (21)* to Report
on Form 10-K for
Fiscal Year Ended June 30, 2010
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 Corp.	California
Winco Enterprises Inc.	California
Parker-Hannifin International Corp.	Delaware
Parker Intangibles LLC	Delaware
Parker Italy (PH Espana Holding) LLC	Delaware
Parker Italy Holding LLC	Delaware
Parker Hannifin Luxembourg Acquisitions LLC	Delaware
PH Spain LLC	Delaware
Parker Royalty Partnership	Ohio
PG Square LLC	Ohio
Parker Hannifin Luxembourg Acquisitions Limited Co.	Texas
Parker-Hannifin Luxembourg Finance Limited Company	Texas
Parker Hannifin Luxumbourg 1 Limited Company	Texas
INTERNATIONAL	
Parker Hannifin Argentina S.A.I.C.	Argentina
Domnick Hunter Pty Limited	Australia
Legris Australasia Pty Limited	Australia
Denison Hydraulics Australia Pty Limited	Australia
Parker Hannifin Australia Assets Pty Limited	Australia
Parker Hannifin Australia Holdings Pty Limited	Australia
Parker Hannifin Ges.m.b.H.	Austria
Parker-Origa Pneumatic GmbH	Austria
Advanced Products N.V.	Belgium
S.A. Parker Hannifin N.V.	Belgium
Parker Hannifin (Bermuda) Ltd.	Bermuda
Parker Adesivos e Selantes Quimicos Industria e Comericio Ltda.	Brazil
Legris do Brasil Ltda.	Brazil
Parker Hannifin Industria e Comercio Ltda	Brazil
2172098 Ontario Inc.	Canada
3228453 Nova Scotia Company	Canada
3239249 Nova Scotia Ltd.	Canada
9183-7252 Quebec Inc.	Canada
Parker Canada Holding Co	Canada
Parker Canada Investment Co.	Canada
Parker Canada Limited Partner Co	Canada

Name of Subsidiary	State/Country of Incorporation
Parker Canada Management Inc.	Canada
Parker Hannifin Canada	Canada
Parker Hannifin Electronic Controls	Canada
Parker Ontario Holdings Inc.	Canada
Parker Ontario Limited Partnership	Canada
Ingeniera y Servicios Metalcrom Limitada	Chile
Parker Hannifin Chile Limitada	Chile
Parker Shenyang Rubber Products Co., Ltd. ***(1)***	China
Parker Hannifin Hydraulics (Tianjin) Co., Ltd.	China
PH Electronic Material (Shenzhen) Co., Ltd.	China
PH Fluid Connectors (Qingdao) Co., Ltd.	China
PH Fluid Connectors Co., Ltd	China
PH Fluid Power Systems & Components Co., Ltd.	China
PH Management (Shanghai) Co., Ltd. (China RHQ)	China
PH Motion & Control Shanghai Co. Ltd.	China
Rayco (Wuxi) Precision Mold Systems Co., Ltd.	China
Rayco (Wuxi) Technologies Co., Ltd.	China
Shanghai Denison Hydraulics Components Limited ***(2)***	China
Taiyo Parker Fluidpower (Shanghai) Co., Ltd.	China
Wuxi Kenmore Refrigeration Components Co., Ltd.	China
Legris SRO	Czech Republic
Parker Hannifin Czech Republic Sro	Czech Republic
Parker Hannifin Industrial s.r.o.	Czech Republic
Parker-Hannifin s.r.o.	Czech Republic
Parker Hannifin A/S	Denmark
Parker Hannifin Oy	Finland
Vansco Electronics Oy	Finland
Drives France Holdings SAS	France
Legris Autoline SAS	France
Legris SAS	France
Parker Hannifin France Holding SAS	France
Parker Hannifin France SAS	France
Parker Hannifin SNC	France
Parker-Origa SAS	France
PH France Finance SAS	France
SSD Parvex SAS	France
Domnick Hunter GmbH	Germany
Parker Hannifin GmbH	Germany
Parker Hannifin Holding GmbH	Germany
Parker Hannifin Real Estate Holding GmbH	Germany
Parker Hannifin Verwaltungs GmbH	Germany
Parker-Origa GmbH	Germany
Rectus GmbH	Germany
Zander Aufbereitungstechnick GmbH	Germany
Parker Hannifin (Gibraltar) Holding Limited (Gib1)	Gibraltar
Parker Hannifin (Gibraltar) Properties Limited (Gib 7) ***(1)***	Gibraltar
Parker Hannifin (Gibraltar) Developments Limited (Gib 6)	Gibraltar
Parker Hannifin Hong Kong, Ltd.	Hong Kong
Legris Hungary Ltd.	Hungary
Parker International Capital Mng Hungary Ltd.	Hungary

Name of Subsidiary	State/Country of Incorporation
PHC-Hungarian Trade Representative Office	Hungary
Annapurna Kenmore Tube Products Pvt. Ltd. ***(1)***	India
Legris India Holding Private Ltd.	India
Legris India Private Ltd. ***(3)***	India
Parker Hannifin India Private Ltd.	India
Parker Markwel Industries Private Ltd.	India
Acadia International Insurance Ltd	Ireland
Parker Sales (Ireland) Limited	Ireland
Parker Hannifin SpA	Italy
Parker Hiross Spa	Italy
Parker Italy Holding S.r.l.	Italy
Parker ITR SRL	Italy
Kuroda Pneumatics Ltd.	Japan
Parker Hannifin Japan Ltd.	Japan
Taiyo Ltd. ***(4)***	Japan
Taiyo Tech	Japan
Taiyo Techno	Japan
Parker Korea Ltd.	Korea
Parker Mobile Control Division Asia Co., Ltd.	Korea
PH Climate & Industrial Controls Ltd.	Korea
PH Connectors Ltd.	Korea
Parker Hannifin (Luxembourg) S.a r.l.	Luxembourg
Parker Hannifin Bermuda Luxembourg S.C.S.	Luxembourg
Parker Hannifin Global Capital Management S.a r.l.	Luxembourg
Parker Hannifin Luxembourg Acquisitions S.a r.l.	Luxembourg
Parker Hannifin Luxembourg Finance S.a r.l.	Luxembourg
PH Luxembourg Investments 1 S.a r.l.	Luxembourg
EmiTherm Sdn. Bhd.	Malaysia
Parker Hannifin Industrial (M) Sdn. Bhd	Malaysia
Parker Hannifin Malaysia Sdn. Bhd	Malaysia
Parker-Origa Sdn. Bhd	Malaysia
Parker Hannifin Malta Finance 1, Ltd	Malta
Parker Hannifin Malta Finance 2, Ltd.	Malta
Arosellos, S.A. de C.V.	Mexico
Parker Baja Servicios	Mexico
Parker Brownsville Servicios	Mexico
Parker Hannifin de Mexico, S.A. de C.V.	Mexico
Parker Hannifin Hldg S. de R.L. de C.V.	Mexico
Parker Industrial S. de R.L. de C.V.	Mexico
Parker Seal de Mexico S.A.	Mexico
Parker Servicio's de Mexico, S.A. de C.V.	Mexico
Parker Sistemas de Automatization S de R.L.	Mexico
Parker Filtration & Separation BV	Netherlands
Parker Filtration B.V.	Netherlands
Parker Hannifin Netherlands Holdings 2 B.V.	Netherlands
Parker Hannifin Netherlands Holdings B.V.	Netherlands
Parker Hose BV	Netherlands
Parker Pneumatic BV	Netherlands
Parker Polyflex BV	Netherlands
PH Finance BV	Netherlands

Name of Subsidiary	State/Country of Incorporation
Parker Hannifin (N.Z.) Limited	New Zealand
Parker Hannifin A/S	Norway
Parker Hannifin Norway Holding AS	Norway
Parker Maritime AS	Norway
Parker ScanRope AS	Norway
Scan Rope Eindom Nord AS	Norway
Parker Hannifin Sp. z.o.o.	Poland
Parker Hannifin Portugal LDA	Portugal
Legris Industries OOO	Russia
Parker Hannifin LLC	Russia
Legris S.E. Asia Pte. Ltd.	Singapore
Parker Hannifin Singapore Pte. Ltd.	Singapore
Rayco International Pte. Ltd.	Singapore
Rayco Technologies Pte. Ltd.	Singapore
Parker-Origa Pte. Ltd.	Singapore
Parker Hannifin Czech Republic sro, organizacna zlozka	Slovakia
Parker-Hannifin s.r.o. - organizacna slozka	Slovakia
Parker Hannifin (Africa) Pty. Ltd.	South Africa
Legris Espanola SA	Spain
Parker Hannifin (Espana) S.A.	Spain
Parker Hannifin Acquisitions SL	Spain
Parker Hannifin Catera Industrial S.L.	Spain
PH Industries & Assets Holding SL	Spain
Tecknit Europe Espana, S.L.	Spain
Hoerbiger-Origa AB	Sweden
Parker Hannifin AB	Sweden
Tema Ingenjorsfirma AB	Sweden
Vansco Electronics AB	Sweden
Parker Hannifin Cartera Industrial, S.L. Torrejon de Ardoz (Espagne) succursale de Carouge	Switzerland
Parker Hannifin Europe Sarl	Switzerland
Parker Lucifer SA	Switzerland
Parker-Origa Holding AG	Switzerland
Tema Marketing AG	Switzerland
Parker Hannifin Taiwan Ltd.	Taiwan
KV Automation Thailand ***(5)***	Thailand
Parker Hannifin (Thailand) Co. Ltd.	Thailand
Parker Hareket ve Kontrol Sistemleri Tic. A.S.	Turkey
Parker Lklim Kontrol Sistemleri Sanayi ve Tic AS	Turkey
Alenco (Holdings) Ltd.	UK
Denison Financial Holding Limited	UK
Domnick Hunter Iberica Ltd.	UK
Domnick Hunter Group Ltd.	UK
Domnick Hunter Investments Limited	UK
PH (UK) Acquisitions Ltd.	UK
Domnick Hunter Trustees Limited	UK
Parker Hannifin (Holdings) Ltd.	UK
Parker Hannifin GB Ltd.	UK
Parker Hannifin Ltd.	UK
Parker Hannifin (UK) Limited	UK

Name of Subsidiary	State/Country of Incorporation
Parker Hannifin 2007 LLP	UK
Parker Hannifin Industries Limited	UK
ScanRope Ltd.	UK
Vansco Electronics (UK) Limited	UK
Parker-Origa Ltd.	UK
Legris Limited	UK
Parker Middle East FZE	United Arab Emirates
Parker Hannifin de Venezuela, S.A.	Venezuela
Parker Hannifin Vietnam Company Limited	Vietnam

(1) The Company owns 51% of such subsidiary’s equity capital.
(2) The Company owns 85% of such subsidiary’s equity capital.
(3) The Company owns 74% of such subsidiary’s equity capital.
(4) The Company owns 60% of such subsidiary’s equity capital.
(5) The Company owns 77% of such subsidiary’s equity capital.

Exhibit (23) to Report
On Form 10-K for Fiscal
Year Ended June 30, 2010
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-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 reports dated August 26, 2010, relating to the consolidated 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, 2010.

/s/ DELOITTE & TOUCHE LLP
Cleveland, OH
August 26, 2010

Exhibit 24(a)

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
Timothy K. Pistell
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 Donald E. Washkewicz, Chairman, President and Chief Executive Officer (Principal Executive Officer)	8/12/10	/s/ Giulio Mazzalupi Giulio Mazzalupi, Director	8/12/10
		/s/ K. P. Müller Klaus-Peter Müller, Director	8/12/10
/s/ T. K. Pistell Timothy K. Pistell, Executive Vice President – Finance and Administration and Chief Financial Officer (Principal Financial Officer)	8/12/10	/s/ Candy M. Obourn Candy M. Obourn, Director	8/12/10
/s/ Jon P. Marten Jon P. Marten, Vice President and Controller (Principal Accounting Officer)	8/12/10	/s/ Joseph M. Scaminace Joseph M. Scaminace, Director	8/12/10
/s/ L. S. Harty Linda S. Harty, Director	8/12/10	/s/ Wolfgang R. Schmitt Wolfgang R. Schmitt, Director	8/12/10
/s/ W. E. Kassling William E. Kassling, Director	8/12/10	/s/ Markos I. Tambakeras Markos I. Tambakeras, Director	8/12/10
/s/ R. J. Kohlhepp Robert J. Kohlhepp, Director	8/12/10	/s/ James L. Wainscott James L. Wainscott, Director	8/12/10

Exhibit 24(b)

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
Timothy K. Pistell
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/ Robert G. Bohn Robert G. Bohn, Director	8/19/10	/s/ Åke Svensson Åke Svensson, Director	8/19/10

Exhibit 31(i)(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 26, 2010

/s/ D.E. Washkewicz
Donald E. Washkewicz
Chief Executive Officer

Exhibit 31(i)(b)

CERTIFICATIONS

I, Timothy K. Pistell, 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 26, 2010

/s/ T. K. Pistell
Timothy K. Pistell
Executive Vice President – Finance and
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, 2010, 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 26, 2010

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

/s/ T. K. Pistell
Name: Timothy K. Pistell
Title: Executive Vice President-Finance and Administration and Chief Financial Officer