

**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, 2015**

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)

6035 Parkland Boulevard, Cleveland, Ohio
(Address of Principal Executive Offices)

34-0451060
(I.R.S. Employer
Identification No.)

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: Smaller Reporting Company:
(Do not check if a smaller reporting company)

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

The aggregate market value of the outstanding common stock held by non-affiliates of the Registrant as of December 31, 2014, excluding, for purpose of this computation only, stock holdings of the Registrant's Directors and Officers: \$18,161,893,495.

The number of Common Shares outstanding on July 31, 2015 was 138,418,792.

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, 2015 is incorporated by reference into Parts I and II hereof.
- (2) Definitive Proxy Statement for the Company's 2015 Annual Meeting of Shareholders to be held on October 28, 2015 is incorporated by reference into Part III hereof.

PARKER-HANNIFIN CORPORATION

FORM 10-K

Fiscal Year Ended June 30, 2015

PART I

ITEM 1. Business. Parker-Hannifin Corporation 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 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" 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 Global Code of Business Conduct, Board of Directors Guidelines on Significant Corporate Governance Issues and Independence Standards for Directors, are posted and available on the Company's investor relations internet website at www.phstock.com under the Corporate Governance page. Shareholders may request copies of these corporate governance documents, free of charge, by writing to Parker-Hannifin Corporation, 6035 Parkland Boulevard, Cleveland, Ohio 44124-4141, Attention: Secretary, or by calling (216) 896-3000.

The Company's manufacturing, service, sales, distribution and administrative facilities are located in 40 states within the United States and in 49 other countries. The Company's products are sold as original and replacement equipment through sales and distribution centers worldwide. The Company markets its products through direct-sales employees, independent distributors and sales representatives. The Company's products are supplied to approximately 445,000 customers in virtually every significant manufacturing, transportation and processing industry.

The Company has two reporting segments: Diversified Industrial and Aerospace Systems. During the fiscal year ended June 30, 2015, the Company's technologies and systems were used in the products of these two reporting segments. For fiscal year 2015, total net sales were \$12.7 billion. Diversified Industrial Segment products accounted for 82% and Aerospace Systems Segment products accounted for 18% of those net sales.

Markets

The Company's technologies and systems are used throughout various industries and in various applications. The approximately 445,000 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 4% of the Company's total net sales for the fiscal year ended June 30, 2015.

Diversified Industrial Segment. Sales of Diversified Industrial Segment products are made primarily to original equipment manufacturers ("OEMs") and their replacement markets in manufacturing, packaging, processing, transportation, mobile construction, refrigeration and air conditioning, agricultural and military machinery and equipment industries. The major markets for products of the Diversified Industrial Segment are listed below by group:

- Automation Group:**
- Automotive
 - Conveyor and material handling
 - Factory automation
 - Food and beverage
 - Industrial machinery
 - Life sciences and medical
 - Machine tools
 - Oil and gas
 - Packaging, paper and plastics machinery
 - Primary metals
 - Renewable energy
 - Safety and security
 - Semiconductor and electronics
 - Transportation and mobile

- Engineered Materials Group:**
- Aerospace
 - Chemical processing
 - Consumer
 - Fluid power
 - General industrial
 - Information technology
 - Life sciences
 - Microelectronics
 - Military
 - Oil and gas
 - Power generation
 - Renewable energy
 - Telecommunications
 - Transportation

- Filtration Group:**
- Aerospace
 - Food and beverage
 - Industrial machinery
 - Life sciences
 - Marine
 - Mobile equipment
 - Oil and gas
 - Power generation
 - Renewable energy
 - Transportation
 - Water purification

- Fluid Connectors Group:**
- Aerial lift
 - Agriculture
 - Bulk chemical handling
 - Construction machinery
 - Food and beverage
 - Fuel and gas delivery
 - Industrial machinery
 - Life sciences
 - Marine
 - Mining
 - Mobile equipment
 - Oil and gas
 - Renewable energy
 - Transportation

- Hydraulics Group:**
- Aerial lift
 - Agriculture
 - Automotive manufacturing
 - Construction machinery
 - Forestry
 - Industrial machinery
 - Machine tool
 - Marine
 - Material handling
 - Mining
 - Oil and gas
 - Power generation
 - Refuse vehicles
 - Renewable energy
 - Truck hydraulics
 - Turf equipment

Instrumentation Group:

- Air conditioning
- Alternative fuels
- Bio pharmaceuticals
- Chemical and refining
- Food and beverage
- Life sciences
- Microelectronics
- Mining
- Oil and gas
- Pharmaceuticals
- Power generation
- Precision cooling
- Refrigeration
- Water/wastewater

Aerospace Systems Segment. Sales of the Aerospace Systems Segment products are made primarily in the commercial and military aerospace markets to both OEMs and to end users for spares, maintenance, repair and overhaul. The major markets for products of the Aerospace Systems 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

Principal Products and Methods of Distribution

Although the Company offers hundreds of thousands of individual products, no single product contributed more than 1% to the Company's total net sales for the fiscal year ended June 30, 2015. Listed below are some of the Company's principal products.

Diversified Industrial Segment. The products produced by the Company's Diversified Industrial Segment consist of a broad range of motion-control and fluid systems and components, which are described below by group:

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

- Air preparation units
- Manifolds
- Pneumatic actuators and grippers
- Pneumatic valves and controls
- Vacuum generators, cups and sensors
- Fluidic valves and pumps
- AC/DC drives and systems
- Electric actuators, gantry robots and slides
- Human-machine interfaces
- Inverters
- Rotary actuators
- Solenoid valves
- Stepper motors, servo motors, drives and controls
- Structural extrusions

Engineered Materials Group: static and dynamic sealing devices, including:

- Dynamic seals
- Elastomeric o-rings
- Electro-medical instrument design and assembly
- Electromagnetic interference shielding
- Extruded and precision-cut fabricated elastomeric seals
- High-temperature metal seals
- Homogeneous and inserted elastomeric shapes
- Medical devices
- Metal and plastic retained composite seals
- Shielded optical windows
- Silicone tubing and extrusions
- Thermal management products
- Vibration dampening

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

- Analytical gas generators
- Compressed air and gas filters and dryers
- Engine air, coolant, fuel and oil filtration systems
- Filtration and purification systems
- Fluid condition monitoring systems
- Hydraulic and lubrication filters
- Instrumentation filters
- Membrane and fiber filters
- Nitrogen and hydrogen generators
- Sterile air filtration
- Water desalinization and purification filters/systems

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

- Check valves
- Connectors for low pressure fluid conveyance
- Diagnostic equipment
- Hose couplings
- Industrial hose
- Polytetrafluoroethylene ("PTFE") hose and tubing
- Quick couplings
- 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
- Coolers
- Electrohydraulic actuators
- Electronic displays
- Electronic I/O controllers
- Fan drives
- Hybrid drives
- 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
- Telematic controllers

Instrumentation Group: high quality critical flow components for process instrumentation, healthcare and ultra-high-purity applications and components for use in refrigeration and air conditioning systems and in fluid control applications for processing, fuel dispensing, beverage dispensing and mobile emissions, including:

- Accumulators
- Analytical instruments and sample conditioning systems
- Carbon dioxide controls
- Compressed natural gas dispensers
- Electronic controllers
- Filter driers
- Fluoropolymer chemical delivery fittings, valves and pumps
- Hand shut-off valves
- High pressure fittings, valves, pumps and systems
- High-purity gas delivery fittings, valves, regulators and digital flow controllers
- Industrial mass flow meters/controllers
- Medical devices
- Pressure regulating valves
- Process control fittings, valves, regulators and manifold valves
- Refrigerant distributors
- Safety relief valves
- Solenoid valves
- Thermostatic expansion valves

Diversified Industrial Segment products include standard products, as well as custom products which are engineered and produced to OEMs' specifications for application to particular end products. Both standard and custom products are also used in the replacement of original products. Diversified Industrial Segment products are marketed primarily through field sales employees and approximately 12,800 independent distributor locations throughout the world.

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

The Aerospace Systems Segment offers primary and secondary flight control systems and components used for precise control of aircraft rudders, elevators, ailerons and other aerodynamic control surfaces, including the following actuation components:

- Electric backup hydraulic
- Electrohydraulic
- Electrohydrostatic
- Electro-mechanical
- Hydraulic

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

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

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

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

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

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

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

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

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

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

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

Competition

The Company's business operates in highly competitive markets and industries. The Company offers its products over numerous, varied markets through its 139 divisions operating in 50 countries and consequently has hundreds of competitors when viewed across its various markets and product offerings. The Company's competitors include U.S. and non-U.S. companies. These competitors and the degree of competition vary widely by product lines, end markets, geographic scope and/or geographic locations. Although each of the Company's segments has numerous competitors, given the Company's market and product breadth, no single competitor competes with the Company with respect to all products manufactured and sold by the Company.

In the Diversified 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 Diversified Industrial Segment products. The Company has comprehensive motion and control packages for the broadest systems capabilities. While the Company's primary global competitors include Bosch Rexroth AG, Danfoss A/S, Donaldson Company, Inc., Eaton Corporation plc, Emerson Climate Technologies, Emerson/ASCO, Festo AG, Freudenberg-NOK, IMI/Norgren, Pall Corporation, SMC Corporation, Swagelok Company, and Trelleborg AB, none of these businesses compete with every group in the Company's Diversified Industrial Segment and every product line offered by this segment.

In the Aerospace Systems 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. Further, the Aerospace Systems Segment is able to utilize low cost manufacturing techniques for similar product on the Diversified Industrial Segment to achieve a lower cost producer status. Although the Company believes that it is one of the market leaders in most of the major markets for its most significant Aerospace Systems Segment products, the Company's primary global competitors for the most significant Aerospace Systems Segment products include Eaton Corporation plc, Honeywell International, Inc., Moog Inc., Triumph Group, Inc., UTC Aerospace Systems, Woodward, Inc. and Zodiac Aerospace SA.

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

- decentralized operating structure that allows each division to focus on its customers and respond quickly at the local level;
- systems solution capabilities that use the Company's core technologies from both of its segments;
- global presence;
and
- a strong global distribution network.

Research and Product Development

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

Total research and development costs relating to the development of new products and services and the improvement of existing products and services amounted to \$403.1 million in fiscal year 2015, \$410.1 million in fiscal year 2014, and \$406.6 million in fiscal year 2013. 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 2015, 2014 and 2013 were \$57.8 million, \$55.9 million and \$58.9 million, respectively.

Patents, Trademarks, Licenses

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

Backlog and Seasonal Nature of Business

Backlog consists of written firm orders from a customer to deliver products and, in the case of blanket purchase orders, only includes the portion of the order for which a schedule or release date has been agreed to with the customer. The dollar value of backlog is equal to the amount that is expected to be billed to the customer and reported as a sale. 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 was \$3.3 billion at June 30, 2015 and \$3.9 billion at June 30, 2014. Approximately 81% of the Company's backlog at June 30, 2015 is scheduled for delivery in the succeeding twelve months. The Company's business is generally not seasonal in nature.

Environmental Regulation

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

As of June 30, 2015, the Company was involved in environmental remediation at various United States and non-U.S. manufacturing facilities presently or formerly operated by the Company and 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 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, 2015, the Company had a reserve of \$17.0 million for environmental matters that were probable and reasonably estimable. This reserve was recorded based upon the best estimate of costs to be incurred in light of the progress made in determining the magnitude of remediation costs, the timing and extent of remedial actions required by governmental authorities and the amount of the Company's liability in proportion to other responsible parties.

The Company's estimated total liability for the above mentioned sites ranges from a minimum of \$17.0 million to a maximum of \$80.2 million. The largest range of the estimated total liability for any one site is approximately \$8.4 million. The actual costs to be incurred by the Company will be dependent on final determination of contamination and required remedial action, negotiations with governmental authorities with respect to cleanup levels, changes in regulatory requirements, innovations in investigatory and remedial technologies, effectiveness of remedial technologies employed, the ability of the other responsible parties to pay, and any insurance or other third-party recoveries.

Energy Matters and Sources and Availability of Raw Materials

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

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

Employees

The Company employed approximately 54,750 persons as of June 30, 2015, of whom approximately 28,670 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 2015, the Company completed four acquisitions as set forth on pages 13-23 to 13-24 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 the risks that could materially adversely affect the Company's financial and/or operational performance. These risk factors should be considered and evaluated together with information incorporated by reference or otherwise included elsewhere in this Annual Report on Form 10-K. Additional risks not currently known to the Company or that the Company currently believes are immaterial also may impair the Company's business, financial condition, results of operations and cash flows.

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

The Company's business is sensitive to global macro-economic conditions. Slow economic growth persists in the economic regions in which the Company conducts substantial operations, including Western Europe and Brazil. The continued effects of the global economic downturn and the rate of recovery may have an adverse effect on the business, results of operations and financial condition of the Company and its distributors, customers and suppliers, and on the general economic activity in many of the industries and markets in which the Company and its distributors, customers and suppliers operate. Among the economic factors which may have such an effect are manufacturing and other end-market activity, currency exchange rates, air travel trends, difficulties entering new markets, and general economic conditions such as inflation, deflation, interest rates and credit availability. These factors may, among other things, negatively impact the level of purchases, capital expenditures, and creditworthiness of the Company and its distributors, customers and suppliers, and, therefore, the Company's revenues, operating profits, margins, and order rates.

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

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

The Company's net sales derived from customers outside the United States were approximately 42% in fiscal 2015 and approximately 44% in each of fiscal 2014 and 2013. In addition, many of the Company's manufacturing operations and suppliers are located outside the United States. The Company expects net sales from non-U.S. markets to continue to represent a significant portion of its total net sales. The Company's non-U.S. operations are subject to risks in addition to those facing its domestic operations, including:

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

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

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

The Company regularly executes organizational changes such as acquisitions, divestitures and realignments to support its growth and cost management strategies. The Company also engages in initiatives aimed to increase productivity, efficiencies and cash flow and to reduce costs. The Company further 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, the ability to complete such activities and realize anticipated synergies or cost savings as well as the Company's results of operations and financial condition could be materially adversely affected. The Company also cannot offer assurances that any of these initiatives will continue to be beneficial to the extent anticipated, or that the estimated efficiency improvements, incremental cost savings or cash flow improvements will be realized as anticipated or at all.

The Company may be subject to risks relating to acquisitions and joint ventures.

The Company expects to continue its strategy of identifying and acquiring businesses with complementary products and services, and entering into joint ventures, which 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 joint venture opportunities or that it will be able to acquire such businesses or enter into such joint ventures 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 or joint ventures will be profitable. The successful integration of new businesses and the success of joint ventures depend on the Company's ability to manage these new businesses and cut excess costs. If the Company is unable to avoid these risks, its results of operations and financial condition could be materially adversely affected.

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

The Company relies extensively on information technology systems to manage and operate its business, some of which are managed by third parties. The security and functionality of these information technology systems, and the processing of data by these systems, are critical to our business operations. If these systems, or any part of the systems, are damaged, intruded upon, attacked, shutdown or cease to function properly (whether by planned upgrades, force majeure, telecommunications failures, hardware or software break-ins or viruses, or other cyber-security incidents) and the Company suffers any resulting interruption in its ability to manage and operate its business or if its products are effected, the Company's results of operations and financial condition could be materially adversely affected.

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

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

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

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

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

The markets in which the Company operates 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. If the Company does not develop, or has difficulties or delays in the development of, innovative new and enhanced products and services, or fails to gain market or regulatory acceptance of new products and technologies, the Company's revenues may be materially reduced and the Company's competitive position could be materially adversely affected. In addition, the Company may invest in research and development of products and services, or in acquisitions or other investments, that do not lead to significant revenue, which could adversely affect our profitability.

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

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

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

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

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

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

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

The Company may be subject to product liability risks.

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

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

From time to time, the Company is subject to litigation or other commercial disputes and other legal and regulatory proceedings relating to its business. Due to the inherent uncertainties of any litigation, commercial disputes or other legal or regulatory proceedings, the Company cannot accurately predict their ultimate outcome, including the outcome of any related appeals. An unfavorable outcome could materially adversely impact the Company's business, financial condition or results of operations. Furthermore, as required by U.S. generally accepted accounting principles, the Company establishes reserves based on its assessment of contingencies, including contingencies related to legal claims asserted against it. Subsequent developments in legal proceedings may affect the Company's assessment and estimates of the loss contingency recorded as a reserve and require the Company to make payments in excess of our reserves, which could have an adverse effect on the Company's results of operations.

The Company is subject to national and international laws and regulations, such as the anti-corruption laws of the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, relating to its business and its employees. Despite the Company's policies, procedures and compliance programs, its internal controls and compliance systems may not be able to protect the Company from prohibited acts willfully committed by its employees, agents or business partners that would violate such applicable laws and regulations. Any such improper acts could damage the Company's reputation, subject it to civil or criminal judgments, fines or penalties, and could otherwise disrupt the Company's business, and as a result, could materially adversely impact the Company's business, financial condition or results of operations.

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

Protecting the Company's intellectual property is critical to its innovation efforts. The Company owns a number of patents, trade secrets, copyrights, trademarks, trade names and other forms of intellectual property in its products and services throughout the world. The Company also has exclusive and non-exclusive rights to intellectual property 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 increases the risk that the Company's intellectual property may be subject to infringement or other unauthorized use by others. In some cases, the Company's ability to protect its intellectual property rights by legal recourse or otherwise may be limited, particularly in countries where laws or enforcement practices are inadequate or undeveloped. Unauthorized use of the Company's intellectual property rights or the Company's inability to preserve existing intellectual property rights could adversely impact the Company's competitive position and results of operations.

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

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

clean-up costs associated with various waste sites, some of which are on the United States Environmental Protection Agency's Superfund priority list. The Company could incur substantial costs as a result of non-compliance with or liability for cleanup or other costs or damages under environmental laws, including the Superfund law.

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

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

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

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

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

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

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

ITEM 1B. Unresolved Staff Comments. None.

ITEM 1C. Executive Officers of the Registrant

The Company's executive officers as of August 15, 2015 were as follows:

Name	Position	Officer Since(1)	Age as of 8/15/2015
Donald E. Washkewicz	Chairman of the Board	1997	65
Thomas L. Williams	Chief Executive Officer and Director	2005	56
Lee C. Banks	President, Chief Operating Officer and Director	2001	52
Jon P. Marten	Executive Vice President – Finance & Administration and Chief Financial Officer	2008	59
Daniel S. Serbin	Executive Vice President – Human Resources & External Affairs	2005	61
Robert W. Bond	Vice President and President – Fluid Connectors Group	2000	57
Yoon "Michael" Chung	Vice President and President – Automation Group	2008	52
Jeffery A. Cullman	Vice President and President – Hydraulics Group	2006	60
John G. Dedinsky, Jr.	Vice President – Global Supply Chain and Procurement	2006	58
William G. Eline	Vice President – Chief Information Officer	2002	59
John R. Greco	Vice President and President – Instrumentation Group	2006	61
Kurt A. Keller	Vice President and President – Asia Pacific Group	2009	57
Joseph R. Leonti	Vice President, General Counsel and Secretary	2014	43
Robert W. Malone	Vice President and President – Filtration Group	2014	51
M. Craig Maxwell	Vice President – Chief Technology and Innovation Officer	2003	57
Andrew D. Ross	Vice President and President – Engineered Materials Group	2012	48
Roger S. Sherrard	Vice President and President – Aerospace Group	2003	49
Catherine A. Suever	Vice President and Controller	2010	56

- (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. Bond, Cullman, Dedinsky, Eline, Greco, and Maxwell have served in the executive capacities indicated above opposite their respective names during each of the past five years.

Mr. Washkewicz has been a Director since 2000 and Chairman of the Board since October 2004. He was Chief Executive Officer from July 2001 to February 2015 and President from January 2007 to February 2015.

Mr. Williams has been a Director since January 2015 and Chief Executive Officer since February 2015. He was an Executive Vice President from August 2008 to February 2015 and an Operating Officer from November 2006 to February 2015. He is also a Director of Chart Industries, Inc.

Mr. Banks has been a Director since January 2015 and President and Chief Operating Officer since February 2015. He was an Executive Vice President from August 2008 to February 2015 and an Operating Officer from November 2006 to February 2015. He is also a Director of Nordson Corporation.

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

Mr. Serbin has been Executive Vice President - Human Resources & External Affairs since July 2014. He was Executive Vice President – Human Resources from January 2011 to July 2014 and Vice President – Human Resources from May 2005 to January 2011.

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

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

Mr. Leonti has been Vice President, General Counsel and Secretary since July 2014. He was Assistant Secretary from April 2011 to July 2014 and Associate General Counsel from January 2008 to July 2014.

Mr. Malone has been Vice President and President of the Filtration Group since December 2014. He was Vice President Operations of the Filtration Group from January 2013 to December 2014 and President and Chief Executive Officer of Purolator Filters (a German joint venture) from April 2006 to January 2013.

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

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

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

ITEM 2. Properties. The Company's corporate headquarters is located in Cleveland, Ohio, and, at June 30, 2015, the Company had 309 manufacturing plants, 99 distribution centers and 154 sales and administrative offices throughout the world, none of which were individually material to its operations. The facilities are situated in 40 states within the United States and in 49 other countries. The Company owns the majority of its manufacturing plants and its leased properties primarily consist of sales and administrative offices and distribution centers. 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
Diversified Industrial	286	95	137
Aerospace Systems	23	4	17
Total	309	99	154

	Geographic Location			
	North America	Europe	Asia-Pacific	Latin America
Diversified Industrial	234	144	109	31
Aerospace Systems	35	5	4	—
Total	269	149	113	31

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

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

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 Community 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 General Court of the European Union on April 10, 2009. On May 12, 2013, the court reversed in part the decision of the European Commission, reducing the original fine of 25.61 million euros to 6.40 million euros and holding that the Company and Parker ITR are jointly and severally liable for payment of the fine up to 6.30 million euros. The European Commission appealed the ruling of the European Court of Justice. On December 18, 2014, the European Court of Justice reversed the ruling of the General Court and referred the case back to the General Court.

ITEM 4. Mine Safety Disclosures. Not applicable.

PART II

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

- (a) **Market for the Registrant's Common Equity.** The Company's common stock is listed for trading on the New York Stock Exchange under the symbol "PH". Information regarding stock price and dividend information with respect to the Company's common stock, as set forth on page 13-45 of Exhibit 13 to this Annual Report on Form 10-K, is incorporated into this section by reference. As of July 31, 2015, the number of shareholders of record of the Company was 3,906.
- (b) **Use of Proceeds.** Not Applicable.
- (c) **Purchases of Equity Securities by the Issuer and Affiliated Purchasers.**

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
April 1, 2015 through April 30, 2015	132,400	\$ 120.74	132,400	24,719,687
May 1, 2015 through May 31, 2015	136,900	\$ 122.01	136,900	24,582,787
June 1, 2015 through June 30, 2015	144,631	\$ 119.64	144,631	24,438,156
Total:	413,931	\$ 120.77	413,931	24,438,156

- (1) On August 16, 1990, the Company publicly announced that its Board of Directors authorized the repurchase by the Company of up to 3 million shares of its common stock. From time to time thereafter, the Board of Directors has adjusted the overall maximum number of shares authorized for repurchase under this program. On October 22, 2014, the Company publicly announced that the Board of Directors increased the overall maximum number of shares authorized for repurchase under this program so that, beginning on such date, the aggregate number of shares authorized for repurchase was 35 million shares. There is no limitation on the amount of shares that can be repurchased in a fiscal year. There is no expiration date for this program.

ITEM 6. Selected Financial Data. The information set forth on page 13-48 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 13-12 of Exhibit 13 to this Annual Report on Form 10-K is incorporated into this section by reference.

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

ITEM 8. Financial Statements and Supplementary Data. The information set forth on pages 13-13 to 13-45 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, 2015. Based on this evaluation, the Company's principal executive officer and principal financial officer concluded that, as of the end of fiscal year 2015, the Company's disclosure controls and procedures were effective.

Management's Report on Internal Control over Financial Reporting set forth on page 13-46 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 13-47 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, 2015 that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. Other Information. None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance. Information required with respect to the Directors of the Company is set forth under the caption "Item I – Election of Directors" in the definitive Proxy Statement for the Company's 2015 Annual Meeting of Shareholders, to be held October 28, 2015 (the "2015 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 2015 Proxy Statement is incorporated herein by reference.

The Company has adopted a Global Code of Business Conduct that applies to its Chief Executive Officer, Chief Financial Officer and Controller. The Global Code of Business 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 Global Code of Business 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 2015 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 2015 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 2015 Proxy Statement is incorporated herein by reference.

Equity Compensation Plan Information. The following table sets forth certain information regarding the Company's equity compensation plans as of June 30, 2015, unless otherwise indicated.

Plan Category	Column (a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	Column (b) Weighted-average exercise price of outstanding options, warrants and rights	Column (c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	10,374,316 (1)	\$81.19	15,881,431 (2)
Equity compensation plans not approved by security holders	—	—	—
Total	10,374,316	\$81.19	15,881,431

(1) Includes the maximum future payouts of common stock that may be issued under the calendar year 2013-14-15, 2014-15-16 and 2015-16-17 long term incentive performance awards, or LTIP Awards. For these LTIP Awards, payouts will be determined based on our achieving an average return on average equity of 4% or an average free cash flow margin of 4%. If these performance measures are achieved, the participants will be eligible to receive the maximum payout of 200%. The Human Resources and Compensation Committee will then compare our performance to that of a group of our peers and, if appropriate, apply its discretion to reduce the final payouts based on any performance measures that the Committee determines to be appropriate. Also includes 38,480 phantom shares held in an account pursuant to the Stock Option Deferral Plan (which plan

has not been approved by shareholders). The phantom shares resulted from exercises of stock options granted under the 1990 Employees Stock Option Plan, which was approved by the shareholders. No further deferral elections may be made under the Stock Option Deferral Plan.

- (2) The maximum number of shares of our common stock that may be issued under the Amended and Restated 2009 Omnibus Stock Incentive Plan is 14.7 million shares of which approximately 5.9 million shares are available for future issuance. The maximum number of shares that may be issued under the 2004 Non-Employee Directors' Stock Incentive Plan is 375,000 shares. No further awards will be granted under the 2004 Non-Employee Directors' Stock Incentive Plan. The maximum number of shares that may be issued under the Global Employee Stock Purchase Plan is 10 million shares of which all shares are still available for future issuance.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence. The information set forth under the captions "Review and Approval of Transactions with Related Persons" and "Director Independence" in the 2015 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 2015 Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules.

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

1. Financial Statements and Schedule

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

2. Exhibits

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PARKER-HANNIFIN CORPORATION

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

August 26, 2015

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

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

Date: August 26, 2015

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

PARKER-HANNIFIN CORPORATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE

	Reference	
	Form 10-K Annual Report (Page)	Excerpt from Exhibit 13 (Page)
Data incorporated by reference from Exhibit 13:		
Management's Report on Internal Control over Financial Reporting	—	13 - 46
Report of Independent Registered Public Accounting Firm	—	13 - 47
Consolidated Statement of Income for the years ended June 30, 2015, 2014 and 2013	—	13 - 13
Consolidated Statement of Comprehensive Income for the years ended June 30, 2015, 2014 and 2013	—	13 - 14
Business Segment Information	—	13 - 15 to 13 - 16
Consolidated Balance Sheet at June 30, 2015 and 2014	—	13 - 17
Consolidated Statement of Cash Flows for the years ended June 30, 2015, 2014 and 2013	—	13 - 18
Consolidated Statement of Equity for the years ended June 30, 2015, 2014 and 2013	—	13 - 19
Notes to Consolidated Financial Statements	—	13 - 20 to 13 - 45
Schedule:		
II - Valuation and Qualifying Accounts	22	—

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, 2013, 2014 and 2015
(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
<u>Allowance for doubtful accounts:</u>				
Year ended June 30, 2013	\$ 10,518	\$ 8,769	\$ (4,463)	\$ 14,824
Year ended June 30, 2014	\$ 14,824	\$ 9,649	\$ (8,433)	\$ 16,040
Year ended June 30, 2015	\$ 16,040	\$ 2,685	\$ (9,441)	\$ 9,284
<u>Deferred tax asset valuation allowance:</u>				
Year ended June 30, 2013	\$ 176,079	\$ 97,334	\$ —	\$ 273,413
Year ended June 30, 2014	\$ 273,413	\$ 74,032	\$ 1,392	\$ 348,837
Year ended June 30, 2015	\$ 348,837	\$ (18,831)	\$ —	\$ 330,006

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

Exhibit Index

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
	<u>Articles of Incorporation and By-Laws:</u>
(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).
	<u>Instruments Defining Rights of Security Holders</u>
(4)(a)	Shareholder Protection Rights Agreement, dated as of February 8, 2007, between the Registrant and Wells Fargo Bank, N.A. (as successor to National City Bank), as Rights Agent, incorporated by reference to Exhibit 1 to the Registrant's Form 8-A filed on February 8, 2007 (Commission File No. 1-4982).
(4)(b)	First Amendment to Shareholder Protection Rights Agreement, dated as of July 6, 2009, between the Registrant and Wells Fargo Bank, N.A. (as successor to National City Bank), as Rights Agent, incorporated by reference to Exhibit 4(a) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2009 (Commission File No. 1-4982).
	The Registrant is a party to other instruments, copies of which will be furnished to the Commission upon request, defining the rights of holders of its long-term debt identified in Note 9 of the Notes to Consolidated Financial Statements on page 13-30 of Exhibit 13 hereto, which Note is incorporated herein by reference.
	<u>Material Contracts:</u>
(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)	Termination Amendment to Parker-Hannifin Corporation Amended and Restated Change in Control Severance Agreement between Donald E. Washkewicz and the Registrant effective February 1, 2015 incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-Q for the quarterly period ended March 31, 2015 (Commission File No. 1-4982).
(10)(c)	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)(d)	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)(e)	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)(f)	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)(g)	Amendment to Parker-Hannifin Corporation Amended and Restated Supplemental Executive Retirement Benefits Program, effective April 15, 2010, incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 8-K filed with the Commission on April 21, 2010 (Commission File No. 1-4982).
(10)(h)	Amendment to Parker-Hannifin Corporation Amended and Restated Supplemental Executive Retirement Benefits Program, effective January 27, 2011, incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended March 31, 2011 (Commission File No. 1-4982).
(10)(i)	Parker-Hannifin Corporation Defined Contribution Supplemental Executive Retirement Benefits Program adopted January 21, 2015 incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended March 31, 2015 (Commission File No. 1-4982).
(10)(j)	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)(k) Parker-Hannifin Corporation Amended and Restated 2003 Stock Incentive Plan incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2010 (Commission File No. 1-4982).
- (10)(l) Parker-Hannifin Corporation Amended and Restated 2009 Omnibus Stock Incentive Plan incorporated by reference to Appendix A to the Registrant's Definitive Proxy Statement filed with the Commission on September 24, 2012 (Commission File No. 1-4982).
- (10)(m) Parker-Hannifin Corporation 2010 Performance Bonus Plan incorporated by reference to Exhibit A to the Registrant's Definitive Proxy Statement filed with the Commission on September 27, 2010 (Commission File No. 1-4982).
- (10)(n) Form of 2007 Notice of Grant of Stock Options with Tandem Stock Appreciation Rights for executive officers incorporated by reference to Exhibit 10.3 to the Registrant's Report on Form 8-K filed with the Commission on August 22, 2006 (Commission File No. 1-4982).
- (10)(o) Form of 2008 Notice of Grant of Stock Options with Tandem Stock Appreciation Rights for executive officers incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 8-K/A filed with the Commission on September 5, 2007 (Commission File No. 1-4982).
- (10)(p) Form of 2009 Notice of Stock Options Award with Tandem Stock Appreciation Rights for executive officers incorporated by reference to Exhibit 10(d) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).
- (10)(q) Form of 2010 Notice of Stock Options with Tandem Stock Appreciation Rights for executive officers incorporated by reference to Exhibit 10(d) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2009 (Commission File No. 1-4982).
- (10)(r) Form of FY2011 Parker-Hannifin Corporation Stock Appreciation Rights Award Agreement for executive officers incorporated by reference to Exhibit 10.2 to the Registrant's Report on Form 8-K filed with the Commission on August 17, 2010 (Commission File No. 1-4982).
- (10)(s) FY2011 Parker-Hannifin Corporation Stock Appreciation Rights Terms and Conditions for executive officers incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 8-K filed with the Commission on August 17, 2010 (Commission File No. 1-4982).
- (10)(t) Form of Parker-Hannifin Corporation Stock Appreciation Rights Award Agreement for executive officers incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2011 (Commission File No. 1-4982).
- (10)(u) Parker-Hannifin Corporation Stock Appreciation Rights Terms and Conditions for executive officers incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2011 (Commission File No. 1-4982).
- (10)(v) Parker-Hannifin Corporation Target Incentive Plan incorporated by reference to Exhibit 10(d) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2010 (Commission File No. 1-4982).
- (10)(w) Parker-Hannifin Corporation Target Incentive Plan Subject to Performance Bonus Plan incorporated by reference to Exhibit 10(e) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2010 (Commission File No. 1-4982).
- (10)(x) Parker-Hannifin Corporation Long-Term Incentive Performance Plan Under the Performance Bonus Plan incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended March 31, 2013 (Commission File No. 1-4982).
- (10)(y) Form of Parker-Hannifin Corporation Long-Term Incentive Performance Award Under the Performance Bonus Plan incorporated by reference to Exhibit 10.2 to the Registrant's Report on Form 8-K filed with the Commission on February 1, 2011 (Commission File No. 1-4982).
- (10)(z) Terms and Conditions of Restricted Stock Issued as a Payout Under the LTI Plan incorporated by reference to Exhibit 10(i) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2010 (Commission File No. 1-4982).
- (10)(aa) Parker-Hannifin Corporation Restricted Stock Unit Award Agreement dated August 14, 2013 for Jeffery A. Cullman incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2014 (Commission File No. 1-4982).
- (10)(bb) Parker-Hannifin Corporation Restricted Stock Unit Terms and Conditions for Jeffery A. Cullman incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2014 (Commission File No. 1-4982).

- (10)(cc) Parker-Hannifin Corporation Profitable Growth Incentive Plan incorporated by reference to Exhibit 10(c) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2014 (Commission File No. 1-4982).
- (10)(dd) Form of Notice of RONA Bonus Award Under the Parker-Hannifin Corporation Performance Bonus Plan incorporated by reference to Exhibit 10(h) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2009 (Commission File No. 1-4982).
- (10)(ee) Parker-Hannifin Corporation RONA Plan Subject to Performance Bonus Plan incorporated by reference to Exhibit 10(f) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2010 (Commission File No. 1-4982).
- (10)(ff) Parker-Hannifin Corporation Summary of RONA Bonus Awards in Lieu of Certain Executive Perquisites incorporated by reference to Exhibit 10(h) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).
- (10)(gg) Parker-Hannifin Corporation Amended and Restated Savings Restoration Plan incorporated by reference to Exhibit 10(i) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).
- (10)(hh) Parker-Hannifin Corporation Amended and Restated Pension Restoration Plan incorporated by reference to Exhibit 10(j) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).
- (10)(ii) Amendment to Parker-Hannifin Corporation Amended and Restated Pension Restoration Plan, effective January 1, 2010, incorporated by reference to Exhibit 10(bb) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2010 (Commission File No. 1-4982).
- (10)(jj) Amendment to Parker-Hannifin Corporation Amended and Restated Pension Restoration Plan, effective January 27, 2011, incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-Q for the quarterly period ended March 31, 2011 (Commission File No. 1-4982).
- (10)(kk) Parker-Hannifin Corporation Amended and Restated Executive Deferral Plan incorporated by reference to Exhibit 10(k) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).
- (10)(ll) Parker-Hannifin Corporation Volume Incentive Plan incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 8-K filed with the Commission on August 18, 2009 (Commission File No. 1-4982).
- (10)(mm) Parker-Hannifin Corporation Global Employee Stock Purchase Plan incorporated by reference to Appendix A to the Registrant's Definitive Proxy Statement filed with the Securities and Exchange Commission on September 22, 2014 (Commission File No. 1-4982).
- (10)(nn) 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)(oo) 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)(pp) Form of Parker-Hannifin Corporation Non-Employee Directors' Restricted Stock Award Agreement incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 2011 (Commission File No. 1-4982).
- (10)(qq) Parker-Hannifin Corporation Non-Employee Directors' Restricted Stock Award Terms and Conditions incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 2011 (Commission File No. 1-4982).
- (10)(rr) Amended and Restated Deferred Compensation Plan for Directors of Parker-Hannifin Corporation incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-A for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).
- (10)(ss) Summary of the Compensation of the Non-Employee Members of the Board of Directors, effective October 24, 2012, incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 2012 (Commission File No. 1-4982).
- (10)(tt) Summary of the Compensation of the Non-Employee Members of the Board of Directors, effective October 22, 2014, incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 2014 (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 13-27 of Exhibit 13 hereto.*
- (12) Computation of Ratio of Earnings to Fixed Charges as of June 30, 2015.*
- (13) Excerpts from Annual Report to Shareholders for the fiscal year ended June 30, 2015 which are incorporated herein by reference thereto.*
- (21) List of subsidiaries of the Registrant.*
- (23) Consent of Independent Registered Public Accounting Firm.*
- (24) Power of Attorney.*
- (31)(a) Certification of the Principal Executive Officer Pursuant to 17 CFR 240.13a-14(a), as Adopted Pursuant to §302 of the Sarbanes-Oxley Act of 2002.*
- (31)(b) Certification of the Principal Financial Officer Pursuant to 17 CFR 240.13a-14(a), as Adopted Pursuant to §302 of the Sarbanes-Oxley Act of 2002.*
- (32) Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to §906 of the Sarbanes-Oxley Act of 2002.*
- 101.INS XBRL Instance Document.*
- 101.SCH XBRL Taxonomy Extension Schema Document.*
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.*
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document.*
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document.*
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.*

* Submitted electronically
herewith.

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statement of Income for the years ended June 30, 2015, 2014 and 2013, (ii) Consolidated Statement of Comprehensive Income for the years ended June 30, 2015, 2014 and 2013, (iii) Consolidated Balance Sheet at June 30, 2015 and 2014, (iv) Consolidated Statement of Cash Flows for the years ended June 30, 2015, 2014 and 2013, (v) Consolidated Statement of Equity for the years ended June 30, 2015, 2014 and 2013, and (vi) Notes to Consolidated Financial Statements.

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

**Exhibit 12 to Annual Report
on Form 10-K
for Fiscal Year Ended June 30, 2015
By Parker-Hannifin Corporation
Computation of Ratio of Earnings to Fixed Charges
(In thousands, except ratios)**

	Fiscal Year Ended June 30,				
	2015	2014	2013	2012	2011
<u>EARNINGS</u>					
Income from continuing operations before income taxes and noncontrolling interests	\$ 1,432,240	\$ 1,556,720	\$ 1,311,001	\$ 1,576,698	\$ 1,413,721
Adjustments:					
Interest on indebtedness, exclusive of interest capitalized	115,077	79,845	88,668	89,888	97,009
Amortization of deferred loan costs	3,329	2,721	2,884	2,902	2,695
Portion of rents representative of interest factor	41,886	43,983	44,493	41,515	39,499
(Income) loss of equity investees	(23,204)	(11,141)	(247)	1,237	2,592
Amortization of previously capitalized interest	179	190	193	196	226
Income as adjusted	<u>\$ 1,569,507</u>	<u>\$ 1,672,318</u>	<u>\$ 1,446,992</u>	<u>\$ 1,712,436</u>	<u>\$ 1,555,742</u>
<u>FIXED CHARGES</u>					
Interest on indebtedness, exclusive of interest capitalized	\$ 115,077	\$ 79,845	\$ 88,668	\$ 89,888	\$ 97,009
Amortization of deferred loan costs	3,329	2,721	2,884	2,902	2,695
Portion of rents representative of interest factor	41,886	43,983	44,493	41,515	39,499
Fixed charges	<u>\$ 160,292</u>	<u>\$ 126,549</u>	<u>\$ 136,045</u>	<u>\$ 134,305</u>	<u>\$ 139,203</u>
<u>RATIO OF EARNINGS TO FIXED CHARGES</u>	9.79x	13.21x	10.64x	12.75x	11.18x

**Exhibit 13 to Annual Report
On Form 10-K
for Fiscal Year Ended June 30, 2015
By Parker-Hannifin Corporation**

Forward-Looking Statements

Forward-looking statements contained in this and other written and oral reports are made based on known events and circumstances at the time of release, and as such, are subject in the future to unforeseen uncertainties and risks. All statements regarding future performance, earnings projections, events or developments are forward-looking statements. It is possible that the future performance and earnings projections of the Company, including its individual segments, may differ materially from current expectations, depending on economic conditions within its mobile, industrial and aerospace markets, and the Company's ability to maintain and achieve anticipated benefits associated with announced realignment activities, strategic initiatives to improve operating margins, actions taken to combat the effects of the current economic environment, and growth, innovation and global diversification initiatives. A change in the economic conditions in individual markets may have a particularly volatile effect on segment performance.

Among other factors which may affect future performance are:

- changes in business relationships with and purchases by or from major customers, suppliers or distributors, including delays or cancellations in shipments, disputes regarding contract terms or significant changes in financial condition, changes in contract cost and revenue estimates for new development programs, and changes in product mix;
- ability to identify acceptable strategic acquisition targets;
- uncertainties surrounding timing, successful completion or integration of acquisitions and similar transactions;
- the ability to successfully divest businesses planned for divestiture and realize the anticipated benefits of such divestitures;
- the determination to undertake business realignment activities and the expected costs thereof and, if undertaken, the ability to complete such activities and realize the anticipated cost savings from such activities;
- ability to implement successfully the Company's capital allocation initiatives, including timing, price and execution of share repurchases;
- 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;
- threats associated with and efforts to combat terrorism and cyber-security risks;
- 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;
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, 2015, and undertakes no obligation to update them unless otherwise required by law.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

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

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

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

A PMI above 50 indicates that the manufacturing activity specific to a region of the world in the mobile and industrial markets is expanding. A PMI below 50 indicates the opposite. Recent PMI levels for some regions around the world were as follows:

	June 30, 2015	March 31, 2015	June 30, 2014
United States	53.5	51.5	55.3
Eurozone countries	52.5	52.2	51.8
China	49.4	49.6	50.7
Brazil	46.5	46.2	48.7

Global aircraft miles flown and global revenue passenger miles have both increased approximately seven percent from their comparable 2014 level. The Company anticipates that U.S. Department of Defense spending with regards to appropriations, and operations and maintenance for the U.S. Government's fiscal year 2015 will increase by approximately one percent from the comparable fiscal 2014 level.

Housing starts in June 2015 were approximately 27 percent higher than housing starts in both March 2015 and June 2014.

The Company has remained focused on maintaining its financial strength by adjusting its cost structure to reflect changing demand levels, maintaining a strong balance sheet and managing its cash. The Company continues to generate substantial cash flows from operations, has controlled capital spending and has proactively managed working capital. The Company has been able to borrow needed funds at affordable interest rates and had a debt to debt-shareholders' equity ratio of 36.6 percent at June 30, 2015 compared to 39.7 percent at March 31, 2015 and 25.9 percent at June 30, 2014. Net of cash and cash equivalents and marketable securities and other investments, the debt to debt-shareholders' equity ratio was 16.8 percent at June 30, 2015 compared to 20.9 percent at March 31, 2015 and 2.0 percent at June 30, 2014.

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

The Company believes it can meet its strategic objectives by:

- Serving the customer and continuously enhancing its experience with the Company;
- Successfully executing its Win Strategy initiatives relating to premier customer service, financial performance and profitable growth;
- Maintaining its decentralized division and sales company structure;
- Fostering an entrepreneurial culture;
- Engineering innovative systems and products to provide superior customer value through improved service, efficiency and productivity;
- Delivering products, systems and services that have demonstrable savings to customers and are priced by the value they deliver;
- Acquiring strategic businesses;
- Organizing around targeted regions, technologies and markets;
- Driving efficiency by implementing lean enterprise principles; and
- Creating a culture of empowerment through its values, inclusion and diversity, accountability and teamwork.

Acquisitions will 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 continue to assess its existing businesses and initiate efforts to divest businesses that are not considered to be a good long-term strategic 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 13-13 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.

(dollars in millions)	2015	2014	2013
Net sales	\$ 12,712	\$ 13,216	\$ 13,016
Gross profit margin	24.0 %	22.9 %	22.5 %
Selling, general and administrative expenses	\$ 1,545	\$ 1,634	\$ 1,555
Selling, general and administrative expenses, as a percent of sales	12.2 %	12.4 %	11.9 %
Goodwill and intangible asset impairment	\$ —	\$ 189	\$ —
Interest expense	118	83	92
Other (income), net	(43)	(26)	(18)
Loss (gain) on disposal of assets	4	(409)	(10)
Effective tax rate	29.3 %	33.1 %	27.6 %
Net income attributable to common shareholders	\$ 1,012	\$ 1,041	\$ 948

Net sales in 2015 were 3.8 percent lower than 2014. Acquisitions made in the last 12 months contributed approximately \$14 million in sales in 2015 and the effect of currency rate changes decreased net sales in 2015 by approximately \$547 million. Excluding the effect of acquisitions and currency rate changes, net sales in 2015 were essentially unchanged from 2014 as an increase in volume experienced in the Diversified Industrial North American operations and the Aerospace Systems Segment was offset by lower volume experienced in the Diversified Industrial International operations.

Net sales in 2014 were 1.5 percent higher than 2013. Acquisitions made during 2014 contributed approximately \$74 million in sales and the effect of currency rate changes decreased net sales in 2014 by approximately \$22 million. Excluding the effect of acquisitions and currency rate changes, net sales in 2014 were 1.1 percent higher than 2013. The increase in sales in 2014 is primarily due to higher volume experienced in the Diversified Industrial International operations partially offset by lower sales in the Aerospace Systems Segment.

Gross profit margin increased in 2015 primarily due to lower business realignment charges in the Diversified Industrial International operations and lower product support costs in the Aerospace Systems Segment. Gross profit margin increased in 2014 primarily due to lower defined benefit costs, and a favorable product mix in the Diversified Industrial North American operations, partially offset by higher business realignment charges in the Diversified Industrial International operations and higher product support costs and an unfavorable product mix in the Aerospace Systems Segment. Foreign currency transaction (gain) loss (relating to cash, marketable securities and other investments and intercompany transactions) included in cost of sales for 2015, 2014 and 2013 were \$(77.8) million, \$5.4 million and \$22.4 million, respectively. Pension cost included in cost of sales in 2015, 2014 and 2013 were \$169.8 million, \$174.8 million and \$205.7 million, respectively. The lower pension cost in 2014 primarily resulted from a lower amount of actuarial losses, primarily related to domestic defined benefit plans. Included in cost of sales in 2015, 2014 and 2013 were business realignment charges of \$19.4 million, \$63.6 million and \$8.4 million, respectively.

Selling, general and administrative expenses decreased 5.5 percent in 2015 and increased 5.1 percent in 2014. The decrease in 2015 was primarily due to lower business realignment charges and stock compensation expense, partially offset by higher net expenses associated with the Company's deferred compensation programs. Stock compensation expense decreased primarily as a result of a lower number of stock awards granted in 2015. The increase in selling, general and administrative expenses in 2014 was primarily due to higher business realignment charges and stock compensation expense, partially offset by lower expenses associated with the Company's various other incentive compensation programs. Stock compensation expense in 2014 increased primarily as result of a higher stock price used in the calculation of the fair value of the stock awards at the date of grant. Pension cost included in selling, general and administrative expenses in 2015, 2014 and 2013 were \$69.6 million, \$64.2 million and \$78.5 million, respectively. The lower pension cost in 2014 primarily resulted from a lower amount of actuarial losses, primarily related to domestic defined benefit plans. Included in selling, general and administrative expenses in 2015, 2014 and 2013 were business realignment charges of \$12.9 million, \$38.9 million and \$3.9 million, respectively.

Goodwill and intangible asset impairment related to the Worldwide Energy Products Division. Refer to Note 7 to the Consolidated Financial Statements for further discussion.

Interest expense in 2015 increased primarily due to a higher weighted-average interest rate on borrowings. The higher weighted-average interest rate primarily resulted from the issuance of \$1,500 million of medium-term notes during the second quarter of 2015. Interest expense in 2014 decreased primarily due to a lower average interest rate in the debt portfolio, including lower average borrowing rates on commercial paper borrowings, more than offsetting the effect of higher weighted-average borrowings.

Other (income), net in 2015 and 2014 includes \$23.2 million and \$11.1 million of income, respectively, related to the Company's equity interests in joint ventures.

Loss (gain) on disposal of assets includes a gain of \$412.6 million related to the deconsolidation of a subsidiary in 2014 and a net gain of \$14.7 million resulting from business divestiture activity in 2013.

Effective tax rate in 2015 was favorably impacted by the re-enactment of the U.S. Research and Development credit, an increase in the federal manufacturing deduction and the absence of discrete tax costs incurred in the prior year. These benefits were partially offset by an unfavorable geographic mix of earnings. The effective tax rate in 2014 was unfavorably impacted by discrete tax costs related to a non-deductible goodwill and intangible asset impairment charge, the deconsolidation of a subsidiary and the expiration of the U.S. Research and Development credit.

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.

Diversified Industrial Segment (dollars in millions)

	2015	2014	2013
Sales			
North America	\$ 5,716	\$ 5,694	\$ 5,638
International	4,741	5,288	5,110
Operating income			
North America	956	946	909
International	584	572	602
Operating income as a percent of sales			
North America	16.7 %	16.6 %	16.1 %
International	12.3 %	10.8 %	11.8 %
Backlog	\$ 1,586	\$ 1,861	\$ 1,803
Assets	8,765	9,502	9,388
Return on average assets	16.9 %	16.1 %	16.7 %

Sales in 2015 for the Diversified Industrial North American operations remained relatively flat compared to a 1.0 percent increase from 2013 to 2014. Acquisitions completed within the last 12 months contributed approximately \$7 million in sales in 2015 and the effect of currency exchange rates decreased sales in 2015 by \$50 million. Excluding acquisitions and the effect of currency rate changes, sales in 2015 in the Diversified Industrial North American operations increased 1.2 percent from 2014 reflecting higher demand from distributors as well as from end-users in the car and light truck, heavy-duty truck, refrigeration and air conditioning and construction equipment markets, partially offset by lower demand in the farm and agriculture equipment market. Excluding acquisitions and the effect of currency rate changes, sales in 2014 increased slightly as higher demand from distributors as well as from end-users in the construction equipment and oil and gas markets was partially offset by lower end-user demand in the heavy-duty truck, farm and agriculture equipment, engine, and car and light truck markets.

Sales in the Diversified Industrial International operations decreased 10.3 percent in 2015 compared to an increase of 3.5 percent from 2013 to 2014. Acquisitions completed within the last 12 months contributed approximately \$7 million in sales in 2015. The effect of currency rate changes decreased sales by \$487 million, reflecting the strengthening of the U.S. dollar against most currencies. Excluding acquisitions and the effect of currency rate changes, sales in 2015 in the Diversified Industrial International operations decreased 1.3 percent from 2014 primarily due to higher volume in the Asia Pacific region being more than offset by lower volume in Europe, approximately two-thirds of which was due to the absence of sales from divested businesses, and in Latin America. Excluding acquisitions and the effect of currency rate changes, sales in 2014 in the Diversified Industrial International operations increased 3.1 percent from 2013, primarily due to higher volume in all regions with 50 percent of the increase occurring in the Asia Pacific region and one-third of the increase occurring in Europe. The absence of sales from divested businesses was also a contributing factor to the sales fluctuation between 2013 and 2014 in both the Diversified Industrial North American and Diversified Industrial International operations.

The increase in operating margins in 2015 in the Diversified Industrial North American operations was primarily due to the higher sales volume, a favorable product mix and manufacturing efficiencies, partially offset by higher warehouse, shipping, and manufacturing support costs, research and development expenses and raw material costs. Diversified Industrial North American margins in 2015 were also adversely affected by a voluntary retirement expense of \$12.7 million. The increase in operating margins in 2015 in the Diversified Industrial International operations was primarily due to lower fixed overhead costs and lower business realignment charges in the current-year, partially offset by higher raw material costs due to changes in currency exchange rates. The increase in operating margins in 2014 in the Diversified Industrial North American operations was primarily due to the higher sales volume, a favorable product mix and lower raw material prices, partially offset by higher intangible asset amortization expense related to 2013 acquisitions. The decrease in operating margins in 2014 in the Diversified Industrial International operations was primarily due to higher business realignment charges and associated operating inefficiencies, partially offset by the impact of the higher sales volume and a favorable product mix.

The following business realignment charges are included in Diversified Industrial North America and Diversified Industrial International operating income:

(dollars in millions)	2015	2014	2013
Diversified Industrial North America	\$ 4	\$ 2	\$ 3
Diversified Industrial International	27	99	10

The business realignment charges consist primarily of severance costs resulting from plant closures as well as general reductions in work force. The majority of the Diversified Industrial International business realignment charges were incurred in Europe. The Company does not anticipate that cost savings realized from the work force reductions taken during 2015 in the Diversified Industrial North American and International operations will have a material impact on future operating income. In 2016, the Company expects to continue to take actions necessary to structure appropriately the operations of the Diversified Industrial Segment. Such actions are expected to result in approximately \$100 million in business realignment charges in 2016.

The Company anticipates Diversified Industrial North American sales for 2016 will range from a decrease of three percent to an increase of one percent from the 2015 level and Diversified Industrial International sales for 2016 will decrease between six percent and two percent from the 2015 level. Diversified Industrial North American operating margins in 2016 are expected to range from 15.9 percent to 16.3 percent and Diversified Industrial International margins are expected to range from 12.4 percent to 13.1 percent.

The decrease in total Diversified Industrial Segment backlog in 2015 was primarily due to shipments exceeding orders in all regions. The increase in total Diversified Industrial Segment backlog in 2014 was primarily due to orders exceeding shipments in the Diversified Industrial North American operations. Backlog consists of written firm orders from a customer to deliver products and, in the case of blanket purchase orders, only includes the portion of the order for which a schedule or release date has been agreed to with the customer. The dollar value of backlog is equal to the amount that is expected to be billed to the customer and reported as a sale.

The decrease in total Diversified Industrial Segment assets in 2015 was primarily due to the effect of currency rate fluctuations and a decrease in trade accounts receivable, net, non-trade and notes receivable and intangible assets, partially offset by an increase in cash and cash equivalents and other assets. The increase in assets in 2014 was primarily due to the effect of currency rate fluctuations and an increase in accounts receivable, partially offset by decreases in goodwill, intangible assets and inventory.

Aerospace Systems Segment (dollars in millions)

	2015	2014	2013
Sales	\$ 2,255	\$ 2,235	\$ 2,268
Operating income	299	271	280
Operating income as a percent of sales	13.3 %	12.1 %	12.4 %
Backlog	\$ 1,756	\$ 1,994	\$ 1,936
Assets	1,376	1,359	1,140
Return on average assets	21.9 %	21.7 %	25.8 %

Sales in 2015 were higher than the 2014 level as higher volume in the commercial original equipment manufacturer (OEM) and aftermarket businesses was partially offset by lower volume in the military OEM business. Sales in 2014 were lower than the 2013 level as higher volume in the commercial OEM business was offset by the absence of sales from the deconsolidated subsidiary, whose sales are now reported by the joint venture with GE Aviation, as well as lower volume in the military OEM and aftermarket businesses and the commercial aftermarket business.

The higher margin in 2015 was primarily due to the higher sales volume and lower engineering and development costs partially offset by a voluntary retirement expense of \$5.4 million. The lower margin in 2014 was primarily due to an unfavorable product mix, the impact of the joint venture with GE Aviation and higher product support costs. Margins in 2015 and 2014 were favorably impacted by the finalization of contract negotiations related to certain programs.

The decrease in backlog in 2015 was primarily due to shipments exceeding orders in all businesses of the Aerospace Systems Segment. The increase in backlog in 2014 was primarily due to orders exceeding shipments in the commercial and military OEM businesses, partially offset by shipments exceeding orders in the military and commercial aftermarket businesses as well as the absence of backlog of the deconsolidated subsidiary. Backlog consists of written firm orders from a customer to deliver

products and, in the case of blanket purchase orders, only includes the portion of the order for which a schedule or release date has been agreed to with the customer. The dollar value of backlog is equal to the amount that is expected to be billed to the customer and reported as a sale.

For 2016, sales are expected to increase between one percent and three percent from the 2015 level and operating margins are expected to range from 14.2 percent to 14.8 percent. A higher concentration of commercial OEM volume in future product mix and higher than expected new product development costs could result in lower margins.

The increase in assets in 2015 was primarily due to an increase in inventory and other assets, partially offset by a decrease in trade accounts receivable, net. The increase in assets in 2014 was primarily due to the investment in the joint venture with GE Aviation.

Corporate general and administrative expenses were \$215.4 million in 2015 compared to \$181.9 million in 2014 and \$185.8 million in 2013. As a percent of sales, corporate general and administrative expenses increased to 1.7 percent of sales compared to 1.4 percent in both 2014 and 2013. The higher expense in 2015 was primarily due to an increase in incentive compensation expense and higher net expenses associated with the Company's deferred compensation programs. Corporate general and administrative expenses in 2015 included \$3.1 million in voluntary retirement expense. The lower expense in 2014 was primarily due to lower compensation expense and lower net expenses associated with the Company's deferred compensation programs, partially offset by higher research and development expense.

Corporate assets decreased 10.8 percent in 2015 compared to an increase of 19.9 percent from 2013 to 2014. The decrease in Corporate assets in 2015 was primarily due to the effect of currency rate fluctuations and changes in cash and cash equivalents, marketable securities and other investments, non-trade and notes receivable and other assets. The change in assets in 2014 was primarily due to fluctuations in the amount of cash and cash equivalents and marketable securities and other investments.

Other expense (income) (in the Business Segment Information)(dollars in millions)

Expense (income)	2015	2014	2013
Foreign currency transaction	\$ (77.8)	\$ 5.4	\$ 22.4
Stock-based compensation	57.2	71.5	50.9
Pensions	96.6	108.0	139.8
Divestitures and asset sales and writedowns	4.5	(408.9)	(11.9)
Goodwill and intangible asset impairment	—	189.1	—
Other items, net	(8.1)	3.9	2.0
	<u>\$ 72.4</u>	<u>\$ (31.0)</u>	<u>\$ 203.2</u>

Foreign currency transaction primarily relates to the impact of changes in foreign exchange rates on cash, marketable securities and other investments and intercompany transactions. A significant portion of the foreign currency transaction gain in 2015 related to intercompany loans and was attributable to the Swiss National Bank lifting the cap on the fluctuation of the exchange rate used to measure the Swiss Franc against the Euro. The Company has since settled these particular intercompany loans. The decrease in stock-based compensation expense in 2015 is primarily due to fewer stock awards granted in 2015. The increase in stock-based compensation in 2014 was primarily due to a higher stock price used in the calculation of the fair value of the stock awards at the date of grant. Included in divestitures and asset sales and writedowns for 2014 is a gain of approximately \$413 million resulting from the deconsolidation of a subsidiary. Refer to Note 2 to the Consolidated Financial Statements for further discussion. Refer to Note 7 to the Consolidated Financial Statements for further discussion of the goodwill and intangible asset impairment.

Discussion of Consolidated Balance Sheet

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

(dollars in millions)		2015		2014
Cash	\$	1,914	\$	2,187
Trade accounts receivable, net		1,620		1,858
Inventories		1,300		1,372
Long-term debt		2,724		1,508
Shareholders' equity		5,104		6,659
Working capital	\$	3,233	\$	2,819
Current ratio		2.4		1.9

Cash (comprised of cash and cash equivalents and marketable securities and other investments) includes \$1,777 million and \$2,126 million held by the Company's foreign subsidiaries at June 30, 2015 and June 30, 2014, respectively. Generally, cash and cash equivalents and marketable securities and other investments held by foreign subsidiaries are not readily available for use in the United States without adverse tax consequences. The Company's principal sources of liquidity are its cash flows provided by operating activities, commercial paper borrowings or borrowings directly from its line of credit. The Company does not believe the level of its non-U.S. cash position will have an adverse effect on working capital needs, planned growth, repayment of maturing debt, benefit plan funding, dividend payments or share repurchases.

Trade accounts receivable, net are receivables due from customers for sales of product. Days sales outstanding relating to trade receivables for the Company was 48 days in both 2015 and 2014. The Company believes that its receivables are collectible and appropriate allowances for doubtful accounts have been recorded.

Inventories decreased \$71 million primarily due to the effect of foreign currency translation, which decreased inventories by \$107 million. Excluding the effect of foreign currency translation, inventory levels increased in the Aerospace Systems Segment and the Diversified Industrial International operations and inventory levels decreased in the Diversified Industrial North American operations. Days supply of inventory on hand was 65 days in 2015 and 61 days in 2014.

Long-term debt increased as the Company issued \$1,500 million of medium-term notes in 2015. Refer to Note 9 to the Consolidated Financial Statements for further discussion.

Shareholders' equity activity during 2015 included a decrease of \$1,394 million related to share repurchases, a decrease of \$765 million related to foreign currency translation adjustments and a decrease of \$150 million related to pensions and postretirement benefits.

Discussion of Consolidated Statement of Cash Flows

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

A summary of cash flows follows:

(dollars in millions)		2015		2014		2013
Cash provided by (used in):						
Operating activities	\$	1,302	\$	1,388	\$	1,191
Investing activities		(579)		(646)		(810)
Financing activities		(1,045)		(958)		576
Effect of exchange rates		(111)		48		(14)
Net (decrease) increase in cash and cash equivalents	\$	(433)	\$	(168)	\$	943

Cash Flows From Operating Activities in 2015 reflects a reduction of \$257 million for cash used by working capital items. Cash flow from operating activities in 2014 benefited from a \$294 million increase in cash provided by working capital items, partially offset by a \$184 million decrease in net income after consideration of non-cash items, including a \$413 million gain on the deconsolidation of a subsidiary and a \$189 million impairment charge. Refer to Note 2 and Note 7 to the Consolidated Financial Statements for further discussion of the gain on deconsolidation and impairment charge, respectively. The Company also made voluntary cash contributions to the Company's domestic qualified defined benefit plan of \$75 million and \$226 million in 2014 and 2013, respectively.

Cash Flows Used In Investing Activities in 2015 includes \$356 million in net purchases of marketable securities and other investments. Cash flows used in investing activities in 2014 includes \$625 million in purchases of marketable securities and other investments and \$202 million in proceeds from the sale of a 50 percent equity interest in a subsidiary related to the joint venture with GE Aviation (refer to Note 2 to the Consolidated Financial Statements for further discussion).

Cash Flows Used In Financing Activities during 2015 includes the issuance of \$1,500 million of medium-term notes and the repayment of commercial paper notes outstanding at the time of the debt issuance. The Company repurchased 11.1 million common shares for \$1,394 million during 2015 as compared to the repurchase of 1.7 million common shares for \$200 million in 2014 and 3.0 million common shares for \$257 million in 2013. Cash flows used in financing activities during 2014 increased from 2013 primarily due to a lower level of borrowings required to support acquisition activity.

Dividends have been paid for 260 consecutive quarters, including a yearly increase in dividends for the last 59 fiscal years. The current annual dividend rate is \$2.52 per common 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)	2015		2014	
Debt	\$	2,947	\$	2,325
Debt & Shareholders' Equity		8,051		8,984
Ratio		36.6 %		25.9 %

As of June 30, 2015, the Company had a line of credit totaling \$2,000 million through a multi-currency revolving credit agreement with a group of banks, all of which was available at June 30, 2015. Refer to Note 8 to the Consolidated Financial Statements for further discussion.

The Company is currently authorized to sell up to \$1,850 million of short-term commercial paper notes. There were no outstanding commercial paper notes as of June 30, 2015, and the largest amount of commercial paper notes outstanding during the last quarter of 2015 was \$475 million.

The Company's credit agreements and indentures governing certain debt agreements contain various covenants, the violation of which would limit or preclude the use of the applicable agreements for future borrowings, or might accelerate the maturity of the related outstanding borrowings covered by the applicable agreements. The Company is in compliance with all covenants and expects to remain in compliance during the term of the credit agreements and indentures.

Contractual Obligations - The total amount of gross unrecognized tax benefits, including interest, for uncertain tax positions was \$155.2 million at June 30, 2015. 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.

Contractual obligations	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt (Note 9)	\$ 2,947	\$ 223	\$ 499	\$ 100	\$ 2,125
Interest on long-term debt	1,838	126	242	181	1,289
Operating leases (Note 9)	236	76	86	31	43
Retirement benefits (Note 10)	333	284	12	12	25
Total	\$ 5,354	\$ 709	\$ 839	\$ 324	\$ 3,482

Quantitative and Qualitative Disclosures About Market Risk

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

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

The Company's debt portfolio contains variable rate debt, inherently exposing the Company to interest rate risk. The Company's objective is to maintain a 60/40 mix between fixed rate and variable rate debt thereby limiting its exposure to changes in near-term interest rates. A 100 basis point increase in near-term interest rates would increase annual interest expense on variable rate debt existing at June 30, 2015 by approximately \$6 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 Diversified Industrial Segment revenues are recognized when persuasive evidence of an arrangement exists, product has shipped and the risks and rewards of ownership have transferred or services have been rendered, the price to the customer is fixed and determinable and collectibility is reasonably assured, which is generally at the time the product is shipped. The Aerospace Systems Segment recognizes revenues primarily using the percentage-of-completion method and the extent of progress toward completion is primarily measured using the units-of-delivery method. The Company estimates costs to complete long-term contracts for purposes of evaluating and establishing contract reserves. The estimation of these costs requires substantial judgment on the part of management due to the duration of

the contractual agreements as well as the technical nature of the products involved. Adjustments to cost estimates are made on a consistent basis and a contract reserve is established when the estimated costs to complete a contract exceed the expected contract revenues.

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

The results of the Company's 2015 annual goodwill impairment test performed as of December 31, 2014 indicated that no goodwill impairment existed. During 2014, the Company made a decision to restructure and change the strategic direction of its Worldwide Energy Products Division (EPD). The Company calculated the fair value of EPD using assumptions reflecting the Company's current strategic direction for this reporting unit, the results of which indicated that the carrying value of EPD exceeded its fair value. As a result, the Company estimated the implied fair value of EPD's goodwill, which resulted in a non-cash impairment charge of \$140.3 million. The fair value of EPD was calculated using both a discounted cash flow analysis and estimated fair market values of comparable businesses.

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

Long-lived assets held for use, which primarily includes finite-lived intangible assets and 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 2015, 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. During 2014, in connection with the goodwill impairment review discussed above, the Company determined certain intangible assets of EPD, primarily trademarks and customer lists, and plant and equipment were impaired resulting in a non-cash impairment charge of \$48.6 million. The fair value of EPD's intangible assets and plant and equipment were determined using the income approach for each asset.

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

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 qualified defined benefit plan, a 50 basis point change in the assumed long-term rate of return on plan assets is estimated to have an \$11 million effect on annual pension expense and a 50 basis point decrease in the discount rate is estimated to increase annual pension expense by \$22 million. As of June 30, 2015, \$1,225 million of past years' net actuarial losses related to the Company's domestic qualified defined benefit plan are subject to amortization in the future. These losses will generally be amortized over approximately eight 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 is provided in Note 10 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. For those tax positions where it is more likely than not that a tax benefit will be sustained, the largest amount of tax benefit with a greater than 50 percent likelihood of being realized upon examination by a taxing authority that has full knowledge of all relevant information will be recorded. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the Consolidated Financial Statements. Further information on income taxes is provided in Note 4 to the Consolidated Financial Statements.

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

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)." ASU 2015-07 removes the requirement to categorize all investments within the fair value hierarchy for which the fair value is measured using the net asset value per share practical expedient and to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. During the fourth quarter of 2015, the Company adopted ASU 2015-07. The changes resulting from the adoption of ASU 2015-07, including revising the prior year presentation, are reflected in the retirement benefits and financial instruments disclosures within Note 10 and Note 15 to the Consolidated Financial Statements, respectively. The adoption of ASU 2015-07 did not affect the Company's results of operations, statement of financial position or statement of cash flows.

In April 2015, the FASB issued ASU 2015-03, "Interest - Imputation of Interest." ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in the ASU. ASU 2015-03 is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company does not expect ASU 2015-03 will have a material impact on its statement of financial position or financial statement disclosures.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers." ASU 2014-09 requires revenue recognition to depict the transfer of goods or services to customers in an amount that reflects the consideration that a company expects to be entitled to in exchange for the goods or services. To achieve this principle, a company must apply five steps including identifying the contract with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations, and recognizing revenue when (or as) the company satisfies the performance obligations. Additional quantitative and qualitative disclosure to enhance the understanding about the nature, amount, timing, and uncertainty of revenue and cash flows is also required. ASU 2014-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company has not yet determined the effect that ASU 2014-09 will have on its results of operations, statement of financial position or financial statement disclosures.

Consolidated Statement of Income

(Dollars in thousands, except per share amounts)	For the years ended June 30,		
	2015	2014	2013
Net Sales	\$ 12,711,744	\$ 13,215,971	\$ 13,015,704
Cost of sales	9,655,245	10,188,227	10,086,675
Gross profit	3,056,499	3,027,744	2,929,029
Selling, general and administrative expenses	1,544,746	1,633,992	1,554,973
Goodwill and intangible asset impairment (Note 7)	—	188,870	—
Interest expense	118,406	82,566	91,552
Other (income), net	(43,374)	(25,513)	(18,198)
Loss (gain) on disposal of assets (Note 2)	4,481	(408,891)	(10,299)
Income before income taxes	1,432,240	1,556,720	1,311,001
Income taxes (Note 4)	419,687	515,302	362,217
Net Income	1,012,553	1,041,418	948,784
Less: Noncontrolling interest in subsidiaries' earnings	413	370	357
Net Income Attributable to Common Shareholders	\$ 1,012,140	\$ 1,041,048	\$ 948,427
Earnings per Share Attributable to Common Shareholders (Note 5)			
Basic earnings per share	\$ 7.08	\$ 6.98	\$ 6.36
Diluted earnings per share	\$ 6.97	\$ 6.87	\$ 6.26

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

Consolidated Statement of Comprehensive Income

(Dollars in thousands)	For the years ended June 30,		
	2015	2014	2013
Net Income	\$ 1,012,553	\$ 1,041,418	\$ 948,784
Less: Noncontrolling interests in subsidiaries' earnings	413	370	357
Net income attributable to common shareholders	1,012,140	1,041,048	948,427
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustment (net of tax of \$(30,923), \$4,692 and \$1,239 in 2015, 2014 and 2013)	(765,356)	192,925	(18,974)
Retirement benefits plan activity (net of tax of \$88,547, \$(54,473) and \$(195,884) in 2015, 2014 and 2013)	(149,710)	91,182	325,066
Other (net of tax of \$(101) in 2015, 2014 and 2013)	(303)	205	204
Other comprehensive income (loss)	(915,369)	284,312	306,296
Less: Other comprehensive (loss) for noncontrolling interests	(249)	(23)	(1,771)
Other comprehensive income (loss) attributable to common shareholders	(915,120)	284,335	308,067
Total Comprehensive Income Attributable to Common Shareholders	\$ 97,020	\$ 1,325,383	\$ 1,256,494

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

Business Segment Information

(Dollars in thousands)	2015	2014	2013
Net Sales:			
Diversified Industrial:			
North America	\$ 5,715,742	\$ 5,693,527	\$ 5,637,657
International	4,741,376	5,287,916	5,110,332
Aerospace Systems	2,254,626	2,234,528	2,267,715
	<u>\$ 12,711,744</u>	<u>\$ 13,215,971</u>	<u>\$ 13,015,704</u>
Segment Operating Income:			
Diversified Industrial:			
North America	\$ 955,501	\$ 946,493	\$ 908,719
International	583,937	572,476	602,480
Aerospace Systems	298,994	271,238	280,286
Total segment operating income	1,838,432	1,790,207	1,791,485
Corporate administration	215,396	181,926	185,767
Income before interest expense and other	1,623,036	1,608,281	1,605,718
Interest expense	118,406	82,566	91,552
Other expense (income)	72,390	(31,005)	203,165
Income before income taxes	<u>\$ 1,432,240</u>	<u>\$ 1,556,720</u>	<u>\$ 1,311,001</u>
Assets:			
Diversified Industrial	\$ 8,765,468	\$ 9,501,837	\$ 9,388,027
Aerospace Systems (a)	1,375,913	1,359,130	1,139,967
Corporate (b)	2,153,656	2,413,395	2,012,904
	<u>\$ 12,295,037</u>	<u>\$ 13,274,362</u>	<u>\$ 12,540,898</u>
Property Additions (c):			
Diversified Industrial	\$ 190,580	\$ 189,832	\$ 312,392
Aerospace Systems	18,427	23,261	20,838
Corporate	6,520	3,247	7,105
	<u>\$ 215,527</u>	<u>\$ 216,340</u>	<u>\$ 340,335</u>
Depreciation:			
Diversified Industrial	\$ 174,102	\$ 187,347	\$ 187,014
Aerospace Systems	19,509	19,193	19,498
Corporate	9,165	8,425	7,210
	<u>\$ 202,776</u>	<u>\$ 214,965</u>	<u>\$ 213,722</u>

(Dollars in thousands)	2015	2014	2013
By Geographic Area (d)			
Net Sales:			
North America	\$ 7,891,571	\$ 7,853,603	\$ 7,844,552
International	4,820,173	5,362,368	5,171,152
	<u>\$ 12,711,744</u>	<u>\$ 13,215,971</u>	<u>\$ 13,015,704</u>
Long-Lived Assets:			
North America	\$ 856,947	\$ 861,300	\$ 871,958
International	807,075	962,994	936,282
	<u>\$ 1,664,022</u>	<u>\$ 1,824,294</u>	<u>\$ 1,808,240</u>

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) Includes an investment in a joint venture in which ownership is 50 percent or less and in which the Company does not have operating control (2015 - \$251,365; 2014 - \$263,246).
- (b) Corporate assets are principally cash and cash equivalents, marketable securities and other investments, domestic deferred income taxes, deferred compensation plan assets, headquarters facilities and the major portion of the Company's domestic data processing equipment.
- (c) Includes the value of net plant and equipment at the date of acquisition of acquired companies (2013 - \$74,439).
- (d) 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,	2015	2014
Assets		
Current Assets		
Cash and cash equivalents (Note 1)	\$ 1,180,584	\$ 1,613,555
Marketable securities and other investments (Note 1)	733,490	573,701
Trade accounts receivable, net (Note 1)	1,620,194	1,858,176
Non-trade and notes receivable (Note 1)	364,534	388,437
Inventories (Note 6)	1,300,459	1,371,681
Prepaid expenses	241,684	129,837
Deferred income taxes (Notes 1 and 4)	142,147	136,193
Total Current Assets	5,583,092	6,071,580
Plant and equipment (Note 1)	4,862,611	5,152,591
Less: Accumulated depreciation	3,198,589	3,328,297
	1,664,022	1,824,294
Investments and other assets (Note 1)	1,091,805	1,018,781
Intangible assets, net (Notes 1 and 7)	1,013,439	1,188,282
Goodwill (Notes 1 and 7)	2,942,679	3,171,425
Total Assets	\$ 12,295,037	\$ 13,274,362
Liabilities and Equity		
Current Liabilities		
Notes payable and long-term debt payable within one year (Notes 8 and 9)	\$ 223,142	\$ 816,622
Accounts payable, trade	1,092,138	1,252,040
Accrued payrolls and other compensation	409,762	453,321
Accrued domestic and foreign taxes	140,295	223,611
Other accrued liabilities	484,793	507,202
Total Current Liabilities	2,350,130	3,252,796
Long-term debt (Note 9)	2,723,960	1,508,142
Pensions and other postretirement benefits (Note 10)	1,699,197	1,346,224
Deferred income taxes (Notes 1 and 4)	77,967	94,819
Other liabilities	336,214	409,573
Total Liabilities	7,187,468	6,611,554
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 2015 and 2014	90,523	90,523
Additional capital	622,729	595,498
Retained earnings	9,841,885	9,174,189
Accumulated other comprehensive (loss)	(1,738,618)	(823,498)
Treasury shares at cost: 42,487,389 in 2015 and 32,143,315 in 2014	(3,712,232)	(2,377,284)
Total Shareholders' Equity	5,104,287	6,659,428
Noncontrolling interests	3,282	3,380
Total Equity	5,107,569	6,662,808
Total Liabilities and Equity	\$ 12,295,037	\$ 13,274,362

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,		
	2015	2014	2013
Cash Flows From Operating Activities			
Net income	\$ 1,012,553	\$ 1,041,418	\$ 948,784
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	202,776	214,965	213,722
Amortization	114,715	121,737	121,902
Goodwill and intangible asset impairment	—	188,870	—
Stock incentive plan compensation	96,093	103,161	84,996
Deferred income taxes	18,865	(74,139)	(1,368)
Foreign currency transaction (gain) loss	(77,784)	5,398	19,497
Loss on disposal of assets	14,953	2,997	2,746
Gain on sale of businesses	(6,420)	—	(14,637)
Net gain on deconsolidation	—	(412,612)	—
Loss on sale of marketable securities	3,817	—	—
Changes in assets and liabilities, net of effects from acquisitions:			
Accounts receivable	143,179	(99,144)	(21,206)
Inventories	(70,377)	(3,816)	98,518
Prepaid expenses	(116,561)	58,117	(47,451)
Other assets	20,976	(79,158)	(16,007)
Accounts payable, trade	(86,750)	92,927	(66,082)
Accrued payrolls and other compensation	(12,657)	20,840	(45,771)
Accrued domestic and foreign taxes	(66,870)	86,745	(17,054)
Other accrued liabilities	(46,633)	(23,480)	(62,728)
Pensions and other postretirement benefits	156,859	99,569	(16,691)
Other liabilities	1,207	43,498	9,765
Net cash provided by operating activities	1,301,941	1,387,893	1,190,935
Cash Flows From Investing Activities			
Acquisitions (less cash acquired of \$8,332 in 2015, \$1,780 in 2014 and \$33,932 in 2013)	(18,618)	(17,593)	(621,144)
Capital expenditures	(215,527)	(216,340)	(265,896)
Proceeds from disposal of assets	19,655	14,368	25,047
Proceeds from sale of businesses	37,265	—	73,515
Net proceeds from deconsolidation	—	202,498	—
Purchase of marketable securities and other investments	(1,747,333)	(624,880)	—
Maturities and sales of marketable securities and other investments	1,391,396	—	—
Other	(46,001)	(4,454)	(21,367)
Net cash used in investing activities	(579,163)	(646,401)	(809,845)
Cash Flows From Financing Activities			
Proceeds from exercise of stock options	3,355	8,013	32,204
Payments for common shares	(1,398,446)	(204,043)	(258,007)
Tax benefit from stock incentive plan compensation	23,429	33,732	66,030
Acquisition of noncontrolling interests	—	—	(1,091)
(Payments for) proceeds from notes payable, net	(815,171)	(515,387)	1,319,524
Proceeds from long-term borrowings	1,483,015	748	3,768
Payments for long-term borrowings	(537)	(2,934)	(331,245)
Dividends paid	(340,389)	(278,244)	(255,009)
Net cash (used in) provided by financing activities	(1,044,744)	(958,115)	576,174
Effect of exchange rate changes on cash	(111,005)	48,766	(14,169)
Net (decrease) increase in cash and cash equivalents	(432,971)	(167,857)	943,095
Cash and cash equivalents at beginning of year	1,613,555	1,781,412	838,317
Cash and cash equivalents at end of year	\$ 1,180,584	\$ 1,613,555	\$ 1,781,412
Supplemental Data:			
Cash paid during the year for:			
Interest	\$ 105,202	\$ 77,144	\$ 88,084
Income taxes	515,350	472,369	311,988

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

Consolidated Statement of Equity

(Dollars in thousands)	Common Stock	Additional Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Treasury Shares	Noncontrolling Interests	Total
Balance June 30, 2012	\$ 90,523	\$ 640,249	\$ 7,787,175	\$ (1,415,900)	\$(2,205,532)	\$ 9,215	\$ 4,905,730
Net income			948,427			357	948,784
Other comprehensive income (loss)				308,067		(1,771)	306,296
Dividends paid			(254,283)			(726)	(255,009)
Stock incentive plan activity		(34,678)	(60,049)		188,423		93,696
Acquisition activity		3,181				(4,020)	(839)
Shares purchased at cost					(257,177)		(257,177)
Balance June 30, 2013	\$ 90,523	\$ 608,752	\$ 8,421,270	\$ (1,107,833)	\$(2,274,286)	\$ 3,055	\$ 5,741,481
Net income			1,041,048			370	1,041,418
Other comprehensive income (loss)				284,335		(23)	284,312
Dividends paid			(278,222)			(22)	(278,244)
Stock incentive plan activity		(13,254)	(9,907)		97,002		73,841
Shares purchased at cost					(200,000)		(200,000)
Balance June 30, 2014	\$ 90,523	\$ 595,498	\$ 9,174,189	\$ (823,498)	\$(2,377,284)	\$ 3,380	\$ 6,662,808
Net income			1,012,140			413	1,012,553
Other comprehensive (loss)				(915,120)		(249)	(915,369)
Dividends paid			(340,132)			(257)	(340,389)
Stock incentive plan activity		27,231	(4,312)		58,630		81,549
Liquidation activity						(5)	(5)
Shares purchased at cost					(1,393,578)		(1,393,578)
Balance June 30, 2015	\$ 90,523	\$ 622,729	\$ 9,841,885	\$ (1,738,618)	\$(3,712,232)	\$ 3,282	\$ 5,107,569

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 and administrative expenses, interest expense and income taxes.

The Diversified 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. Diversified Industrial Segment products are marketed primarily through field sales employees and independent distributors. The Diversified Industrial North American operations have manufacturing plants and distribution networks throughout the United States, Canada and Mexico and primarily service North America. The Diversified Industrial International operations provide Parker products and services to 47 countries throughout Europe, Asia Pacific, Latin America, the Middle East and Africa.

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

See the table of Business Segment Information on pages 13-15 and 13-16 for further disclosure of business segment information.

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

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

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

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

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

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

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

Marketable Securities and Other Investments - Consist of short-term highly liquid investments, with stated maturities of greater than three months from the date of purchase, carried at cost plus accrued interest, and investments classified as available-for-sale, which are carried at fair value with unrealized gains and losses recorded in accumulated other comprehensive (loss). Gains and losses on available-for-sale investments are calculated based on the first-in, first-out method. The Company has the ability to liquidate the available-for-sale investments after giving appropriate notice to the issuer.

Trade Accounts Receivable, Net - Trade accounts receivable are initially recorded at their net collectible amount and are generally recorded at the time the revenue from the sales transaction is recorded. Receivables are written off to bad debt primarily when, in the judgment of the Company, the receivable is deemed to be uncollectible due to the insolvency of the debtor. Allowance for doubtful accounts was \$9,284 and \$16,040 at June 30, 2015 and June 30, 2014, respectively.

Non-Trade and Notes Receivable - The non-trade and notes receivable caption in the Consolidated Balance Sheet is comprised of the following components:

June 30,	2015	2014
Notes receivable	\$ 90,470	\$ 117,400
Reverse repurchase agreements	113,558	54,772
Accounts receivable, other	160,506	216,265
Total	<u>\$ 364,534</u>	<u>\$ 388,437</u>

Reverse repurchase agreements are collateralized lending arrangements and have a maturity longer than three months from the date of purchase. The Company does not record an asset or liability for the collateral associated with the reverse repurchase agreements.

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.

The plant and equipment caption in the Consolidated Balance Sheet is comprised of the following components:

June 30,	2015	2014
Land and land improvements	\$ 294,537	\$ 326,008
Buildings and building equipment	1,457,650	1,535,634
Machinery and equipment	3,017,011	3,210,172
Construction in progress	93,413	80,777
Total	<u>\$ 4,862,611</u>	<u>\$ 5,152,591</u>

Investments and Other Assets - Investments in joint-venture companies in which ownership is 50 percent or less and in which the Company does not have operating control are stated at cost plus the Company's equity in undistributed earnings and amounted to \$315,989 and \$324,610 at June 30, 2015 and June 30, 2014, respectively. A significant portion of the underlying net assets of the joint ventures are related to goodwill. The Company's share of earnings from these investments were immaterial to the Company's results of operations.

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, 2015 and 2014 is immaterial to the financial position of the Company and the change in the accrual during 2015, 2014 and 2013 was immaterial to the Company's results of operations and cash flows.

Foreign Currency Translation - Assets and liabilities of 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) losses from transactions in a currency other than the local currency of the entity involved are included within cost of goods sold caption in the Consolidated Statement of Income and were \$(77,784), \$5,398 and \$22,380, in 2015, 2014 and 2013, respectively.

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, 2015. No subsequent events occurred that required adjustment to or disclosure in these financial statements.

Recent Accounting Pronouncements - In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)." ASU 2015-07 removes the requirement to categorize all investments within the fair value hierarchy for which the fair value is measured using the net asset value per share practical expedient and to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. During the fourth quarter of 2015, the Company adopted ASU 2015-07. The changes resulting from the adoption of ASU 2015-07, including revising the prior year presentation, are reflected in the retirement benefits and financial instruments disclosures within Note 10 and Note 15 to the Consolidated Financial Statements, respectively. The adoption of ASU 2015-07 did not affect the Company's results of operations, statement of financial position or statement of cash flows.

In April 2015, the FASB issued ASU 2015-03, "Interest - Imputation of Interest." ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in the ASU. ASU 2015-03 is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company does not expect ASU 2015-03 will have a material impact on its statement of financial position or financial statement disclosures.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers." ASU 2014-09 requires revenue recognition to depict the transfer of goods or services to customers in an amount that reflects the consideration that a company expects to be entitled to in exchange for the goods or services. To achieve this principle, a company must apply five steps including identifying the contract with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations, and recognizing revenue when (or as) the company satisfies the performance obligations. Additional quantitative and qualitative disclosure to enhance the understanding about the nature, amount, timing, and uncertainty of revenue and cash flows is also required. ASU 2014-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company has not yet determined the effect that ASU 2014-09 will have on its results of operations, statement of financial position or financial statement disclosures.

2. Acquisitions, Deconsolidation of Subsidiary and Divestitures

Acquisitions - During 2015, the Company completed four acquisitions whose aggregate sales for their most recent fiscal year prior to acquisition were approximately \$27 million. Total purchase price for the four acquisitions was approximately \$27 million in cash.

During 2014, the Company completed three acquisitions whose aggregate sales for their most recent fiscal year prior to acquisition were approximately \$14 million. Total purchase price for the three acquisitions was approximately \$19 million in cash.

During 2013, the Company completed eight acquisitions whose aggregate sales for their most recent fiscal year prior to acquisition were approximately \$484 million. Total purchase price for the eight acquisitions was approximately \$621 million in cash and \$114 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 2015, 2014 and 2013 are presented below. Some of the 2015 acquisitions are still subject to purchase price adjustments.

	2015	2014	2013
Assets:			
Accounts receivable	\$ 7,656	\$ 954	\$ 91,668
Inventories	3,099	2,184	93,915
Prepaid expenses	91	57	4,672
Deferred income taxes	5	189	(1,713)
Plant and equipment	1,123	11,211	74,439
Intangible and other assets	7,794	5,646	280,001
Goodwill	10,430	3,195	317,879
	<u>30,198</u>	<u>23,436</u>	<u>860,861</u>
Liabilities and equity:			
Notes payable	—	—	11,920
Accounts payable, trade	2,689	915	46,596
Accrued payrolls and other compensation	243	263	12,099
Accrued domestic and foreign taxes	777	1	7,073
Other accrued liabilities	5,267	3,864	16,805
Long-term debt	—	—	102,122
Pensions and other postretirement benefits	—	—	2,125
Deferred income taxes	2,604	—	39,214
Other liabilities	—	800	689
Noncontrolling interests	—	—	1,074
	<u>11,580</u>	<u>5,843</u>	<u>239,717</u>
Net assets acquired	<u>\$ 18,618</u>	<u>\$ 17,593</u>	<u>\$ 621,144</u>

Deconsolidation of Subsidiary - During 2014, the Company and GE Aviation, a non-related party, finalized a joint venture in which the Company sold a 50 percent equity interest in one of its wholly-owned subsidiaries. The sale of the 50 percent equity interest in the wholly-owned subsidiary resulted in a loss of control of the subsidiary, and therefore it was deconsolidated from the Company's financial statements during 2014.

The Company recognized a pre-tax gain of \$413 million on the deconsolidation, measured as the fair value of the consideration received for the 50 percent equity interest in the former subsidiary and the fair value of the retained investment less the carrying amount of the former subsidiary's net assets. Approximately \$186 million of the pre-tax gain is attributable to the remeasurement of the retained investment in the former subsidiary to its current fair value. The gain is reflected in the loss (gain) on disposal of assets caption in the Consolidated Statement of Income and the other expense (income) caption in the Business Segment Information.

Divestitures - During 2013, the Company completed several divestitures, the primary ones being the automotive businesses of its Mobile Climate Systems division and its Turkey refrigeration components business. The Company recorded a net pre-tax gain during 2013 of approximately \$18 million related to these divestitures. The gain is reflected in the loss (gain) on disposal of assets caption in the Consolidated Statement of Income.

3. Charges Related to Business Realignment

To structure its businesses in light of current and anticipated customer demand, the Company incurred business realignment charges in 2015, 2014 and 2013.

Business realignment charges by business segment are as follows:

	2015	2014	2013
Diversified Industrial	\$ 30,882	\$ 101,524	\$ 12,234
Aerospace Systems	967	925	—

Work force reductions by business segment are as follows:

	2015	2014	2013
Diversified Industrial	668	1,581	725
Aerospace Systems	21	44	—

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, with the majority of charges relating to realignment activities in Europe. Also in 2015, \$458 of severance costs for 18 people were included in the Corporate administration caption in the Business Segment Information. In addition, \$2,399 and \$1,331 of fixed asset write-downs were recognized during 2015 and 2014, respectively, in connection with plant closures in the Diversified Industrial Segment and are reflected in the other expense (income) caption in the Business Segment Information. During 2013, \$1,918 of severance costs for 98 people were recognized in connection with the Company's divestiture of its Turkey refrigeration components business and is reflected in the other expense (income) caption in the Business Segment Information. The Company believes the realignment actions taken will positively impact future results of operations, but will have no material effect on liquidity and sources and uses of capital.

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

	2015	2014	2013
Cost of sales	\$ 19,419	\$ 63,575	\$ 8,354
Selling, general and administrative expenses	12,888	38,874	3,880
Loss (gain) on disposal of assets	2,399	1,331	1,918

As of June 30, 2015, approximately \$17 million in severance payments have been made relating to charges incurred during 2015, the remainder of which are expected to be paid by June 30, 2016. Severance payments relating to prior-year actions are being made as required. Remaining severance payments related to current-year and prior-year actions of approximately \$34 million are primarily reflected within the other accrued liabilities caption in the Consolidated Balance Sheet. Additional charges may be recognized in future periods related to the realignment actions described above, the timing and amount of which are not known at this time.

4. Income Taxes

Income before income taxes was derived from the following sources:

	2015	2014	2013
United States	\$ 779,782	\$ 1,115,010	\$ 653,622
Foreign	652,458	441,710	657,379
	<u>\$ 1,432,240</u>	<u>\$ 1,556,720</u>	<u>\$ 1,311,001</u>

Income taxes include the following:

	2015	2014	2013
Federal			
Current	\$ 185,761	\$ 377,404	\$ 167,350
Deferred	28,108	(45,643)	26,523
Foreign			
Current	189,826	168,177	176,739
Deferred	(11,208)	(28,016)	(28,472)
State and local			
Current	25,235	43,860	19,496
Deferred	1,965	(480)	581
	<u>\$ 419,687</u>	<u>\$ 515,302</u>	<u>\$ 362,217</u>

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

	2015	2014	2013
Statutory Federal income tax rate	35.0 %	35.0 %	35.0 %
State and local income taxes	1.1	1.8	1.0
Goodwill and intangible asset impairment	—	4.5	—
Tax related to international activities	(4.5)	(5.6)	(5.8)
Cash surrender value of life insurance	(0.1)	(0.9)	(0.7)
Federal manufacturing deduction	(1.6)	(1.0)	(1.0)
Research tax credit	(0.8)	(0.3)	(1.1)
Other	0.2	(0.4)	0.2
Effective income tax rate	<u>29.3 %</u>	<u>33.1 %</u>	<u>27.6 %</u>

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:

	2015	2014
Retirement benefits	\$ 614,127	\$ 550,034
Other liabilities and reserves	127,838	128,848
Long-term contracts	49,929	46,006
Stock-based incentive compensation	66,015	64,267
Loss carryforwards	316,994	340,676
Unrealized currency exchange gains and losses	(17,218)	25,182
Inventory	16,659	18,668
Foreign tax credit carryforward	29,965	51,875
Depreciation and amortization	(531,258)	(571,107)
Valuation allowance	(330,006)	(348,837)
Net deferred tax asset	<u>\$ 343,045</u>	<u>\$ 305,612</u>

Change in net deferred tax asset:		
Provision for deferred tax	\$ (18,865)	\$ 74,139
Items of other comprehensive (loss)	57,523	(49,882)
Acquisitions and other	(1,225)	6,539
Total change in net deferred tax	<u>\$ 37,433</u>	<u>\$ 30,796</u>

As of June 30, 2015, the Company has recorded deferred tax assets of \$316,994 resulting from \$1,112,078 in loss carryforwards. A valuation allowance of \$305,825 related to the loss carryforwards has been established due to the uncertainty of their realization. Of this valuation allowance, \$279,850 relates to non-operating entities whose loss carryforward utilization is considered to be remote. Some of the loss carryforwards can be carried forward indefinitely; others can be carried forward from three to 20 years. In addition, a valuation allowance of \$24,181 related to future deductible items has been established due to the uncertainty of their realization. These future deductible items are recorded in the other liabilities and reserves line in the table above.

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 reinvested in international operations amounted to approximately \$3,000,000 at June 30, 2015.

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

	2015	2014	2013
Balance July 1	\$ 164,813	\$ 107,440	\$ 109,735
Additions for tax positions related to current year	6,090	7,752	10,285
Additions for tax positions of prior years	14,989	55,136	10,719
Reductions for tax positions of prior years	(6,945)	(1,359)	(20,683)
Reductions for settlements	—	(1,856)	(4,266)
Reductions for expiration of statute of limitations	(6,251)	(5,005)	(437)
Effect of foreign currency translation	(27,008)	2,705	2,087
Balance June 30	<u>\$ 145,688</u>	<u>\$ 164,813</u>	<u>\$ 107,440</u>

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was \$83,471, \$71,898 and \$60,876 as of June 30, 2015, 2014 and 2013, respectively. If recognized, a significant portion of the gross unrecognized tax benefits as of June 30, 2015 would be offset against an asset currently recorded in the Consolidated Balance Sheet. The accrued interest related to the gross unrecognized tax benefits, excluded from the amounts above, was \$9,514, \$8,198 and \$5,184 as of June 30, 2015, 2014 and 2013, respectively.

It is reasonably possible that within the next 12 months, the amount of gross unrecognized tax benefits could be reduced by up to approximately \$100,000 as a result of the revaluation of existing uncertain tax positions arising from developments in the examination process or the closure of tax statutes. Any increase in the amount of unrecognized tax benefits within the next 12 months is expected to be insignificant.

The Company and its subsidiaries file income tax returns in the United States and in various foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities throughout the world. The Company is open to assessment of its federal income tax returns by the U.S. Internal Revenue Service for fiscal years after 2011. The Company is also open to assessment for all significant state, local and foreign jurisdictions for fiscal years after 2006.

5. Earnings Per Share

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

	2015	2014	2013
Numerator:			
Net income attributable to common shareholders	\$ 1,012,140	\$ 1,041,048	\$ 948,427
Denominator:			
Basic - weighted-average common shares	142,925,327	149,099,448	149,218,257
Increase in weighted-average common shares from dilutive effect of stock-based awards	2,186,823	2,344,655	2,369,774
Diluted - weighted-average common shares, assuming exercise of stock-based awards	145,112,150	151,444,103	151,588,031
Basic earnings per share	\$ 7.08	\$ 6.98	\$ 6.36
Diluted earnings per share	\$ 6.97	\$ 6.87	\$ 6.26

For 2015, 2014 and 2013, 1.1 million, 1.2 million and 1.3 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 are stated at the lower of cost or market. The majority of domestic inventories are valued by the last-in, first-out (LIFO) cost method and the balance of the Company's inventories are valued by the first-in, first-out cost method.

Inventories valued on the LIFO cost method were approximately 32 percent of total inventories in 2015 and 30 percent of total inventories in 2014. The current cost of these inventories exceeds their valuation determined on the LIFO basis by \$206,233 in 2015 and \$208,291 in 2014. Progress payments of \$34,820 in 2015 and \$61,958 in 2014 are netted against inventories.

The inventories caption in the Consolidated Balance Sheet is comprised of the following components:

June 30,	2015	2014
Finished products	\$ 526,708	\$ 532,968
Work in process	688,727	732,294
Raw materials	85,024	106,419
Total	\$ 1,300,459	\$ 1,371,681

7. Goodwill and Intangible Assets

The changes in the carrying amount of goodwill are as follows:

	Diversified Industrial Segment	Aerospace Systems Segment	Total
Balance June 30, 2013	\$ 3,125,175	\$ 98,340	\$ 3,223,515
Acquisitions	3,195	—	3,195
Impairment	(140,334)	—	(140,334)
Foreign currency translation and other	84,688	361	85,049
Balance June 30, 2014	\$ 3,072,724	\$ 98,701	\$ 3,171,425
Acquisitions	10,430	—	10,430
Divestitures	(4,757)	—	(4,757)
Foreign currency translation and other	(234,352)	(67)	(234,419)
Balance June 30, 2015	\$ 2,844,045	\$ 98,634	\$ 2,942,679

Acquisitions represent the original goodwill allocation, purchase price adjustments and final adjustments to the purchase price allocation for the acquisitions during the measurement period subsequent to the applicable acquisition dates. The Company's previously reported results of operations and financial position would not be materially different had the goodwill adjustments recorded during 2015 and 2014 been reflected in the same reporting period that the initial purchase price allocations for those acquisitions were made.

In 2014, the Company made a decision to restructure and change the strategic direction of its Worldwide Energy Products Division (EPD). The Company calculated the fair value of EPD using assumptions reflecting the Company's updated strategic direction for this reporting unit, the results of which indicated that the carrying value of EPD exceeded its fair value. As a result, the Company estimated the implied fair value of EPD's goodwill, which resulted in a non-cash impairment charge of \$140,334. The impairment charge is reflected in the goodwill and intangible asset impairment caption in the Consolidated Statement of Income and in the other expense (income) caption in the Business Segment Information. The fair value of EPD was calculated using both a discounted cash flow analysis and estimated fair market values of comparable businesses with each valuation method having equal weight. Fair value calculated using a discounted cash flow analysis is classified within level 3 of the fair value hierarchy and requires several assumptions including a risk-adjusted interest rate and future sales and operating margin levels.

The Company's annual impairment tests performed in 2015, 2014 and 2013 resulted in no impairment loss being recognized.

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

	2015		2014	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents	\$ 149,066	\$ 88,540	\$ 160,030	\$ 86,708
Trademarks	355,108	172,187	391,268	174,114
Customer lists and other	1,369,380	599,388	1,481,560	583,754
Total	\$ 1,873,554	\$ 860,115	\$ 2,032,858	\$ 844,576

During 2015, the Company acquired intangible assets, either individually or as part of a group of assets, with an initial purchase price allocation and weighted-average life as follows:

	Purchase Price Allocation	Weighted-Average Life
Patents	\$ 2,642	12 years
Trademarks	1,093	14 years
Customer lists and other	11,797	16 years
Total	<u>\$ 15,532</u>	<u>15 years</u>

Total intangible amortization expense in 2015, 2014 and 2013 was \$109,887, \$118,782 and \$118,516, respectively. Estimated intangible amortization expense for the five years ending June 30, 2016 through 2020 is \$100,289, \$95,756, \$90,872, \$83,257 and \$75,588, respectively.

Intangible assets 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 may be less than their net carrying value. In 2014, in connection with the goodwill impairment review of EPD, the Company determined that certain intangible assets of EPD, primarily trademarks and customer lists, were impaired resulting in the recognition of a non-cash impairment charge of \$43,664. The impairment charge is reflected in the goodwill and intangible asset impairment caption in the Consolidated Statement of Income and in the other expense (income) caption in the Business Segment Information. The fair value of EPD's intangible assets were determined using an income approach for the individual intangible assets. Fair value calculated using an income approach is classified within level 3 of the fair value hierarchy and requires several assumptions including future sales and operating margins expected to be generated from the use of the individual intangible asset.

8. Financing Arrangements

The Company has a line of credit totaling \$2,000,000 through a multi-currency revolving credit agreement with a group of banks, all of which was available at June 30, 2015. The credit agreement expires in October 2017; 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. Advances from the credit agreement can be used for general corporate purposes, including acquisitions, and for the refinancing of existing indebtedness. The credit agreement requires the payment of an annual facility fee, the amount of which would increase in the event the Company's credit ratings are lowered. Although a lowering of the Company's credit ratings would likely increase the cost of future debt, it would not limit the Company's ability to use the credit agreement nor would it accelerate the repayment of any outstanding borrowings.

The Company is currently authorized to sell up to \$1,850,000 of short-term commercial paper notes. No commercial paper notes were outstanding at June 30, 2015 and \$816,100 were outstanding at June 30, 2014.

In addition to commercial paper notes, notes payable includes short-term lines of credit and borrowings from foreign banks. At June 30, 2015, the Company had \$62,548 in lines of credit from various foreign banks, none of which was outstanding at June 30, 2015. Most of these agreements are renewed annually. The weighted-average interest rate on notes payable during both 2015 and 2014 was 0.2 percent.

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

The Company's credit agreements and indentures governing certain debt agreements contain various covenants, the violation of which would limit or preclude the use of the applicable agreements for future borrowings, or might accelerate the maturity of the related outstanding borrowings covered by the applicable agreements. At the Company's present rating level, the most restrictive covenant contained in the credit agreements and the indentures provides that the ratio of secured debt to net tangible assets be less than 10 percent. As of June 30, 2015, the Company does not have any secured debt outstanding. The Company is in compliance with all covenants.

9. Debt

<u>June 30,</u>	<u>2015</u>	<u>2014</u>
Domestic:		
Fixed rate medium-term notes 3.30% to 6.55%, due 2018-2045	\$ 2,675,000	\$ 1,175,000
Foreign:		
Bank loans, including revolving credit 1% to 11.75%, due 2016	322	322
Euro bonds 4.125%, due 2016	222,820	273,860
Japanese Yen credit facility JPY Libor plus 55 bps, due 2017	48,960	59,220
Other long-term debt, including capitalized leases	—	236
Total long-term debt	2,947,102	1,508,638
Less: Long-term debt payable within one year	223,142	496
Long-term debt, net	<u>\$ 2,723,960</u>	<u>\$ 1,508,142</u>

Principal amounts of long-term debt payable in the five years ending June 30, 2016 through 2020 are \$223,142, \$48,960, \$450,000, \$100,000 and \$0, respectively.

During 2015, the Company issued \$500,000 aggregate principal amount of ten-year medium-term notes, \$500,000 aggregate principal amount of twenty-year medium-term notes and \$500,000 aggregate principal amount of thirty-year medium-term notes. The ten-year medium-term notes are due in a balloon payment in November 2024 and carry an interest rate of 3.30 percent. The twenty-year medium-term notes are due in a balloon payment in November 2034 and carry an interest rate of 4.20 percent. The thirty-year medium-term notes are due in a balloon payment in November 2044 and carry an interest rate of 4.45 percent. Interest payments are due semi-annually. Debt issuance costs for all medium-term notes issued were approximately \$15,018 and will be amortized over the term of the notes. The Company used a portion of the net proceeds from the notes issuance to repay outstanding commercial paper borrowings.

Lease Commitments - Future minimum rental commitments as of June 30, 2015, under non-cancelable operating leases, which expire at various dates, are as follows: 2016-\$76,433; 2017-\$53,066; 2018-\$32,781; 2019-\$17,935; 2020-\$12,976 and after 2020-\$42,851.

Rental expense in 2015, 2014 and 2013 was \$125,657, \$131,948 and \$133,478, 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:

	2015	2014	2013
Benefit cost			
Service cost	\$ 97,960	\$ 99,929	\$ 107,519
Interest cost	176,556	190,999	174,152
Special termination cost	21,174	—	—
Expected return on plan assets	(218,938)	(226,884)	(211,694)
Amortization of prior service cost	9,437	14,644	14,472
Amortization of unrecognized actuarial loss	152,664	159,584	200,849
Amortization of initial net obligation	17	19	22
Net periodic benefit cost	<u>\$ 238,870</u>	<u>\$ 238,291</u>	<u>\$ 285,320</u>

	2015	2014
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 4,749,447	\$ 4,382,563
Service cost	97,960	99,929
Interest cost	176,556	190,999
Special termination cost	21,174	—
Actuarial loss	237,896	277,098
Benefits paid	(261,473)	(286,066)
Plan amendments	3,033	(3,503)
Foreign currency translation and other	(156,890)	88,427
Benefit obligation at end of year	<u>\$ 4,867,703</u>	<u>\$ 4,749,447</u>

Change in plan assets		
Fair value of plan assets at beginning of year	\$ 3,499,274	\$ 3,096,616
Actual gain on plan assets	51,514	469,984
Employer contributions	62,852	146,237
Benefits paid	(261,473)	(286,066)
Foreign currency translation and other	(113,860)	72,503
Fair value of plan assets at end of year	<u>\$ 3,238,307</u>	<u>\$ 3,499,274</u>
Funded status	<u>\$ (1,629,396)</u>	<u>\$ (1,250,173)</u>

Amounts recognized on the Consolidated Balance Sheet		
Other accrued liabilities	\$ (31,206)	\$ (11,333)
Pensions and other postretirement benefits	(1,598,190)	(1,238,840)
Net amount recognized	<u>\$ (1,629,396)</u>	<u>\$ (1,250,173)</u>

Amounts recognized in Accumulated Other Comprehensive (Loss)		
Net actuarial loss	\$ 1,639,010	\$ 1,434,645
Prior service cost	32,126	37,137
Transition obligation	103	143
Net amount recognized	<u>\$ 1,671,239</u>	<u>\$ 1,471,925</u>

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.

During the fourth quarter of 2015, the Company initiated a voluntary retirement program under which certain participants in its U.S. qualified defined benefit pension plan were offered enhanced retirement benefits. As a result of the program, the Company incurred an increase in its net pension benefit cost of \$21,174.

During 2015 and 2014, the Company offered lump-sum distributions to certain participants in its U.S. qualified defined benefit plan. Included in benefits paid in 2015 and 2014 is \$81,496 and \$110,000, respectively, related to participants who elected to receive lump-sum distributions. No settlement charges were required to be recognized for the lump-sum distribution offerings.

The estimated amount of net actuarial loss, prior service cost and transition obligation that will be amortized from accumulated other comprehensive (loss) into net periodic benefit pension cost in 2016 is \$166,683, \$7,176 and \$16, respectively.

The accumulated benefit obligation for all defined benefit plans was \$4,451,047 and \$4,258,743 at June 30, 2015 and 2014, respectively. The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were \$4,761,438, \$4,352,369 and \$3,129,803, respectively, at June 30, 2015, and \$4,691,350, \$4,206,557 and \$3,443,515, respectively, at June 30, 2014. The projected benefit obligation and fair value of plan assets for pension plans with projected benefit obligations in excess of plan assets were \$4,821,675 and \$3,188,293, respectively, at June 30, 2015, and \$4,709,493 and \$3,459,097, respectively, at June 30, 2014.

The Company expects to make cash contributions of approximately \$278 million to its defined benefit pension plans in 2016, the majority of which relate to its U.S. qualified defined benefit plan. Estimated future benefit payments in the five years ending June 30, 2016 through 2020 are \$225,953, \$244,912, \$209,742, \$241,699 and \$258,332, respectively and \$1,325,348 in the aggregate for the five years ending June 30, 2021 through June 30, 2025.

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

	2015	2014	2013
U.S. defined benefit plans			
Discount rate	4.05 %	4.52 %	3.91 %
Average increase in compensation	5.12 %	5.13 %	5.21 %
Expected return on plan assets	7.5 %	8.0 %	8.0 %
Non-U.S. defined benefit plans			
Discount rate	0.9 to 4.2%	1.5 to 4.59%	1.75 to 4.7%
Average increase in compensation	2.0 to 5.0%	2.0 to 6.0%	2.0 to 6.0%
Expected return on plan assets	1.0 to 6.25%	1.0 to 6.25%	1.0 to 6.4%

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

	2015	2014
U.S. defined benefit plans		
Discount rate	4.19 %	4.05 %
Average increase in compensation	5.14 %	5.12 %
Non-U.S. defined benefit plans		
Discount rate	0.7 to 6.0%	0.9 to 4.2%
Average increase in compensation	2.0 to 5.5%	2.0 to 5.0%

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

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

	2015	2014
Equity securities	41 %	42 %
Debt securities	47 %	48 %
Other investments	12 %	10 %
	100 %	100 %

The weighted-average target asset allocation as of June 30, 2015 is 41 percent equity securities, 47 percent debt securities and 12 percent other investments. The investment strategy for the Company's worldwide defined benefit pension plan assets focuses on achieving prudent actuarial funding ratios while maintaining acceptable levels of risk in order to provide adequate liquidity to meet immediate and future benefit requirements. This strategy requires investment portfolios that are broadly diversified across various asset classes and external investment managers. Assets held in the U.S. defined benefit plans account for approximately 71 percent of the Company's total defined benefit plan assets. The Company's overall investment strategy with respect to the Company's U.S. defined benefit plans is to opportunistically migrate from its traditional mix between growth seeking assets (primarily consisting of global public equities in developed and emerging countries and hedge fund of fund strategies) and income generating assets (primarily consisting of high quality bonds, both domestic and global, emerging market bonds, high yield bonds and Treasury Inflation Protected Securities) to an allocation more heavily weighted toward income generating assets. Over time, long duration fixed income assets are being added to the portfolio. These securities are highly correlated with the Company's pension liabilities and will serve to hedge a portion of the Company's interest rate risk.

The fair values of pension plan assets at June 30, 2015 and at June 30, 2014, by asset class, are as follows:

	June 30, 2015	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 75,015	\$ 75,015	\$ —	\$ —
Equity securities				
U.S. based companies	299,321	299,321	—	—
Non-U.S. based companies	203,199	203,199	—	—
Fixed income securities				
Corporate bonds	165,226	77,224	88,002	—
Government issued securities	143,697	90,785	52,912	—
Mutual funds				
Equity funds	149,383	149,383	—	—
Fixed income funds	135,949	135,949	—	—
Mutual funds measured at net asset value	5,564			
Common/Collective trusts				
Equity funds	77,429	77,429	—	—
Fixed income funds	46,184	46,184	—	—
Common/Collective trusts measured at net asset value	1,635,135			
Limited Partnerships measured at net asset value	290,904			
Miscellaneous	11,301	—	11,301	—
Total at June 30, 2015	\$ 3,238,307	\$ 1,154,489	\$ 152,215	\$ —

	June 30, 2014	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 46,297	\$ 45,976	\$ 321	\$ —
Equity securities				
U.S. based companies	346,145	346,145	—	—
Non-U.S. based companies	220,911	220,911	—	—
Fixed income securities				
Corporate bonds	234,719	101,227	133,492	—
Government issued securities	161,131	101,083	60,048	—
Mutual funds				
Equity funds	191,301	191,301	—	—
Fixed income funds	189,375	189,375	—	—
Mutual funds measured at net asset value	35,279			
Common/Collective trusts				
Equity funds	85,461	85,461	—	—
Fixed income funds	48,649	48,649	—	—
Common/Collective trusts measured at net asset value	1,630,292			
Limited Partnerships	777	777	—	—
Limited Partnerships measured at net asset value	288,236			
Miscellaneous	20,701	—	20,701	—
Total at June 30, 2014	\$ 3,499,274	\$ 1,330,905	\$ 214,562	\$ —

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

Equity securities are valued at the closing price reported on the active market on which the individual securities are traded. U.S. based companies include Company stock with a fair value of \$154,660 as of June 30, 2015 and \$167,157 as of June 30, 2014.

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

Mutual funds are valued using the closing market price reported on the active market on which the fund is traded or at net asset value per share and primarily consist of equity and fixed income funds. The equity funds primarily provide exposure to U.S. and international equities, real estate and commodities. The fixed income funds primarily provide exposure to high-yield securities and emerging market fixed income instruments. Mutual funds measured at fair value using the net asset value per share practical expedient have not been categorized in the fair value hierarchy and are being presented in the tables above to permit a reconciliation of the fair value hierarchy to the Consolidated Balance Sheet.

Common/Collective trusts primarily consist of equity and fixed income funds and are valued using the closing market price reported on the active market on which the fund is traded or at net asset value per share. Common/Collective trust investments can be redeemed daily and without restriction. Redemption of the entire investment balance generally requires a 30-day notice period. The equity funds provide exposure to large, mid and small cap U.S. equities, international large and small cap equities and emerging market equities. The fixed income funds provide exposure to U.S., international and emerging market debt securities. Common/Collective trusts measured at fair value using the net asset value per share practical expedient have not been categorized in the fair value hierarchy and are being presented in the tables above to permit a reconciliation of the fair value hierarchy to the Consolidated Balance Sheet.

Limited Partnerships primarily consist of hedge funds valued using a net asset value per share and provide exposure to a variety of hedging strategies including long/short equity, relative value, event driven and global macro. Limited Partnership investments can be redeemed daily and without restriction. Redemption of the entire investment balance generally requires a 30-day notice period. Limited Partnerships measured at fair value using the net asset value per share practical expedient have not been categorized in the fair value hierarchy and are being presented in the tables above to permit a reconciliation of the fair value hierarchy to the Consolidated Balance Sheet.

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

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

Employee Savings Plan - The Company sponsors an employee stock ownership plan (ESOP) as part of its existing savings and investment 401(k) plan. The ESOP is available to eligible domestic employees. Company matching contributions, up to a maximum of four percent of an employee's annual compensation, are recorded as compensation expense. Prior to August 1, 2014, Company stock was used to match employee contributions. Effective August 1, 2014, participants may direct company matching contributions to any investment option within the savings and investment 401(k) plan.

	2015	2014	2013
Shares held by ESOP	8,407,858	8,944,697	9,686,238
Company matching contributions	\$ 63,914	\$ 63,441	\$ 61,067

In addition to shares within the ESOP, as of June 30, 2015, employees have elected to invest in 2,408,854 shares of common stock within a company stock fund of the savings and investment 401(k) plan.

The Company has a retirement income account (RIA) within the employee savings plan. The Company makes a cash contribution to the participant's RIA 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 \$29,570, \$25,247 and \$22,046 in expense related to the RIA in 2015, 2014 and 2013, respectively.

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

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

The Company recognized \$4,340, \$4,478 and \$4,930 in expense related to other postretirement benefits in 2015, 2014 and 2013, respectively.

	2015	2014
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 76,207	\$ 75,544
Service cost	632	623
Interest cost	2,723	2,971
Actuarial loss	655	1,963
Benefits paid	(4,264)	(4,894)
Benefit obligation at end of year	\$ 75,953	\$ 76,207
Funded status	\$ (75,953)	\$ (76,207)

	2015	2014
Amounts recognized on the Consolidated Balance Sheet		
Other accrued liabilities	\$ (5,629)	\$ (5,874)
Pensions and other postretirement benefits	(70,324)	(70,333)
Net amount recognized	<u>\$ (75,953)</u>	<u>\$ (76,207)</u>
Amounts recognized in Accumulated Other Comprehensive (Loss)		
Net actuarial loss	\$ 13,626	\$ 14,074
Prior service credit	(676)	(797)
Net amount recognized	<u>\$ 12,950</u>	<u>\$ 13,277</u>

The presentation of the amounts recognized on the Consolidated Balance Sheet and in accumulated other comprehensive (loss) is on a debit (credit) basis and is before the effect of income taxes. The amount of net actuarial loss and prior service credit that will be amortized from accumulated other comprehensive (loss) into net periodic postretirement cost in 2016 is \$1,128 and \$(121), respectively.

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

	2015	2014	2013
Discount rate	3.74 %	4.1 %	3.62 %
Current medical cost trend rate	7.75 %	7.75 %	8.0 %
Ultimate medical cost trend rate (Pre-65 participants)	5.6 %	5.0 %	5.0 %
Ultimate medical cost trend rate (Post-65 participants)	6.2 %	5.0 %	5.0 %
Medical cost trend rate decreases to ultimate in year (Pre-65 participants)	2041	2021	2019
Medical cost trend rate decreases to ultimate in year (Post-65 participants)	2045	2021	2019

The discount rate assumption used to measure the benefit obligation was 3.96 percent in 2015 and 3.74 percent in 2014.

Estimated future benefit payments for other postretirement benefits in the five years ending June 30, 2016 through 2020 are \$5,644, \$5,770, \$5,751, \$5,598 and \$5,176, respectively, and \$22,449 in the aggregate for the five years ending June 30, 2021 through June 30, 2025.

A one percentage point change in assumed health care cost trend rates would not have a material effect on the benefit cost or benefit obligation.

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 matching contributions and earnings on the deferrals. During 2015, 2014 and 2013, the Company recorded expense relating to deferred compensation of \$5,676, \$24,549 and \$19,182, respectively.

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

11. Equity

Changes in accumulated other comprehensive (loss) in shareholders' equity by component:

	Foreign Currency Translation Adjustment	Retirement Benefit Plans	Other	Total
Balance June 30, 2013	\$ (68,328)	\$ (1,039,072)	\$ (433)	\$ (1,107,833)
Other comprehensive income (loss) before reclassifications	192,948	(20,636)	—	172,312
Amounts reclassified from accumulated other comprehensive (loss)	—	111,818	205	112,023
Balance June 30, 2014	\$ 124,620	\$ (947,890)	\$ (228)	\$ (823,498)
Other comprehensive (loss) before reclassifications	(765,107)	(253,206)	(4,324)	(1,022,637)
Amounts reclassified from accumulated other comprehensive (loss)	—	103,496	4,021	107,517
Balance June 30, 2015	\$ (640,487)	\$ (1,097,600)	\$ (531)	\$ (1,738,618)

Reclassifications out of accumulated other comprehensive (loss) in shareholders' equity during 2015:

Details about Accumulated Other Comprehensive (Loss) Components	Income (Expense) Reclassified from Accumulated Other Comprehensive (Loss)	Consolidated Statement of Income Classification
Retirement benefit plans		
Amortization of prior service cost and initial net obligation	\$ (9,333)	See Note 10
Recognized actuarial loss	(153,770)	See Note 10
Total before tax	(163,103)	
Tax benefit	59,607	Income taxes
Net of tax	<u>\$ (103,496)</u>	
Other		
Realized loss on cash flow hedges	\$ (305)	Interest expense
Realized loss on available-for-sale investments	(3,817)	Other (income), net
Total before tax	(4,122)	
Tax benefit	101	Income taxes
Net of tax	<u>\$ (4,021)</u>	

Reclassifications out of accumulated other comprehensive (loss) in shareholders' equity during 2014:

Details about Accumulated Other Comprehensive (Loss) Components	Income (Expense) Reclassified from Accumulated Other Comprehensive (Loss)	Consolidated Statement of Income Classification
Retirement benefit plans		
Amortization of prior service cost and initial net obligation	\$ (14,535)	See Note 10
Recognized actuarial loss	(160,596)	See Note 10
Total before tax	(175,131)	
Tax benefit	63,313	Income taxes
Net of tax	<u>\$ (111,818)</u>	
Other		
Realized loss on cash flow hedges	\$ (306)	Interest expense
Tax benefit	101	Income taxes
Net of tax	<u>\$ (205)</u>	

Share Repurchases - The Company has a program to repurchase its common shares. On October 22, 2014, the Board of Directors of the Company approved an increase in the overall number of shares authorized to repurchase under the program so that, beginning on such date, the aggregate number of shares authorized for repurchase was 35 million. There is no limitation on the number of shares that can be repurchased in a fiscal year. Repurchases may be funded primarily from operating cash flows and commercial paper borrowings and the shares are initially held as treasury shares. The number of common shares repurchased at the average purchase price follows:

	2015	2014	2013
Shares repurchased	11,091,759	1,741,143	3,006,005
Average price per share	\$ 125.64	\$ 114.87	\$ 85.55

12. Stock Incentive Plans

The Company's 2009 Omnibus Stock Incentive Plan provides for the granting of share-based incentive awards in the form of nonqualified stock options, stock appreciation rights (SARs), restricted stock units (RSUs) and restricted and unrestricted stock to officers and key employees of the Company. The aggregate number of shares authorized for issuance under the 2009 Omnibus Stock Incentive Plan is 14,700,000. The Company satisfies share-based incentive award obligations by issuing shares of common stock out of treasury, which have been repurchased pursuant to the Company's share repurchase program described in Note 11 to the Consolidated Financial Statements, or through the issuance of previously unissued common stock.

Stock Options/SARs - Stock options allow the participant to purchase shares of common stock at a price not less than 100 percent of the fair market value of the stock on the date of grant. Upon exercise, SARs entitle the participant to receive shares of common stock equal to the increase in value of the award between the grant date and the exercise date. Stock options and SARs are exercisable from one to three years after the date of grant and expire no more than 10 years after grant.

The fair value of each stock option and SAR award granted in 2015, 2014 and 2013 was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	2015	2014	2013
Risk-free interest rate	2.0 %	1.55 %	0.8 %
Expected life of award	5.4 yrs	5.1 yrs	4.9 yrs
Expected dividend yield of stock	1.8 %	1.9 %	1.7 %
Expected volatility of stock	32.3 %	39.1 %	39.0 %
Weighted-average fair value	\$ 30.50	\$ 32.57	\$ 24.76

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 time-frame similar to the expected life of the award.

Stock option and SAR activity during 2015 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, 2014	8,208,699	\$ 72.87		
Granted	1,128,279	113.92		
Exercised	(1,159,101)	62.82		
Canceled	(43,671)	101.10		
Outstanding June 30, 2015	8,134,206	\$ 79.84	5.2 years	\$ 298.0
Exercisable June 30, 2015	5,824,117	\$ 69.43	4.0 years	\$ 273.9

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

	Number of Shares	Weighted-Average Grant Date Fair Value
Nonvested June 30, 2014	2,484,971	\$ 28.89
Granted	1,128,279	30.50
Vested	(1,264,918)	26.93
Canceled	(38,243)	31.00
Nonvested June 30, 2015	2,310,089	\$ 30.71

At June 30, 2015, \$19,061 of expense with respect to nonvested stock option and SAR awards has yet to be recognized and will be amortized into expense over a weighted-average period of approximately 20 months. The total fair value of shares vested during 2015, 2014 and 2013 was \$34,064, \$42,363 and \$29,777, respectively.

Information related to stock options and SAR awards exercised during 2015, 2014 and 2013 is as follows:

	2015	2014	2013
Net cash proceeds	\$ 3,355	\$ 8,013	\$ 32,204
Intrinsic value	72,140	155,903	208,426
Income tax benefit	17,355	37,993	47,659

During 2015, 2014 and 2013, the Company recognized stock-based compensation expense of \$34,617, \$49,998 and \$33,018, respectively, relating to stock option and SAR awards. The Company derives a tax deduction measured by the excess of the market value over the grant price at the date stock-based awards are exercised. The related tax benefit is credited to additional capital as the Company is currently in a windfall tax benefit position.

Shares surrendered upon exercise of stock options and SARs: 2015 - 243,799; 2014 - 775,163; 2013 - 1,947,148.

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

The fair value of each RSU award granted in 2015, 2014 and 2013 was based on the fair market value of the Company's common stock on the date of grant. A summary of the status and changes of shares subject to RSU awards and the related average price per share follows:

	Number of Shares	Weighted-Average Grant Date Fair Value
Nonvested June 30, 2014	471,530	\$ 94.59
Granted	211,088	113.02
Vested	(213,986)	88.57
Canceled	(19,344)	105.91
Nonvested June 30, 2015	449,288	\$ 105.63

During 2015, 2014 and 2013, the Company recognized stock-based compensation expense of \$22,547, \$21,475 and \$17,852 respectively, relating to RSU awards. At June 30, 2015, \$18,395 of expense with respect to nonvested RSU awards has yet to be recognized and will be amortized into expense over a weighted-average period of approximately 19 months. The total fair value of RSU awards vested during 2015, 2014 and 2013 was \$18,953, \$18,007 and \$12,488, respectively. The Company recognized a tax benefit of \$704, \$2,509 and \$976 relating to the issuance of common stock for RSU awards that vested during 2015, 2014 and 2013, respectively.

LTIP/Restricted Stock - The Company's Long Term Incentive Plans (LTIP) provide for the issuance of unrestricted stock to certain officers and key employees based on the attainment of certain goals relating to the Company's revenue growth, earnings per share growth and return on invested capital during the 3-year performance period. No dividends or dividend equivalents are paid on unearned shares.

Stock issued for LTIP	2015	2014	2013
LTIP 3-year plan	2012-13-14	2011-12-13	2010-11-12
Number of shares issued	185,063	298,813	792,428
Average share value on date of issuance	\$ 119.06	\$ 126.17	\$ 83.64
Total value	\$ 22,034	\$ 37,701	\$ 66,278

Under the Company's 2013-14-15 LTIP, a payout of unrestricted stock will be issued in April 2016.

The fair value of each LTIP award granted in 2015, 2014 and 2013 was based on the fair market value of the Company's common stock on the date of grant. A summary of the status and changes of shares relating to the LTIP and the related average price per share follows:

	Number of Shares	Weighted-Average Grant Date Fair Value
Nonvested June 30, 2014	920,096	\$ 94.83
Granted	297,728	120.21
Vested	(333,239)	79.46
Canceled	(8,414)	96.98
Nonvested June 30, 2015	876,171	\$ 109.27

During 2015, 2014 and 2013, the Company recorded stock-based compensation expense of \$38,929, \$31,688 and \$34,127, respectively, relating to the LTIP.

Shares surrendered in connection with the LTIP: 2015 - 42,394; 2014 - 140,406; 2013 - 311,110.

In 2015, 2014 and 2013, 12,716, 12,353 and 14,580 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. These shares vest ratably, on an annual basis, over the term of office of the director. The fair value of the restricted shares issued in 2015, 2014 and 2013 was based on the fair market value of the Company's common stock on the date of grant. During 2015, 2014 and 2013, the Company recognized expense of \$1,401, \$1,304 and \$1,137, respectively, related to restricted shares.

During 2015, 2014 and 2013, the Company recognized a tax benefit (cost) of \$5,370, \$(6,770) and \$17,395, respectively, relating to the LTIP and restricted shares issued to non-employee members of the Board of Directors.

At June 30, 2015, the Company had approximately 6 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, 2015, 138,558,739 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 of Directors, 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 \$403,085 in 2015, \$410,132 in 2014 and \$406,613 in 2013. 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 \$57,799 in 2015, \$55,916 in 2014 and \$58,916 in 2013. These costs are included in the total research and development cost for each of the respective years.

15. Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, marketable securities and other investments, accounts receivable and long-term investments as well as obligations under accounts payable, trade, notes payable and long-term debt. Due to their short-term nature, the carrying values for cash and cash equivalents, accounts receivable, accounts payable, trade and notes payable approximate fair value.

Marketable securities and other investments include deposits, which are recorded at cost, and investments classified as available-for-sale, which are recorded at fair value with unrealized gains and losses recorded in accumulated other comprehensive (loss). The amortized cost and fair value of available-for-sale investments at June 30, 2015 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed income mutual funds	\$ 187,467	\$ 101	\$ 34	\$ 187,534
Government bonds	60,543	12	43	60,512
Corporate bonds	146,202	2	487	145,717
Asset-backed and mortgage-backed securities	11,028	—	58	10,970

At June 30, 2015, there were no facts or circumstances that indicated the unrealized losses were other than temporary. All available-for-sale investments in an unrealized loss position have been in that position for less than 12 months.

The contractual maturities of available-for-sale investments at June 30, 2015 are as follows:

	Amortized Cost	Fair Value
Less than one year	\$ 13,561	\$ 13,555
One to three years	188,539	188,057
Over three years	15,673	15,587

Actual maturities of available-for-sale investments may differ from their contractual maturities as the Company has the ability to liquidate the available-for-sale investments after giving appropriate notice to the issuer.

During 2015, the Company recognized \$3,817 of net realized losses on its available-for sale investments related to sales and maturities, which are reflected in the other (income), net caption within the Consolidated Statement of Income.

The carrying value of long-term debt (excluding capital leases) and estimated fair value of long-term debt (excluding capital leases) at June 30 are as follows:

	2015	2014
Carrying value of long-term debt (excluding capital leases)	\$ 2,947,102	\$ 1,508,420
Estimated fair value of long-term debt (excluding capital leases)	3,107,735	1,708,723

The fair value of long-term debt was determined based on observable market prices in the active market in which the security is traded and is classified within level 2 of the fair value hierarchy.

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

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

Derivative financial instruments are recognized on the Consolidated Balance Sheet as either assets or liabilities and are measured at fair value.

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

	Balance Sheet Caption	2015	2014
Net investment hedges			
Cross-currency swap contracts	Other assets	\$ 17,994	\$ —
Cross-currency swap contracts	Other liabilities	—	45,790
Cash flow hedges			
Costless collar contracts	Non-trade and notes receivable	5,627	3,508
Forward exchange contracts	Non-trade and notes receivable	(23)	(41)
Costless collar contracts	Other accrued liabilities	1,970	378

The cross-currency swap and costless collar contracts are reflected on a gross basis in the Consolidated Balance Sheet. The presentation of forward exchange contracts is on a net basis, the effect of which is immaterial to the Consolidated Balance Sheet. The Company has not entered into any master netting arrangements.

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

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

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

	2015	2014	2013
Forward exchange contracts	\$ 59	\$ (81)	\$ (1,821)
Costless collar contracts	(1,865)	7,052	502

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

	2015	2014
Cross-currency swap contracts	\$ 39,406	\$ (14,426)
Foreign denominated debt	37,871	7,611

There was no ineffectiveness of the cross-currency swap contracts or foreign denominated debt, nor were any portion of these financial instruments excluded from the effectiveness testing, during 2015, 2014 and 2013.

A summary of financial assets and liabilities that were measured at fair value on a recurring basis at June 30, 2015 and 2014 are as follows:

	June 30, 2015	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Government bonds	\$ 60,512	\$ 60,512	\$ —	\$ —
Corporate bonds	145,717	145,717	—	—
Asset-backed and mortgage-backed securities	10,970	—	10,970	—
Derivatives	23,598	—	23,598	—
Investments measured at net asset value	187,534			
Liabilities:				
Derivatives	1,970	—	1,970	—
	June 30, 2014	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Derivatives	\$ 3,467	\$ —	\$ 3,467	\$ —
Liabilities:				
Derivatives	46,168	—	46,168	—

The fair values of the government bonds, corporate bonds and asset-backed and mortgage-backed securities are determined using the closing market price reported in the active market in which the fund is traded or the market price for similar assets that are traded in an active market.

Derivatives consist of forward exchange, costless collar and cross-currency swap contracts, the fair values of which are calculated using market observable inputs including both spot and forward prices for the same underlying currencies. The calculation of fair value of the cross-currency swap contracts also utilizes a present value cash flow model that has been adjusted to reflect the credit risk of either the Company or the counterparty.

Investments measured at net asset value primarily consist of investments in fixed income mutual funds, which are measured at fair value using the net asset value per share practical expedient. These investments have not been categorized in the fair value hierarchy and are presented in the table above is to permit reconciliation of the fair value hierarchy to the Consolidated Balance Sheet. The Company has the ability to liquidate these investments after giving appropriate notice to the issuer.

The primary investment objective for all investments is the preservation of principal and liquidity while earning income.

There are no other financial assets or financial liabilities that are marked to market on a recurring basis. Fair values are transferred between levels of the fair value hierarchy when facts and circumstances indicate that a change in the method of estimating the fair value of a financial asset or financial liability is warranted.

16. Contingencies

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

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

As of June 30, 2015, the Company had an accrual of \$16,957 for environmental matters, which are probable and reasonably estimable. The accrual is recorded based upon the best estimate of costs to be incurred in light of the progress made in determining the magnitude of remediation costs, the timing and extent of remedial actions required by governmental authorities and the amount of the Company's liability in proportion to other responsible parties.

The Company's estimated total liability for environmental matters ranges from a minimum of \$17.0 million to a maximum of \$80.2 million. The largest range for any one site is approximately \$8.4 million. The actual costs to be incurred by the Company will be dependent on final determination of contamination and required remedial action, negotiations with governmental authorities with respect to cleanup levels, changes in regulatory requirements, innovations in investigatory and remedial technologies, effectiveness of remedial technologies employed, the ability of other responsible parties to pay, and any insurance or other third-party recoveries.

17. Quarterly Information
(Unaudited)

2015	1st	2nd	3rd	4th	Total
Net sales	\$ 3,269,932	\$ 3,134,993	\$ 3,162,311	\$ 3,144,508	\$ 12,711,744
Gross profit	810,067	733,409	789,295	723,728	3,056,499
Net income attributable to common shareholders	280,089	267,252	285,345	179,454	1,012,140
Diluted earnings per share	1.85	1.80	2.02	1.27	6.97

2014	1st	2nd	3rd	4th	Total
Net sales	\$ 3,226,144	\$ 3,106,006	\$ 3,358,406	\$ 3,525,415	\$ 13,215,971
Gross profit	749,735	686,035	752,513	839,461	3,027,744
Net income attributable to common shareholders	244,316	253,288	242,406	301,038	1,041,048
Diluted earnings per share	1.61	1.66	1.60	1.98	6.87

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)

<i>(In dollars)</i>	1st	2nd	3rd	4th	Fiscal Year
2015 High	\$ 127.60	\$ 133.41	\$ 129.54	\$ 125.33	\$ 133.41
Low	105.91	99.82	115.86	115.65	99.82
Dividends	0.48	0.63	0.63	0.63	2.37
2014 High	\$ 110.21	\$ 129.77	\$ 129.40	\$ 130.44	\$ 130.44
Low	94.81	103.36	108.66	118.46	94.81
Dividends	0.45	0.45	0.48	0.48	1.86
2013 High	\$ 87.71	\$ 87.04	\$ 98.15	\$ 101.88	\$ 101.88
Low	70.42	75.80	86.51	84.50	70.42
Dividends	0.41	0.41	0.43	0.45	1.70

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, 2015. In making this assessment, we used the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission in "Internal Control-Integrated Framework (2013)." We concluded that based on our assessment, the Company's internal control over financial reporting was effective as of June 30, 2015.

Deloitte & Touche LLP, the independent registered public accounting firm that audited the Company's consolidated financial statements, has issued an attestation report on the Company's internal control over financial reporting as of June 30, 2015, which is included herein.

/s/ Thomas L. Williams

Chief Executive Officer

/s/ Jon P. Marten

Executive Vice President - Finance & Administration and Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Parker-Hannifin Corporation and subsidiaries (the "Company") as of June 30, 2015 and 2014, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended June 30, 2015. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(1). We also have audited the Company's internal control over financial reporting as of June 30, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and financial statement schedule and an opinion on the Company's internal control over financial reporting based on our audits.

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

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Parker-Hannifin Corporation and subsidiaries as of June 30, 2015 and 2014, the results of their operations and their cash flows for each of the three years in the period ended June 30, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2015, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission

/s/ DELOITTE & TOUCHE LLP

Cleveland, Ohio
August 26, 2015

Five-Year Financial Summary

(Amounts in thousands, except per share information)	2015	2014	2013	2012	2011
Net sales	\$ 12,711,744	\$ 13,215,971	\$ 13,015,704	\$ 13,145,942	\$ 12,345,870
Cost of sales	9,655,245	10,188,227	10,086,675	9,958,337	9,387,457
Selling, general and administrative expenses	1,544,746	1,633,992	1,554,973	1,519,316	1,467,773
Goodwill and intangible asset impairment	—	188,870	—	—	—
Interest expense	118,406	82,566	91,552	92,790	99,704
Income taxes	419,687	515,302	362,217	421,206	356,751
Net income attributable to common shareholders	1,012,140	1,041,048	948,427	1,151,823	1,049,130
Basic earnings per share	7.08	6.98	6.36	7.62	6.51
Diluted earnings per share	\$ 6.97	\$ 6.87	\$ 6.26	\$ 7.45	\$ 6.37
Average number of shares outstanding - Basic	142,925	149,099	149,218	151,222	161,126
Average number of shares outstanding - Diluted	145,112	151,444	151,588	154,665	164,798
Cash dividends per share	\$ 2.37	\$ 1.86	\$ 1.70	\$ 1.54	\$ 1.25
Net income attributable to common shareholders as a percent of net sales	8.0%	7.9%	7.3%	8.8%	8.5%
Return on average assets	7.9%	8.1%	8.0%	10.4%	10.1%
Return on average shareholders' equity	17.2%	16.8%	17.8%	22.4%	21.5%
Book value per share	\$ 36.84	\$ 44.72	\$ 38.44	\$ 32.72	\$ 34.71
Working capital	\$ 3,232,962	\$ 2,818,784	\$ 2,010,983	\$ 2,012,101	\$ 1,914,213
Ratio of current assets to current liabilities	2.4	1.9	1.6	1.8	1.8
Plant and equipment, net	\$ 1,664,022	\$ 1,824,294	\$ 1,808,240	\$ 1,719,968	\$ 1,797,179
Total assets	12,295,037	13,274,362	12,540,898	11,170,282	10,886,805
Long-term debt	2,723,960	1,508,142	1,495,960	1,503,946	1,691,086
Shareholders' equity	\$ 5,104,587	\$ 6,659,428	\$ 5,738,426	\$ 4,896,515	\$ 5,383,854
Debt to debt-shareholders' equity percent	36.6%	25.9%	33.0%	26.1%	24.7%
Depreciation	\$ 202,776	\$ 214,965	\$ 213,722	\$ 210,508	\$ 229,238
Capital expenditures	\$ 215,527	\$ 216,340	\$ 265,896	\$ 218,817	\$ 207,294
Number of employees	54,754	57,447	58,151	59,331	58,409
Number of shares outstanding at year-end	138,559	148,903	149,289	149,631	155,091

**Exhibit 21 to Annual Report
on Form 10-K
for Fiscal Year Ended June 30, 2015
by Parker-Hannifin Corporation**

Listed below are the significant subsidiaries of the Company and their jurisdictions of organization. All other subsidiaries, if considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary. All of the following subsidiaries are either directly or indirectly wholly-owned by the Company.

Name of Subsidiary	State/Country of Incorporation
UNITED STATES	
Parker Hannifin MFA LLC	Delaware
Parker Intangibles LLC	Delaware
Parker Italy (PH Espana Holding) LLC	Delaware
Parker Italy Holding LLC	Delaware
Parker-Hannifin International Corp.	Delaware
Winco Enterprises Inc.	California
 INTERNATIONAL	
Parker Hannifin (Australia) Pty. Limited	Australia
Parker Hannifin Australia Assets Pty Limited	Australia
Parker Hannifin Australia Holding Pty Limited	Australia
Parker Hannifin Manufacturing Holding Belgium SPRL	Belgium
Parker Hannifin (Bermuda) Ltd.	Bermuda
Parker Hannifin Partner I GP	Bermuda
Parker Hannifin Partner II GP	Bermuda
Parker Hannifin Indústria e Comércio Ltda.	Brazil
Parker Canada Holding Co.	Canada
Parker Hannifin Canada	Canada
Parker Ontario Holding Inc.	Canada
Parker Hannifin Hydraulics (Tianjin) Co., Ltd	China
Parker Hannifin Motion & Control (Shanghai) Co. Ltd.	China
Parker Hannifin Motion & Control (Wuxi) Company Ltd	China
Parker Hannifin Industrial s.r.o.	Czech Republic
Parker Hannifin Manufacturing Holding Czech Republic s.r.o.	Czech Republic
Parker Hannifin Manufacturing Holding Denmark ApS	Denmark
Parker Hannifin Manufacturing Finland Oy	Finland
Parker Hannifin France Finance SAS	France
Parker Hannifin France Holding SAS	France
Parker Hannifin France SAS	France
Parker Hannifin Manufacturing France SAS	France
Parker Hannifin GmbH	Germany
Parker Hannifin Holding GmbH	Germany
Parker Hannifin Manufacturing Germany GmbH & Co. KG	Germany
Warner Lewis GmbH	Germany
Parker Hannifin (Gibraltar) Holding Limited	Gibraltar
Parker Hannifin (Gibraltar) Properties Limited	Gibraltar
Parker Hannifin Hong Kong, Ltd.	Hong Kong

Name of Subsidiary	State/Country of Incorporation
Parker International Capital Management Hungary Limited Liability Company	Hungary
Parker Hannifin India Private Ltd.	India
Parker Hannifin Italy srl	Italy
Parker Hannifin Manufacturing Holding Italy srl	Italy
Parker Hannifin Manufacturing srl	Italy
Parker Hannifin Japan Holdings GK	Japan
Parker Hannifin Japan Ltd.	Japan
Taiyo, Ltd.	Japan
Parker Hannifin Connectors Ltd.	Korea
Parker Korea Ltd.	Korea
Parker Hannifin (Luxembourg) S.a.r.l.	Luxembourg
Parker Hannifin Bermuda Luxembourg S.C.S.	Luxembourg
Parker Hannifin Europe S.a.r.l.	Luxembourg
Parker Hannifin Global Capital Management S.a.r.l	Luxembourg
Parker Hannifin Holding EMEA S.a.r.l.	Luxembourg
Parker Hannifin Lux FinCo S.a.r.l.	Luxembourg
Parker Hannifin Luxembourg Acquisitions S.a.r.l.	Luxembourg
Parker Hannifin Luxembourg Finance S.à r.l.	Luxembourg
Parker Hannifin Luxembourg Investments 1 S.a.r.l.	Luxembourg
Parker Hannifin Partnership S.C.S.	Luxembourg
Parker Hannifin Chomerics (M) Sdn. Bhd.	Malaysia
Parker Hannifin de Mexico, S.A. de C.V.	Mexico
Parker Industrial, S. de R.L. de C.V.	Mexico
Parker Hannifin B.V.	Netherlands
Parker Hannifin Manufacturing Netherlands (Process Filtration) B.V.	Netherlands
Parker Hannifin Netherlands Holdings 2 B.V.	Netherlands
Parker Hannifin Netherlands Holdings B.V.	Netherlands
Parker Hannifin VAS Netherlands B.V.	Netherlands
Twin Filter B.V.	Netherlands
Parker Hannifin (Norway) Holdings AS	Norway
Parker Hannifin AS	Norway
Parker Hannifin Singapore Private Limited	Singapore
Rayco Technologies Pte. Ltd.	Singapore
Parker Hannifin Cartera Industrial S.L.	Spain
Parker Hannifin España S.L.	Spain
Parker Hannifin Industries and Assets Holding S.L.	Spain
Parker Hannifin Aktiebolag	Sweden
Parker Hannifin Manufacturing Sweden AB	Sweden
Parker Hannifin Cartera Industrial S.L., Bilboa (Espagne), succursale de Carouge	Switzerland
Parker Hannifin Manufacturing Switzerland SA	Switzerland
Parker Hannifin Taiwan Ltd.	Taiwan
Alenco (Holdings) Limited	United Kingdom
Commercial Intertech Holdings Limited	United Kingdom
Domnick Hunter Fabrication Limited	United Kingdom
Domnick Hunter Group Limited	United Kingdom

Name of Subsidiary	State/Country of Incorporation
Kittiwake Developments Limited	United Kingdom
KV Limited	United Kingdom
Olaer Group Limited	United Kingdom
Olaer Holdings Limited	United Kingdom
Parker Hannifin (GB) Limited	United Kingdom
Parker Hannifin (Holdings) Limited	United Kingdom
Parker Hannifin 2007 LLP	United Kingdom
Parker Hannifin Industries Limited	United Kingdom
Parker Hannifin Limited	United Kingdom
Parker Hannifin Manufacturing (UK) Limited	United Kingdom
Parker Hannifin Manufacturing Limited	United Kingdom
SSD Drives Limited	United Kingdom

**Exhibit 23 to Annual Report
On Form 10-K
for Fiscal Year Ended June 30, 2015
By Parker-Hannifin Corporation**

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-186741 on Form S-3 and Registration Statement Nos. 333-117761, 333-126957, 333-186733, 333-186734, 333-192909 and 333-201071 on Form S-8 of our report dated August 26, 2015, relating to the financial statements and the financial statement schedule of Parker-Hannifin Corporation and subsidiaries (the "Company"), and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended June 30, 2015.

/s/ DELOITTE & TOUCHE LLP
Cleveland, Ohio
August 26, 2015

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

Thomas L. Williams
Jon P. Marten
Joseph R. Leonti

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.

	<u>Date</u>		<u>Date</u>
<u>/s/ Thomas L. Williams</u> Thomas L. Williams, Chief Executive Officer (Principal Executive Officer)	8/13/2015	<u>/s/R.J. Kohlhepp</u> Robert J. Kohlhepp, Director	8/13/2015
<u>/s/ Jon P. Marten</u> Jon P. Marten, Executive Vice President – Finance & Administration and Chief Financial Officer (Principal Financial Officer)	8/13/2015	<u>/s/Kevin A. Lobo</u> Kevin A. Lobo, Director	8/13/2015
		<u>/s/K.P. Müller</u> Klaus-Peter Müller, Director	8/13/2015
<u>/s/ Catherine A. Suever</u> Catherine A. Suever, Vice President and Controller (Principal Accounting Officer)	8/13/2015	<u>/s/Candy M. Obourn</u> Candy M. Obourn, Director	8/13/2015
<u>/s/ D.E. Washkewicz</u> Donald E. Washkewicz, Chairman of the Board	8/13/2015	<u>/s/Joseph Scaminace</u> Joseph Scaminace, Director	8/13/2015
<u>/s/ Lee C. Banks</u> Lee C. Banks, Director	8/13/2015	<u>/s/Wolfgang R. Schmitt</u> Wolfgang R. Schmitt, Director	8/13/2015
<u>/s/Robert G. Bohn</u> Robert G. Bohn, Director	8/13/2015	<u>/s/Åke Svensson</u> Åke Svensson, Director	8/13/2015
<u>/s/L.S. Harty</u> Linda S. Harty, Director	8/13/2015	<u>/s/James L. Wainscott</u> James L. Wainscott, Director	8/13/2015
<u>/s/W.E. Kassling</u> William E. Kassling, Director	8/13/2015		

CERTIFICATIONS

I, Thomas L. Williams, 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, 2015

/s/ Thomas L. Williams

Thomas L. Williams
Chief Executive Officer

CERTIFICATIONS

I, Jon P. Marten, certify that:

1. I have reviewed this annual report on Form 10-K of Parker-Hannifin Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 26, 2015

/s/ Jon P. Marten

Jon P. Marten

Executive Vice President – Finance &
Administration and Chief Financial Officer

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, 2015, 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, 2015

/s/ Thomas L. Williams

Name: Thomas L. Williams

Title: Chief Executive Officer

/s/ Jon P. Marten

Name: Jon P. Marten

Title: Executive Vice President-Finance &
Administration and Chief Financial Officer