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, 2011

OR

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

For the transition period from to

Commission File No. 1-4982

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

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

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

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

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

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

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

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

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

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

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

The aggregate market value of the outstanding common stock held by non-affiliates of the Registrant as of December 31, 2010, excluding, for purpose of this computation only, stock holdings of the Registrant's Directors and Officers: $13,856,268,971.

The number of Common Shares outstanding on July 31, 2011 was 155,061,050.

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, 2011 is incorporated by reference into Parts I and II hereof.

(2) Definitive Proxy Statement for the Company's 2011 Annual Meeting of Shareholders to be held on October 26, 2011 is incorporated by reference into Part III hereof.

PARKER-HANNIFIN CORPORATION

FORM 10-K

Fiscal Year Ended June 30, 2011

PART I

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

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

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

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

The Company's manufacturing, service, sales, distribution and administrative facilities are located in 39 states within the United States and in 46 other countries. The Company's technologies and systems are used in the products of its three principal business segments: Industrial; Aerospace; and Climate & Industrial Controls. The Company's products are sold as original and replacement equipment through sales and distribution centers worldwide. The Company markets its products through direct-sales employees, independent distributors and sales representatives. Parker products are supplied to approximately 470,000 customers in virtually every significant manufacturing, transportation and processing industry. For the fiscal year ended June 30, 2011, total net sales were $12.3 billion. Industrial Segment products accounted for 76%, Aerospace Segment products accounted for 16%, and Climate & Industrial Controls Segment products accounted for 8% of those net sales.

Markets

The Company's technologies and systems are used throughout various industries and in various applications. The approximately 470,000 customers who purchase the Company's products are found throughout virtually every significant manufacturing, transportation and processing industry. No single customer accounted for more than 3% of the Company's total net sales for the fiscal year ended June 30, 2011.

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

Automation Group:

- Alternative energy
- Converting and packaging
- Factory automation
- Food production machinery
- Life sciences and medical
- Material handling
- Paper machinery
- Primary metals
- Robotics
- Safety and security
- Semiconductor and electronics
- Transportation and mobile

Filtration Group:

- Food and beverage
- Industrial machinery
- Life sciences
- Marine
- Mobile equipment
- Oil and gas
- Power generation
- Process
- Transportation
- Water

Fluid Connectors Group:

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

Hydraulics Group:

- Aerial lift
- Agriculture
- Construction machinery
- Forestry
- Industrial machinery
- Machine tool
- Material handling
- Marine
- Mining
- Oil and gas
- Power generation
- Renewable energy
- Truck hydraulics
- Factory automation

Instrumentation Group:

- Chemical and refining
- Food and beverage
- Medical and dental
- Microelectronics
- Oil and gas
- Power generation

Seal Group:

- Aerospace
- Chemical processing
- Consumer
- Energy
- Oil and gas
- Fluid power
- General industrial
- Information technology
- Life sciences
- Military
- Semiconductor
- Telecommunications
- Transportation

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

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

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

- Agriculture
- Air conditioning
- Appliances
- Food and beverage
- Industrial and commercial refrigeration
- Industrial machinery
- Oil and gas
- Life sciences
- Precision cooling
- Process
- Supermarkets
- Transportation

Principal Products and Methods of Distribution

Although the Company offers hundreds of thousands of individual products, no single product contributed more than 1% to the Company’s total net sales for the fiscal year ended June 30, 2011. Listed below are some of the Company’s principal products.

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

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

Pneumatic products:

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

Electromechanical products:

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

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

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

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

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

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

- Accumulators
- Cartridge valves
- Human machine interfaces
- Hydraulic transmissions
- Hydraulic cylinders
- Hydraulic motors and pumps
- Hydraulic systems
- Hydraulic valves and controls
- Hydrostatic steering units
- Integrated hydraulic circuits
- Power take-off equipment
- Power units
- Rotary actuators
- Sensors

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

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

Seal Group: static and dynamic sealing devices, including:

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

Industrial Segment products include standard products, as well as custom products which are engineered and produced to original equipment manufacturers' specifications for application to particular end products. Both standard and custom products are also used in the replacement of original products. Industrial Segment products are marketed primarily through field sales employees and approximately 11,400 independent distributor locations throughout the world.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Competition

The Company's business operates in highly competitive markets and industries. The Company offers its products over numerous, varied markets through its 142 divisions operating in 47 countries and consequently has hundreds of competitors when viewed across its various markets and product offerings. The Company's competitors include U.S. and non-U.S. companies. These competitors and the degree of competition vary widely by product lines, end markets, geographic scope and/or geographic locations. Although each of the Company's segments has numerous competitors, given the Company's market and product breadth, no single competitor competes with the Company with respect to all products manufactured and sold by the Company.

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

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

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

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

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

Research and Product Development

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

Total research and development costs relating to the development of new products and services and the improvement of existing products and services amounted to $359.5 million in fiscal year 2011, $316.2 million in fiscal year 2010, and $338.9 million in fiscal year 2009. 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 2011, 2010 and 2009 were $61.3 million, $40.3 million, and $50.7 million, respectively.

Patents, Trademarks, Licenses

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

Backlog and Seasonal Nature of Business

The Company's backlog by business segment for the past two fiscal years, as set forth on pages 13-5 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 $3.8 billion at June 30, 2011 and was $3.1 billion at June 30, 2010. Approximately 86% of the Company's backlog at June 30, 2011 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, 2011, the Company is involved in environmental remediation at various United States and non-U.S. manufacturing facilities presently or formerly operated by the Company and has been named as a "potentially responsible party," along with other companies, at off-site waste disposal facilities and regional sites.

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

As of June 30, 2011, the Company had a reserve of $15.3 million for environmental matters which are probable and reasonably estimable. This reserve is recorded based upon the best estimate of costs to be incurred in light of the progress made in determining the magnitude of remediation costs, the timing and extent of remedial actions required by governmental authorities and the amount of the Company's liability in proportion to other responsible parties.

The Company's estimated total liability for the above mentioned sites ranges from a minimum of $15.3 million to a maximum of $72.1 million. The largest range of the estimated total liability for any one site is approximately $6.1 million. The actual costs to be incurred by the Company will be dependent on final determination of contamination and required remedial action, negotiations with governmental authorities with respect to cleanup levels, changes in regulatory requirements, innovations in investigatory and remedial technologies, effectiveness of remedial technologies employed, the ability of the other responsible parties to pay, and any insurance or other third-party recoveries.

Energy Matters and Sources and Availability of Raw Materials

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

Steel, brass, 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 58,400 persons as of June 30, 2011, of whom approximately 30,940 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 13-16 to 13-17 of Exhibit 13 to this Annual Report on Form 10-K, are incorporated into this section by reference.

Acquisitions

During fiscal year 2011, the Company completed three 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 all of the risks that could materially adversely affect the Company's financial and/or operational performance. These risk factors should be considered and evaluated together with information incorporated by reference or otherwise included elsewhere in this Annual Report on Form 10-K. Additional risks not currently known to the Company or that the Company currently believes are immaterial also may impair the Company's business, financial condition, results of operations and cash flows.

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

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

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

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

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

The Company may be subject to product liability risks.

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

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

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

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

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

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

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

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

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

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

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

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

The Company may be subject to risks relating to acquisitions.

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

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

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

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

The Company's net sales derived from customers outside the United States were approximately 46% in fiscal 2011, 45% in fiscal 2010 and 44% in fiscal 2009. In addition, many of the Company's manufacturing operations and suppliers are located outside the United States. The Company expects net sales from non-U.S. markets to continue to represent a significant portion of its total net sales. The Company's non-U.S. operations are subject to risks in addition to those facing its domestic operations, including:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company 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 are as follows:

Name	Position	Officer Since(1)	Age as of 8/15/2011
Donald E. Washkewicz	Chairman of the Board, Chief Executive Officer and President	1997	61
Jon P. Marten	Executive Vice President – Finance & Administration and Chief Financial Officer	2008	55
Lee C. Banks	Executive Vice President and Operating Officer	2001	48
Robert P. Barker	Executive Vice President, Operating Officer and President – Aerospace Group	2003	61
Daniel S. Serbin	Executive Vice President – Human Resources	2005	57

Name	Position	Officer Since(1)	Age as of 8/15/2011
Thomas L. Williams	Executive Vice President and Operating Officer	2005	52
Robert W. Bond	Vice President and President – Fluid Connectors Group	2000	53
Yoon "Michael" Chung	Vice President and President – Asia Pacific Group	2008	48
Jeffery A. Cullman	Vice President and President – Hydraulics Group	2006	56
John G. Dedinsky, Jr.	Vice President – Global Supply Chain and Procurement	2006	54
William G. Eline	Vice President – Chief Information Officer	2002	55
John R. Greco	Vice President and President – Instrumentation Group	2006	57
Thomas F. Healy	Vice President and President – Climate & Industrial Controls Group	2006	51
William R. Hoelting	Vice President – Tax	2007	54
Pamela J. Huggins	Vice President and Treasurer	2003	57
Kurt A. Keller	Vice President and President – Seal Group	2009	53
A. Ricardo Machado	Vice President and President – Latin America Group	2006	63
M. Craig Maxwell	Vice President – Technology and Innovation	2003	53
Thomas A. Piraino, Jr.	Vice President, General Counsel and Secretary	1998	62
Peter Popoff	Vice President and President – Filtration Group	2008	59
Charly Saulnier	Vice President and President – Europe, Middle East and Africa Group	2008	63
Roger S. Sherrard	Vice President and President – Automation Group	2003	45
Catherine A. Suever	Vice President and Controller	2010	52

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

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

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; Assistant Controller from July 2007 to August 2008 and Vice President and Controller of the Aerospace Group from October 2004 to July 2007.

Mr. Banks has been an Executive Vice President since August 2008 and has been an Operating Officer since November 2006. He was a Senior Vice President from November 2006 to August 2008, Vice President from October 2001 to November 2006, and President of the Hydraulics Group from October 2003 to November 2006. He is also a Director of Nordson Corporation.

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

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

Mr. Williams has been an Executive Vice President since August 2008 and has been an Operating Officer since November 2006. He was a Senior Vice President from November 2006 to August 2008 and Vice President and President of the Instrumentation Group from March 2005 to November 2006. He is also a Director of Chart Industries, Inc.

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

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

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

Mr. Healy has been a Vice President since April 2006 and has been President of the Climate & Industrial Controls Group since July 2006.

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

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

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

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

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; Assistant Treasurer from July 2007 to November 2008; and Director of Finance and Investor Relations Support from May 2006 to July 2007.

ITEM 2. Properties. The Company's corporate headquarters is located in Cleveland, Ohio, and at June 30, 2011, the Company had 311 manufacturing plants and 287 distribution centers and sales and administrative offices throughout the world, none of which were individually material to its operations. The facilities are situated in 39 states within the United States and in 46 other countries. The Company owns the majority of its manufacturing plants and distribution centers, and its leased properties primarily consist of sales and administrative offices. The number of facilities used by each of the Company's operating segments is summarized by type and geographic location in the tables below:

	Type of Facility		
	Manufacturing Plants	Distribution Centers	Sales and Administrative Offices
Industrial	259	96	139
Aerospace	24	2	12
Climate & Industrial Controls	28	4	34
Total	311	102	185

	Geographic Location			
	North America	Europe	Asia-Pacific	Latin America
Industrial	215	161	91	27
Aerospace	29	4	4	1
Climate & Industrial Controls	54	7	4	1
Total	298	172	99	29

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

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

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

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

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

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

ITEM 4. (Removed and Reserved).

PART II

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

(a) ***Market for the Registrant's Common Equity.*** The Company's common stock is listed for trading on the New York Stock Exchange. Information regarding stock price and dividend information with respect to the Company's common stock, as set forth on page 13-43 of Exhibit 13 to this Annual Report on Form 10-K, is incorporated into this section by reference. As of July 29, 2011, the number of shareholders of record of the Company was 4,333.

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

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

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
April 1, 2011 through April 30, 2011	66,300	$ 95.04	66,300	8,446,519
May 1, 2011 through May 31, 2011	1,552,672	$ 86.52	1,552,672	6,893,847
June 1, 2011 through June 30, 2011	5,680,451	$ 87.33	5,680,451	1,213,396
Total:	7,299,423	$ 87.23	7,299,423	1,213,396

(1) On August 16, 1990, the Company publicly announced that its Board of Directors authorized the repurchase by the Company of up to 3.0 million shares of its common stock. From time to time, the Board of Directors has adjusted the number of shares authorized for repurchase under this program. On January 28, 2009, the Finance Committee of the Board of Directors of the Company approved an increase in the number of shares authorized for repurchase under this program so that, beginning on such date, the aggregate number of shares authorized for repurchase was equal to 10.0 million. Subject to this overall limitation, each fiscal year the Company is authorized to repurchase an amount of common shares equal to the greater of 7.5 million shares or five percent of the shares outstanding as of the end of the prior fiscal year. There is no expiration date for this program.

ITEM 6. Selected Financial Data. The information set forth on page 13-46 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 13-14 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 13-11 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 13-15 to 13-43 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, 2011. Based on this evaluation, the Company's principal executive officer and principal financial officer concluded that, as of the end of fiscal year 2011, the Company's disclosure controls and procedures were effective.

Management's Report on Internal Control over Financial Reporting set forth on page 13-44 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 13-45 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, 2011 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 2011 Annual Meeting of Shareholders to be held October 26, 2011 (the "2011 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 2011 Proxy Statement is incorporated herein by reference.

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

The information set forth under the captions "The Audit Committee" and "Report of the Audit Committee" in the 2011 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 2011 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 2011 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, 2011, 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	15,075,452(1)	$ 52.71	8,880,837(2)
Equity compensation plans not approved by security holders(3)	26,253	$ 41.57	0
Total	15,101,705	$ 52.79	8,880,837

(1) Includes 243,266 shares, which consists of the actual payouts of restricted stock under the FY2009-10-11 LTIP Awards (which payout was made after June 30, 2011) and the maximum future payouts of common stock that may be issued under the FY2010-11-12, CY2010-11-12 and CY2011-12-13 LTIP Awards. For the FY2010-11-12 and CY2010-11-12 LTIP Awards, payouts will be determined by comparing our results during the three-year performance period to the performance of a group of our peers during their three most recent fiscal years for the following weighted performance measures: (a) revenue growth (20% weight); (b) growth in fully-diluted earnings per share from continuing operations (40% weight); and (c) average return on invested capital from continuing operations (40% weight). For the CY2011-12-13 LTIP Awards, payouts will be determined based on the Company 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 the Company's 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 62,166 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 2009 Omnibus Stock Incentive Plan is 5.5 million. The maximum number of securities that may be issued under the 2003 Stock Incentive Plan is equal to the sum of (i) 13.5 million; plus (ii) the amount of any shares that are not delivered to an employee by reason of (A) the expiration, termination, cancellation or forfeiture of an award under the 1993 Stock Incentive Program; and (B) the tendering or withholding of shares to satisfy all or a portion of the exercise price or tax withholding obligations relating to shares issued or distributed under an award under the 1993 Stock Incentive Program. The maximum number of shares that may be issued under the 2003 Stock Incentive Plan as restricted stock is limited to 7.5 million shares. The maximum number of shares that may be issued under the 2004 Non-Employee Directors' Stock Incentive Plan is 375,000. The maximum number of shares that may be issued under the Non-Employee Directors' Stock Plan, as amended and restated, is 345,000, all of which are granted as common stock, subject to such conditions or restrictions as the Human Resources and Compensation Committee may determine.

(3) The 1996 Non-Employee Directors Stock Option Plan provides for the issuance of up to 562,500 shares of our common stock pursuant to stock options granted to our Directors who are not current or retired employees. Each option was granted at an exercise price equal to 100% of the fair market value of our common stock on the date the options were granted. Grants have a ten-year term and vest 50% following one year of continued service and the remaining 50% following the second year of continued service from the date granted. No further options will be granted under the 1996 Non-Employee Directors Stock Option Plan

ITEM 13. Certain Relationships and Related Transactions, and Director Independence. The information set forth under the captions "Certain Relationships and Related Transactions", "Review and Approval of Transactions with Related Persons", and "Director Independence" in the 2011 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 2011 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, 2011

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

Signature and Title

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

Date: August 26, 2011

/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

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, 2009, 2010 and 2011
(Dollars in Thousands)

Column A Description	Column B Balance at Beginning Of Period	Column C Additions Charged to Costs and Expenses	Column D Other (Deductions)/ Additions (A)	Column E Balance At End Of Period
Allowance for doubtful accounts:				
Year ended June 30, 2009	$ 16,843	$ 9,157	$ (6,185)	$ 19,815
Year ended June 30, 2010	$ 19,815	$ 1,871	$ (6,985)	$ 14,701
Year ended June 30, 2011	$ 14,701	$ 7,520	$ (11,749)	$ 10,472
Deferred tax asset valuation allowance:				
Year ended June 30, 2009	$ 78,631	$ 34,122	$ 130	$112,883
Year ended June 30, 2010	$112,883	$ 22,970	$ (43,054)	$ 92,799
Year ended June 30, 2011	$ 92,799	$102,472	$ (2,367)	$192,904

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

Exhibit Index

Exhibit No.	Description of Exhibit
	Articles of Incorporation and By-Laws:
(3)(a)	Amended Articles of Incorporation incorporated by reference to Exhibit 3 to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 1997 (Commission File No. 1-4982).
(3)(b)	Code of Regulations, as amended, incorporated by reference to Exhibit 3(ii) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 2007 (Commission File No. 1-4982).
	Instruments Defining Rights of Security Holders:
(4)(a)	Shareholder Protection Rights Agreement, dated as of February 8, 2007, between the Registrant and Wells Fargo Bank, N.A. (as successor to National City Bank), as Rights Agent, incorporated by reference to Exhibit 1 to the Registrant's Form 8-A filed on February 8, 2007 (Commission File No. 1-4982).
	First Amendment to Shareholder Protection Rights Agreement, dated as of July 6, 2009, between the Registrant and Wells Fargo Bank, N.A. (as successor to National City Bank), as Rights Agent, incorporated by reference to Exhibit 4(a) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2009 (Commission File No. 1-4982).
	The Registrant is a party to other instruments, copies of which will be furnished to the Commission upon request, defining the rights of holders of its long-term debt identified in Note 9 of the Notes to Consolidated Financial Statements on pages 13-29 to 13-30 of Exhibit 13 hereto, which Note is incorporated herein by reference.
	Material Contracts:
(10)(a)	Form of Parker-Hannifin Corporation Amended and Restated Change in Control Severance Agreement entered into by the Registrant and executive officers incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).
(10)(b)	Parker-Hannifin Corporation Amended and Restated Change in Control Severance Plan incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).
(10)(c)	Form of Indemnification Agreement entered into by the Registrant and its directors and executive officers incorporated by reference to Exhibit 10(c) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2003 (Commission File No. 1-4982).

(10)(d)	Description of the Parker-Hannifin Corporation Officer Life Insurance Plan incorporated by reference to Exhibit 10(h) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2005 (Commission File No. 1-4982).
(10)(e)	Parker-Hannifin Corporation Amended and Restated Supplemental Executive Retirement Benefits Program incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2009 (Commission File No. 1-4982).
(10)(f)	Amendment to Parker-Hannifin Corporation Amended and Restated Supplemental Executive Retirement Benefits Program, effective April 15, 2010, incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 8-K filed with the Commission on April 21, 2010 (Commission File No. 1-4982).
(10)(g)	Amendment to Parker-Hannifin Corporation Amended and Restated Supplemental Executive Retirement Benefits Program, effective January 27, 2011, incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended March 31, 2011 (Commission File No. 1-4982).
(10)(h)	Form of Notice of Change to Long Term Disability Benefit and Tax Election Form for certain executive officers incorporated by reference to Exhibit 10(j) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2007 (Commission File No. 1-4982).
(10)(i)	Parker-Hannifin Corporation Amended and Restated 1993 Stock Incentive Program incorporated by reference to Exhibit 10(i) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2009 (Commission File No. 1-4982).
(10)(j)	Parker-Hannifin Corporation Amended and Restated 2003 Stock Incentive Plan incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2010 (Commission File No. 1-4982).
(10)(k)	Parker-Hannifin Corporation Amended and Restated 2009 Omnibus Stock Incentive Plan incorporated by reference to Exhibit 10(c) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2010 (Commission File No. 1-4982).
(10)(l)	Parker-Hannifin Corporation Amended and Restated 2005 Performance Bonus Plan incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2010(Commission File No. 1-4982).
(10)(m)	Parker-Hannifin Corporation 2010 Performance Bonus Plan incorporated by reference to Exhibit A to the Registrant's Definitive Proxy Statement filed with the Commission on September 27, 2010 (Commission File No. 1-4982).
(10)(n)	Form of 2007 Notice of Grant of Stock Options with Tandem Stock Appreciation Rights for executive officers incorporated by reference to Exhibit 10.3 to the Registrant's Report on Form 8-K filed with the Commission on August 22, 2006 (Commission File No. 1-4982).

(10)(o)	Form of 2008 Notice of Grant of Stock Options with Tandem Stock Appreciation Rights for executive officers incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 8-K/A filed with the Commission on September 5, 2007 (Commission File No. 1-4982).
(10)(p)	Form of 2009 Notice of Stock Options Award with Tandem Stock Appreciation Rights for executive officers incorporated by reference to Exhibit 10(d) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).
(10)(q)	Form of 2010 Notice of Stock Options with Tandem Stock Appreciation Rights for executive officers incorporated by reference to Exhibit 10(d) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2009 (Commission File No. 1-4982).
(10)(r)	Form of 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)	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 Notice of FY10 Target Incentive Bonus Award incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 2009 (Commission File No. 1-4982).
(10)(u)	Form of Notice of FY10 Target Incentive Bonus Award Under the Parker-Hannifin Corporation Performance Bonus Plan incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 2009 (Commission File No. 1-4982).
(10)(v)	Parker-Hannifin Corporation Target Incentive Plan incorporated by reference to Exhibit 10(d) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2010 (Commission File No. 1-4982).
(10)(w)	Parker-Hannifin Corporation Target Incentive Plan Subject to Performance Bonus Plan incorporated by reference to Exhibit 10(e) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2010 (Commission File No. 1-4982).
(10)(x)	Form of 2008-09-10 Long Term Incentive Award Letter Under the Parker-Hannifin Corporation Performance Bonus Plan incorporated by reference to Exhibit 10.4 to the Registrant's Report on Form 8-K/A filed with the Commission on September 5, 2007 (Commission File No. 1-4982).
(10)(y)	Form of Notice of 2009-10-11 Long Term Incentive Award Under the Parker-Hannifin Corporation Performance Bonus Plan incorporated by reference to Exhibit 10(f) to the

	Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).
(10)(z)	Form of Notice of FY2010-11-12 Long Term Incentive Performance Award Under the Parker-Hannifin Corporation Performance Bonus Plan incorporated by reference to Exhibit 10(c) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 2009 (Commission File No. 1-4982).
(10)(aa)	Form of Notice of CY2010-11-12 Long Term Incentive Performance Award Under the Parker-Hannifin Corporation Performance Bonus Plan incorporated by reference to Exhibit 10(w) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2010 (Commission File No. 1-4982).
(10)(bb)	Parker-Hannifin Corporation Long-Term Incentive Performance Plan Under the Performance Bonus Plan incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 8-K filed with the Commission on February 1, 2011 (Commission File No. 1-4982).
(10)(cc)	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)(dd)	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)(ee)	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)(ff)	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)(gg)	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)(hh)	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)(ii)	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)(jj)	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)(kk)	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)(ll)	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)(mm)	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)(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)	Amended and Restated Parker-Hannifin Corporation Non-Employee Directors' Stock Plan incorporated by reference to Exhibit 10(x) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2004 (Commission File No. 1-4982).
(10)(pp)	Parker-Hannifin Corporation Non-Employee Directors Stock Option Plan incorporated by reference to Exhibit 10(w) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2001 (Commission File No. 1-4982).
(10)(qq)	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)(rr)	Form of 2008 Notice of Issuance of Restricted Stock for Non-Employee Directors incorporated by reference to Exhibit 10(c) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2007 (Commission File No. 1-4982).
(10)(ss)	Form of 2009 Notice of Issuance of Restricted Stock for Non-Employee Directors incorporated by reference to Exhibit 10(l) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).
(10)(tt)	Form of 2010 Notice of Issuance of Restricted Stock for Non-Employee Directors incorporated by reference to Exhibit 10(i) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2009 (Commission File No. 1-4982).

(10)(uu)	Parker-Hannifin Corporation Non-Employee Directors' Restricted Stock Award Agreement incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 2010 (Commission File No. 1-4982).
(10)(vv)	Parker-Hannifin Corporation Non-Employee Directors' Restricted Stock Terms and Conditions incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 2010 (Commission File No. 1-4982).
(10)(ww)	Amended and Restated Deferred Compensation Plan for Directors of Parker-Hannifin Corporation incorporated by reference to Exhibit 10(m) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).
(10)(xx)	Summary of the Compensation of the Non-Employee Members of the Board of Directors, effective October 1, 2008, incorporated by reference to Exhibit 10(n) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).
(10)(yy)	Summary of the Compensation of the Non-Employee Members of the Board of Directors, effective October 1, 2010, incorporated by reference to Exhibit 10(c) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 2010 (Commission File No. 1-4982).
(11)	Computation of Common Shares Outstanding and Earnings Per Share is incorporated by reference to Note 5 of the Notes to Consolidated Financial Statements on page 13-27 of Exhibit 13 hereto.*
(12)	Computation of Ratio of Earnings to Fixed Charges as of June 30, 2011.*
(13)	Excerpts from Annual Report to Shareholders for the fiscal year ended June 30, 2011 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)(i)(a)	Certification of the Principal Executive Officer Pursuant to 17 CFR 240.13a-14(a), as Adopted Pursuant to §302 of the Sarbanes-Oxley Act of 2002.*
(31)(i)(b)	Certification of the Principal Financial Officer Pursuant to 17 CFR 240.13a-14(a), as Adopted Pursuant to §302 of the Sarbanes-Oxley Act of 2002.*
(32)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to §906 of the Sarbanes-Oxley Act of 2002.*
101.INS	XBRL Instance Document.*

101.SCH	XBRL Taxonomy Extension Schema Document.*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.*

* Submitted electronically herewith.

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statement of Income for the years ended June 30, 2011, 2010 and 2009, (ii) Consolidated Balance Sheet at June 30, 2011 and 2010, (iii) Consolidated Statement of Cash Flows for the years ended June 30, 2011, 2010 and 2009, (iv) Consolidated Statement of Equity for the years ended June 30, 2011, 2010 and 2009, and (v) Notes to Consolidated Financial Statements for the year ended June 30, 2011.

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

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

Exhibit (12) to Report
on Form 10-K for Fiscal
Year Ended June 30, 2011
By Parker-Hannifin Corporation
Computation of Ratio of Earnings to Fixed Charges
(In thousands, except ratios)

	Fiscal Year Ended June 30,				
	2011	2010	2009	2008	2007
EARNINGS					
Income from continuing operations before income taxes and noncontrolling interests	$1,413,721	$754,817	$683,083	$1,334,571	$1,166,463
Adjustments:					
Interest on indebtedness, exclusive of interest capitalized and interest on ESOP loan guarantee	97,009	101,173	109,911	96,572	80,053
Amortization of deferred loan costs	2,695	2,426	2,143	1,793	1,511
Portion of rents representative of interest factor	39,499	41,194	41,839	35,378	29,000
Loss (income) of equity investees	2,592	6,757	(1,529)	2,596	1,059
Amortization of previously capitalized interest	226	259	262	278	282
Income as adjusted	$1,555,742	$906,626	$835,709	$1,471,188	$1,278,368
FIXED CHARGES					
Interest on indebtedness, exclusive of interest capitalized and interest on ESOP loan guarantee	$ 97,009	$101,173	$109,911	$ 96,572	$ 80,053
Capitalized interest					436
Amortization of deferred loan costs	2,695	2,426	2,143	1,793	1,511
Portion of rents representative of interest factor	39,499	41,194	41,839	35,378	29,000
Fixed charges	$ 139,203	$144,793	$153,893	$ 133,743	$ 111,000
RATIO OF EARNINGS TO FIXED CHARGES	11.18x	6.26x	5.43x	11.00x	11.52x

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,
- uncertainties surrounding timing, successful completion or integration of acquisitions,
- ability to realize anticipated costs savings from business realignment activities,
- threats associated with and efforts to combat terrorism,
- uncertainties surrounding the ultimate resolution of outstanding legal proceedings, including the outcome of any appeals,
- competitive market conditions and resulting effects on sales and pricing,
- increases in raw material costs that cannot be recovered in product pricing,
- the Company's ability to manage costs related to insurance and employee retirement and health care benefits, and
- global economic factors, including manufacturing activity, air travel trends, currency exchange rates, difficulties entering new markets and general economic conditions such as inflation, deflation, interest rates and credit availability.

The Company makes these statements as of the date of the filing of its Annual Report on Form 10-K for the year ended June 30, 2011, 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 U.S. Department of Defense spending for military aerospace markets; and
- Housing starts with respect to the North American residential air conditioning market and certain mobile construction markets.

A PMI above 50 indicates that the manufacturing activity specific to a region around the world in the mobile and industrial markets is expanding. A PMI below 50 indicates the opposite. The PMI at the end of fiscal 2011 for the United States, the Eurozone countries and China was 55.3, 52.0 and 50.1, respectively. The PMI for the United States, the Eurozone countries and China all sequentially increased during fiscal 2011 but by the end of fiscal 2011 their levels have fallen either equivalent to or below their June 2010 levels.

Global aircraft miles flown increased six percent from the comparable 2010 level and global average revenue passenger miles increased five percent from the comparable 2010 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 2011 will be about one percent lower than the comparable fiscal 2010 level and fiscal year 2012 spending is projected to be about three percent higher than the fiscal 2011 spending.

Housing starts in June 2011 were approximately 17 percent higher than housing starts in June 2010 and were approximately 15 percent higher than housing starts in March 2011.

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 favorable interest rates and has a debt to debt-shareholders' equity ratio of 24.7 percent at June 30, 2011 compared to 28.9 percent at June 30, 2010.

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

The Company believes it can meet its strategic objectives by:

- Serving the customer and empowering its employees;
- Successfully executing its Win Strategy initiatives relating to premier customer service, financial performance and profitable growth;
- Engineering innovative systems and products to provide superior customer value through improved service, efficiency and productivity;
- Delivering products, systems and services that have demonstrable savings to customers and are priced by the value they deliver;
- Acquiring strategic businesses; and
- Organizing the Company around targeted regions, technologies and markets.

The Company completed three acquisitions during fiscal 2011. Acquisitions will continue to be considered from time to time to the extent there is a strong strategic fit, while at the same time, maintaining the Company's strong financial position. The Company will also continue to assess the strategic fit of its existing businesses and initiate efforts to divest businesses that are not considered to be a good long-term fit for the Company. Future business divestitures could have a negative effect on the Company's results of operations.

The discussion below is structured to separately discuss each of the financial statements presented on pages 13-15 to 13-19. All year references are to fiscal years.

Discussion of Consolidated Statement of Income

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

(millions)	2011	2010	2009
Net sales	**$12,346**	$9,993	$10,309
Gross profit margin	**24.0%**	21.5%	20.6%
Selling, general and administrative expenses	**$ 1,468**	$1,277	$ 1,290
Selling, general and administrative expenses, as a percent of sales	**11.9%**	12.8%	12.5%
Interest expense	**$ 100**	$ 104	$ 112
Other (income) expense, net	**(15)**		42
(Gain) loss on disposal of assets	**(8)**	10	
Effective tax rate	**25.2%**	26.3%	25.3%
Net income attributable to common shareholders	**$ 1,049**	$ 554	$ 509

Net sales in 2011 were 23.5 percent higher than 2010. The increase in sales in 2011 primarily reflects higher volume in all segments with the largest increase occurring in the Industrial Segment. Acquisitions made in the last 12 months contributed approximately $54 million in sales in 2011. The effect of currency rate changes increased net sales in 2011 by approximately $205 million.

During 2011, worldwide economic conditions improved and the Company experienced an increase in demand for its products in the Industrial and Climate & Industrial Controls Segments. Business conditions in the Aerospace Segment also improved as commercial airlines increased their capacity and revenue passenger miles increased.

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

Gross profit margin increased in 2011 primarily due to a combination of higher sales volume, resulting in manufacturing efficiencies, as well as lower business realignment expenses recorded in the current year as compared to the prior year. Gross profit margin was higher in 2010 primarily due to cost reduction initiatives and the benefits of past business realignment activities. Included in gross profit in 2011, 2010 and 2009 were business realignment charges of $15.3 million, $43.0 million and $41.0 million, respectively.

Selling, general and administrative expenses increased 14.9 percent in 2011 and decreased 1.0 percent in 2010. The increase in 2011 was primarily due to the higher sales volume as well as higher incentive compensation as compared to 2010. The decrease in 2010 was primarily due to the lower sales volume, savings resulting from business realignment activities and lower professional fees, partially offset by higher expenses related to employee benefits plans and contributions to the Company’s charitable foundation.

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

Other (income) expense, net in 2011 included $10.9 million of income related to insurance recoveries. Other (income) expense, net in 2009 included $37.4 million of expense related to litigation settlements and $13.8 million of expense related to investment writedowns.

(Gain) loss on disposal of assets in 2011 includes income of $3.8 million related to insurance recoveries for expenses incurred related to a previously divested business, $3.8 million of expense related to asset writedowns and $7.5 million of gains from asset sales. (Gain) loss on disposal of assets in 2010 included a loss of $4.8 million resulting from the divestiture of a business. (Gain) loss on disposal of assets in 2009 included income of $11.6 million from insurance recoveries for expenses incurred related to a previously divested business, $7.2 million of expense related to asset writedowns and $3.7 million of losses from asset sales.

Effective tax rate in 2011 was lower primarily due to favorable foreign tax rate differences as well as higher research and development tax credits. Effective tax rate in 2010 was slightly higher primarily due to higher taxable income in certain foreign jurisdictions and lower research and development tax credits.

Discussion of Business Segment Information

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

Industrial Segment (millions)

	2011	2010	2009
Sales			
North America	**$4,517**	$3,624	$3,735
International	**4,917**	3,811	3,896
Operating income			
North America	**746**	487	395
International	**754**	394	351
Operating income as a percent of sales			
North America	**16.5%**	13.4%	10.6%
International	**15.3%**	10.3%	9.0%
Backlog	**$1,907**	$1,505	$1,200
Assets	**8,414**	7,310	7,540
Return on average assets	**19.1%**	11.9%	9.5%

Sales in 2011 for the Industrial North American operations increased 24.6 percent compared to a decrease of 3.0 percent from 2009 to 2010. The increase in sales in 2011 reflects higher demand from distributors and higher end-user demand in a number of markets, particularly in the construction equipment, heavy-duty truck, mining, farm and agriculture equipment, and machine tools markets. The decrease in sales in 2010 was primarily due to lower demand experienced during the first half of 2010 from distributors as well as lower end-user demand in several markets, particularly the construction equipment, oil and gas, farm and agriculture equipment, and machine tools markets. An increase in volume in the semiconductor and automotive markets helped to mitigate the overall sales decline in 2010.

Sales in the Industrial International operations increased 29.0 percent in 2011 following a decrease of 2.2 percent from 2009 to 2010. The sales increase in 2011 is primarily attributable to higher volume across most markets in all regions with the largest increase in volume experienced in Europe and Asia Pacific. The sales decrease in 2010 was primarily due to lower sales volume across most markets in Europe, partially offset by an increase in volume experienced in the Asia Pacific region and in Latin America.

Margins in the Industrial North American and Industrial International businesses were higher for the current year primarily due to the higher sales volume resulting in manufacturing efficiencies, and a lower fixed cost structure resulting from past business realignment actions, including the incurrence of severance costs related to plant closures and general reductions in the work force. The higher Industrial North American and Industrial International operating margins in 2010 were primarily due to the benefits from cost control measures and past business realignment activities.

Included in Industrial North American operating income in 2011, 2010 and 2009 are business realignment charges of $4.2 million, $11.6 million and $10.4 million, respectively. Included in Industrial International operating income in 2011, 2010 and 2009 are business realignment expenses of $11.3 million, $32.4 million and $23.3 million, respectively. The business realignment expenses consist primarily of severance costs resulting from plant closures as well as general reductions in the work force. The Company does not anticipate that cost savings realized from the work force reductions taken in the Industrial Segment during 2011 will have a material impact on future operating margins. The Company expects to continue to take actions necessary to structure appropriately the operations of the Industrial Segment. Such actions may include the necessity to record business realignment charges in 2012.

The Company anticipates Industrial North American sales for 2012 will increase between 4.2 percent and 8.2 percent from the 2011 level and Industrial International sales for 2012 will increase between 8.6 percent and 12.6 percent from the 2011 level. Industrial North American operating margins in 2012 are expected to range from 16.5 percent to 17.1 percent and Industrial International margins are expected to range from 15.2 percent to 15.8 percent.

The increase in total Industrial Segment backlog in 2011 is primarily due to higher order rates in most markets in both the Industrial North American and Industrial International businesses with almost three-fourths of the increase occurring in the Industrial International businesses. The increase in total Industrial Segment backlog in 2010 was primarily due to higher order rates experienced across virtually all Industrial North American and Industrial International businesses, particularly in the Asia Pacific region.

The increase in assets in 2011 was primarily due to the effect of currency fluctuations as well as increases in accounts receivable, net, inventory and cash and cash equivalents, partially offset by a decrease in plant and equipment, net and intangible assets, net. The decrease in assets in 2010 was primarily due to the effect of currency fluctuations as well as decreases in plant and equipment, net, intangible assets, net and inventory, partially offset by an increase in accounts receivable, net, and cash and cash equivalents.

Aerospace Segment (millions)

	2011	2010	2009
Sales	**$1,922**	$1,744	$1,883
Operating income	**247**	208	262
Operating income as a percent of sales	**12.9%**	11.9%	13.9%
Backlog	**$1,702**	$1,474	$1,559
Assets	**995**	911	915
Return on average assets	**25.9%**	22.8%	28.5%

Sales in 2011 increased 10.2 percent compared to a decrease of 7.4 percent from 2009 to 2010. The increase in net sales in 2011 is primarily due to higher volume in both the commercial original equipment manufacturer (OEM) and aftermarket businesses partially offset by lower volume in the military OEM business. The decrease in sales in 2010 was primarily due to significantly lower commercial OEM volume and lower commercial aftermarket volume, partially offset by higher military OEM and aftermarket volume.

The higher margins in 2011 were primarily due to the higher sales volume particularly in the higher margin commercial aftermarket business, partially offset by higher engineering development costs. In 2011, margins were favorably impacted by the effect of retroactive billings and contract reserve adjustments resulting from the finalization of contract price negotiations related to certain programs. The lower margins in 2010 were primarily due to the lower commercial OEM and aftermarket volume and higher engineering development costs, partially offset by the higher military aftermarket volume and lower operating costs.

The increase in backlog in 2011 is primarily due to higher order rates in both the commercial OEM and aftermarket businesses as well as the military OEM business. The decrease in backlog in 2010 was primarily due to shipments exceeding new order rates primarily in the military OEM business.

For 2012, sales are expected to increase between 3.0 percent and 6.0 percent from the 2011 level and operating margins are expected to range from 13.0 percent to 13.3 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 2011 was primarily due to an increase in accounts receivable, net and inventory. The slight decrease in assets in 2010 was primarily due to a decrease in inventory, partially offset by an increase in intangible assets, net and assets from an acquisition.

Climate & Industrial Controls Segment (millions)

	2011	2010	2009
Sales	**$ 990**	$814	$795
Operating income (loss)	**76**	53	(4)
Operating income (loss) as a percent of sales	**7.7%**	6.6%	(0.5)%
Backlog	**$ 171**	$162	$127
Assets	**725**	693	691
Return on average assets	**10.7%**	7.7%	(0.5)%

Sales in 2011 increased 21.7 percent compared to a 2.4 percent increase in sales from 2009 to 2010. The increase in sales in 2011 is primarily due to higher end-user demand in the heavy-duty truck, automotive and commercial refrigeration markets. The increase in sales in 2010 was primarily due to increased volume in the automotive market and higher demand for air conditioning and refrigeration products. Margins in 2011 were higher primarily due to the higher sales volume, favorable product mix and benefits from past business realignment actions, including plant closures, but were adversely affected by higher material costs as well as operating inefficiencies, which primarily include overtime and premium freight. The higher margins in 2010 were primarily due to the benefits of cost control measures and past business realignment actions. Margins in 2010 also benefited from the higher sales volume.

Included in operating income are business realignment charges in 2010 and 2009 of $3.9 million and $9.7 million, respectively. The business realignment charges primarily related to severance costs resulting from plant closures. The Company expects to continue to take actions necessary to structure appropriately the operations of the Climate & Industrial Controls Segment. Such actions may include the necessity to record business realignment charges in 2012.

The Company anticipates sales in 2012 will increase between 3.6 percent and 7.6 percent from the 2011 level and operating margins are expected to range from 8.8 percent to 9.3 percent.

The increase in assets in 2011 was primarily due to the effect of currency fluctuations. The slight increase in assets in 2010 was primarily due to an increase in accounts receivable, net being mostly offset by decreases in intangible assets, net, plant and equipment, net and inventory.

Corporate assets decreased 24.5 percent in 2011 compared to an increase of 40.5 percent from 2009 to 2010. The decrease in 2011 was primarily due to a decrease in cash and cash equivalents and deferred taxes. The increase in 2010 was primarily due to an increase in cash and cash equivalents.

Discussion of Consolidated Balance Sheet

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

(millions)	2011	2010
Accounts receivable, net	**$1,978**	$1,600
Inventories	**1,412**	1,172
Plant and equipment, net	**1,797**	1,698
Goodwill	**3,009**	2,786
Intangible assets, net	**1,178**	1,150
Notes payable	**75**	363
Accounts payable, trade	**1,174**	889
Accrued payrolls and other compensation	**467**	371
Other liabilities	**293**	196
Shareholders' equity	**5,384**	4,368
Working capital	**$1,914**	$1,384
Current ratio	**1.80**	1.63

Accounts receivable, net are primarily receivables due from customers for sales of product ($1,770 million at June 30, 2011 and $1,443 million at June 30, 2010). Accounts receivable increased in conjunction with higher sales in the fourth quarter of 2011 compared to the fourth quarter of 2010. Days sales outstanding relating to trade receivables for the Company was 48 days in 2011 and 2010. The Company believes that its receivables are collectible and appropriate allowances for doubtful accounts have been recorded.

Inventories increased primarily in response to positive order trends and higher raw material costs. Days' supply of inventory on hand was 55 days in 2011 compared to 58 days in 2010.

Plant and equipment, net increased primarily due to a higher level of capital expenditures in 2011 as compared to 2010.

Goodwill increased primarily as a result of foreign currency translation adjustments. The change in this amount is explained further in Note 7 to the Consolidated Financial Statements.

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

Notes payable decreased primarily due to the $257 million payment of the 3.5 percent Euro bonds which matured in November 2010.

Accounts payable, trade increased primarily due to increased production levels and the timing of purchases and payments. Days payable outstanding increased to 41 days in 2011 from 35 days in 2010.

Accrued payrolls and other compensation increased primarily due to higher incentive compensation accruals.

Other liabilities increased primarily due to cross-currency swap contracts the Company entered into during 2011 relating to the issuance of medium-term notes, in anticipation of the repayment of its Euro bonds which matured in November 2010.

Shareholders' equity included an increase of $503.8 million related to foreign currency translation adjustments which primarily affected Accounts receivable, net, Inventories, Plant and equipment, net, Goodwill, Intangible assets, net, Accounts payable, trade, Accrued payrolls and other compensation, Long-term debt and Other liabilities.

Discussion of Consolidated Statement of Cash Flows

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

A summary of cash flows follows:

(millions)	2011	2010	2009
Cash provided by (used in):			
Operating activities	**$1,167**	$1,219	$1,129
Investing activities	**(245)**	(146)	(961)
Financing activities	**(916)**	(650)	(274)
Effect of exchange rates	**76**	(35)	(32)
Net increase (decrease) in cash and cash equivalents	**$ 82**	$ 388	$ (138)

Cash Flows From Operating Activities decreased from 2010 primarily due to voluntary contributions to the Company's domestic qualified defined benefit plans of $400 million in 2011 compared to $100 million in 2010. An increase in Net income in 2011 was offset by a higher amount of cash used for working capital needs, particularly Inventory. The Company continues to focus on managing its inventory and other working capital requirements.

Cash Flows Used In Investing Activities increased from 2010 as economic uncertainties in the prior year resulted in the Company reducing its acquisition activity and closely managing capital expenditures. The Company completed three acquisitions in 2011. Refer to Note 2 of the Consolidated Financial Statements for a summary of net assets of acquired companies. Capital expenditures, as a percent of sales, increased to 1.7 percent in 2011 as compared to 1.3 percent in the prior year.

Cash Flows From Financing Activities in 2011 included the issuance of $300 million aggregate principal amount of medium-term notes and a payment of approximately $257 million related to the Euro bonds which matured in November 2010. The Company's share repurchase activity in 2011 was significantly higher than the share repurchase activity in 2010.

Dividends have been paid for 244 consecutive quarters, including a yearly increase in dividends for the last 55 fiscal years. The current annual dividend rate is $1.48.

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)	2011	2010
Debt	**$1,766**	$1,777
Debt & Shareholders' Equity	**7,150**	6,145
Ratio	**24.7%**	28.9%

As of June 30, 2011, the Company has a line of credit totaling $1,500 million through a multi-currency revolving credit agreement with a group of banks, all of which was available at June 30, 2011. The credit agreement expires in March 2016; however, the Company has the right to request a one-year extension of the expiration date on an annual basis, which request may result in changes to the current terms and conditions of the credit agreement. A portion of the credit agreement supports the Company's commercial paper note program, which is rated A-1 by Standard & Poor's, P-1 by Moody's and F-1 by Fitch Ratings. These ratings are considered investment grade. The revolving credit agreement requires the payment of an annual facility fee, the amount of which would increase in the event the Company's credit ratings are lowered. Although a lowering of the Company's credit ratings would likely increase the cost of future debt, it would not limit the Company's ability to use the credit agreement nor would it accelerate the repayment of any outstanding borrowings.

The Company is currently authorized to sell up to $1,350 million of short-term commercial paper notes. No commercial paper notes were outstanding as of June 30, 2011 and the largest amount of commercial paper outstanding during the last quarter of fiscal 2011 was $185 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 credit agreements for future borrowings, or might accelerate the maturity of the related outstanding borrowings covered by the indentures. At the Company's present rating level, the most restrictive financial covenant provides that the ratio of secured debt to net tangible assets be less than 10 percent. However, the Company currently does not have secured debt in its debt portfolio. The Company is in compliance with all covenants and expects to remain in compliance during the term of the credit agreements and indentures.

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

Contractual Obligations - The total amount of gross unrecognized tax benefits, including interest, for uncertain tax positions was $92.5 million at June 30, 2011. Payment of these obligations would result from settlements with worldwide taxing authorities. Due to the difficulty in determining the timing of the settlements, these obligations are not included in the following summary of the Company's fixed contractual obligations. References to Notes are to the Notes to the Consolidated Financial Statements.

(In thousands)	Payments due by period				
Contractual obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt (Note 9)	$1,766,357	$ 75,271	$225,673	$290,354	$1,175,059
Interest on long-term debt	485,266	62,756	110,449	96,129	215,932
Operating leases (Note 9)	295,369	83,688	94,493	44,200	72,988
Retirement benefits (Note 10)	123,412	72,686	11,780	11,847	27,099
Total	$2,670,404	$294,401	$442,395	$442,530	$1,491,078

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 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 Notes 15 and 16 to the Consolidated Financial Statements. Gains or losses on derivatives that are not hedges are adjusted to fair value through the Consolidated Statement of Income. Gains or losses on derivatives that are hedges are adjusted to fair value through accumulated other comprehensive income (loss) in the Consolidated Balance Sheet until the hedged item is recognized in earnings. The translation of the foreign denominated debt that has been designated as a net investment hedge is recorded in accumulated other comprehensive income (loss) and remains there until the underlying net investment is sold or substantially liquidated.

The Company's debt portfolio contains variable rate debt, inherently exposing the Company to interest rate risk. The Company's objective is to maintain a 60/40 mix between fixed rate and variable rate debt thereby limiting its exposure to changes in near-term interest rates. A 100 basis point increase in near-term interest rates would increase annual interest expense on variable rate debt by approximately $1.6 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 Industrial Segment and Climate & Industrial Controls Segment revenues are recognized when the risks and rewards of ownership and title to the product have transferred to the customer. This generally takes place at the time the product is shipped. The Aerospace Segment uses the percentage of completion method and the extent of progress toward completion is primarily measured using the units-of-delivery method. The percentage of completion method requires the use of estimates of costs to complete long-term contracts and for some contracts includes estimating costs related to aftermarket orders. The estimation of these costs requires substantial judgment on the part of management due to the duration of the contracts as well as the technical nature of the products involved. Adjustments to cost estimates are made on a consistent basis and a contract reserve is established when the costs to complete a contract exceed the contract revenues.

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

The results of the Company's fiscal 2011 annual goodwill impairment test performed as of December 31, 2010 indicated that no goodwill impairment existed. However, the following reporting units had an estimated fair value that the Company determined, from a quantitative and qualitative perspective, was not significantly in excess of its carrying value (dollars in millions):

Reporting Unit	Goodwill Balance	Fair Value In Excess of Carrying Value
Medical Systems	$ 103.7	109%
Worldwide Energy Products	196.0	114%

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

The sales growth assumption for Medical Systems was primarily based on market data specific to the products this reporting unit currently manufactures as well as securing business with new customers. The key uncertainty in the sales growth assumption used in the estimation of fair value of this reporting unit is the ability to secure business with new customers.

The sales growth assumption for Worldwide Energy Products was based on future business already secured or highly likely to be secured with existing customers based on current quoting activity and forecasted market demand for the oil and gas industry as well as the expanded applicability of the Company's product based on market trends. The key uncertainty in the sales growth assumption used in the estimation of fair value of this reporting unit is the growth of the oil and gas market and the level of investments customers will make to improve the productivity and efficiency of their capital equipment.

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 the recovery of the current economic environment is not consistent with the Company's current expectations, it is possible that the estimated fair value of certain reporting units could fall below their carrying value resulting in the necessity to conduct additional goodwill impairment tests.

Long-lived assets held for use, which primarily includes finite lived intangible assets and property, plant and equipment, are evaluated for impairment whenever events or circumstances indicate that the undiscounted net cash flows to be generated by their use over their expected useful lives and eventual disposition are less than their carrying value. The long-term nature of these assets requires the estimation of their cash inflows and outflows several years into the future and only takes into consideration technological advances known at the time of the impairment test. During 2011, there were no events or circumstances that indicated that the carrying value of the Company's long-lived assets held for use were not recoverable.

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

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

Assumptions are determined based on Company data and appropriate market indicators, and are evaluated each year as of the plans' measurement date. Changes in the assumptions to reflect actual experience as well as the amortization of actuarial gains and losses could result in a material change in the annual net periodic expense and benefit obligations reported in the financial statements. For the Company's domestic defined benefit plans, a 25 basis point change in the assumed long-term rate of return on plan assets is estimated to have a $5.0 million effect on pension expense and a 25 basis point decrease in the discount rate is estimated to increase pension expense by $10.0 million. As of June 30, 2011, $934 million of past years' net actuarial losses related to the Company's domestic qualified defined benefit plans are subject to amortization in the future. These losses will generally be amortized over approximately 10 years and will negatively affect earnings in the future. Actuarial gains experienced in future years will help reduce the effect of the actuarial loss amortization.

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

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

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

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

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2011, the Financial Accounting Standards Board (FASB) issued new accounting guidance to improve consistency with fair value measurement and disclosure requirements. This guidance is effective for interim and annual periods beginning after December 15, 2011. The Company has not yet determined the effect, if any, that this new guidance will have on its fair value disclosures.

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

Consolidated Statement of Income

(Dollars in thousands, except per share amounts)	For the years ended June 30, 2011	2010	2009
Net Sales	**$12,345,870**	$9,993,166	$10,309,015
Cost of sales	**9,387,457**	7,847,067	8,181,348
Gross profit	**2,958,413**	2,146,099	2,127,667
Selling, general and administrative expenses	**1,467,773**	1,277,080	1,290,379
Interest expense	**99,704**	103,599	112,071
Other (income) expense, net	**(15,075)**	311	42,470
(Gain) loss on disposal of assets	**(7,710)**	10,292	(336)
Income before income taxes	**1,413,721**	754,817	683,083
Income taxes (Note 4)	**356,571**	198,452	172,939
Net Income	**1,057,150**	556,365	510,144
Less: Noncontrolling interest in subsidiaries' earnings	**8,020**	2,300	1,629
Net Income Attributable to Common Shareholders	**$ 1,049,130**	$ 554,065	$ 508,515
Earnings per Share Attributable to Common Shareholders (Note 5)			
Basic earnings per share	**$ 6.51**	$ 3.44	$ 3.15
Diluted earnings per share	**$ 6.37**	$ 3.40	$ 3.13

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

Business Segment Information

By Industry

(Dollars in thousands)	2011	2010	2009
Net Sales:			
Industrial:			
North America	**$ 4,516,510**	$3,623,460	$ 3,734,613
International	**4,917,007**	3,811,464	3,895,874
Aerospace	**1,921,984**	1,744,283	1,883,273
Climate & Industrial Controls	**990,369**	813,959	795,255
	$12,345,870	$9,993,166	$10,309,015
Segment Operating Income:			
Industrial:			
North America	**$ 745,544**	$ 487,137	$ 394,923
International	**754,222**	394,089	350,662
Aerospace	**247,126**	208,002	261,953
Climate & Industrial Controls	**76,134**	53,452	(3,737)
Total segment operating income	**1,823,026**	1,142,680	1,003,801
Corporate administration	**163,868**	153,965	152,118
Income before interest expense and other	**1,659,158**	988,715	851,683
Interest expense	**99,704**	103,599	112,071
Other expense	**145,733**	130,299	56,529
Income before income taxes	**$ 1,413,721**	$ 754,817	$ 683,083
Assets:			
Industrial	**$ 8,413,552**	$7,309,735	$ 7,539,504
Aerospace	**995,026**	910,740	915,155
Climate & Industrial Controls	**724,966**	692,532	691,423
Corporate (a)	**753,261**	997,375	709,820
	$10,886,805	$9,910,382	$ 9,855,902
Property Additions (b)**:**			
Industrial	**$ 147,929**	$ 95,838	$ 346,691
Aerospace	**18,012**	21,619	21,877
Climate & Industrial Controls	**8,234**	6,040	6,645
Corporate	**38,495**	6,133	2,798
	$ 212,670	$ 129,630	$ 378,011
Depreciation:			
Industrial	**$ 186,057**	$ 200,617	$ 205,584
Aerospace	**20,035**	20,501	20,477
Climate & Industrial Controls	**12,895**	14,117	16,640
Corporate	**10,251**	10,060	9,898
	$ 229,238	$ 245,295	$ 252,599

(Dollars in thousands)	2011	2010	2009
By Geographic Area (c)			
Net Sales:			
North America	**$ 7,151,390**	$ 5,913,770	$ 6,090,176
International	**5,194,480**	4,079,396	4,218,839
	$ 12,345,870	$ 9,993,166	$ 10,309,015
Long-Lived Assets:			
North America	**$ 864,287**	$ 856,782	$ 927,318
International	**932,892**	841,099	953,236
	$ 1,797,179	$ 1,697,881	$ 1,880,554

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

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

(b) Includes the value of net plant and equipment at the date of acquisition of acquired companies (2011 - $5,376; 2010 - $408; 2009 - $107,278)

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

Consolidated Balance Sheet

(Dollars in thousands)	June 30, 2011	2010
Assets		
Current Assets		
Cash and cash equivalents	**$ 657,466**	$ 575,526
Accounts receivable, net (Note 1)	**1,977,856**	1,599,941
Inventories (Notes 1 and 6):		
Finished products	**584,683**	465,477
Work in process	**670,588**	564,204
Raw materials	**156,882**	141,974
	1,412,153	1,171,655
Prepaid expenses	**111,934**	111,545
Deferred income taxes (Notes 1 and 4)	**145,847**	130,129
Total Current Assets	**4,305,256**	3,588,796
Plant and equipment (Note 1):		
Land and land improvements	**308,052**	284,971
Buildings and building equipment	**1,460,333**	1,326,793
Machinery and equipment	**3,112,810**	2,897,049
Construction in progress	**63,540**	45,184
	4,944,735	4,553,997
Less accumulated depreciation	**3,147,556**	2,856,116
	1,797,179	1,697,881
Goodwill (Notes 1 and 7)	**3,009,116**	2,786,334
Intangible assets, net (Notes 1 and 7)	**1,177,722**	1,150,051
Investments and other assets (Note 1)	**597,532**	687,320
Total Assets	**$10,886,805**	$ 9,910,382
Liabilities and Equity		
Current Liabilities		
Notes payable and long-term debt payable within one year (Notes 8 and 9)	**$ 75,271**	$ 363,272
Accounts payable, trade	**1,173,851**	888,743
Accrued payrolls and other compensation	**467,043**	371,393
Accrued domestic and foreign taxes	**232,774**	176,349
Other accrued liabilities	**442,104**	405,134
Total Current Liabilities	**2,391,043**	2,204,891
Long-term debt (Note 9)	**1,691,086**	1,413,634
Pensions and other postretirement benefits (Note 10)	**862,938**	1,500,928
Deferred income taxes (Notes 1 and 4)	**160,035**	135,321
Other liabilities	**293,367**	196,208
Total Liabilities	**5,398,469**	5,450,982
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 2011 and 2010	**90,523**	90,523
Additional capital	**668,332**	637,442
Retained earnings	**6,891,407**	6,086,545
Accumulated other comprehensive (loss)	**(450,990)**	(1,208,561)
Treasury shares at cost: 25,955,619 in 2011 and 19,790,110 in 2010	**(1,815,418)**	(1,237,984)
Total Shareholders' Equity	**5,383,854**	4,367,965
Noncontrolling interests	**104,482**	91,435
Total Equity	**5,488,336**	4,459,400
Total Liabilities and Equity	**$10,886,805**	$ 9,910,382

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

Consolidated Statement of Cash Flows

(Dollars in thousands)	2011	2010	2009
	For the years ended June 30,		
Cash Flows From Operating Activities			
Net income	**$1,057,150**	$ 556,365	$ 510,144
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**229,238**	245,295	252,599
Amortization	**110,562**	117,214	105,138
Stock incentive plan compensation	**73,238**	59,318	47,215
Deferred income taxes	**20,715**	(17,353)	(13,048)
Foreign currency transaction loss (gain)	**10,470**	(1,249)	1,786
(Gain) loss on sale of plant and equipment	**(7,710)**	10,292	(336)
Changes in assets and liabilities, net of effects from acquisitions:			
Accounts receivable	**(259,752)**	(220,349)	598,065
Inventories	**(139,062)**	53,862	218,595
Prepaid expenses	**6,477**	29,581	(61,646)
Other assets	**(39,118)**	42,031	63,998
Accounts payable, trade	**228,164**	259,436	(304,863)
Accrued payrolls and other compensation	**75,405**	26,014	(67,654)
Accrued domestic and foreign taxes	**53,424**	63,119	(40,598)
Other accrued liabilities	**(27,726)**	36,137	(159,642)
Pensions and other postretirement benefits	**(281,285)**	(9,879)	28,522
Other liabilities	**56,743**	(31,012)	(49,083)
Net cash provided by operating activities	**1,166,933**	1,218,822	1,129,192
Cash Flows From Investing Activities			
Acquisitions (less cash acquired of $385 in 2011 and $24,203 in 2009)	**(60,227)**	(5,451)	(722,635)
Capital expenditures	**(207,294)**	(129,222)	(270,733)
Proceeds from sale of plant and equipment	**32,289**	11,929	28,986
Other	**(9,706)**	(23,429)	3,551
Net cash (used in) investing activities	**(244,938)**	(146,173)	(960,831)
Cash Flows From Financing Activities			
Proceeds from exercise of stock options	**25,862**	10,307	3,557
(Payments for) common shares	**(693,096)**	(24,999)	(447,800)
Tax benefit from stock incentive plan compensation	**42,823**	13,698	3,692
(Payments of) proceeds from notes payable, net	**(18,908)**	(421,974)	346,081
Proceeds from long-term borrowings	**291,683**	3,293	2,368
(Payments of) long-term borrowings	**(358,058)**	(67,582)	(20,671)
Dividends paid, net of tax benefit of ESOP shares	**(206,084)**	(162,739)	(161,575)
Net cash (used in) financing activities	**(915,778)**	(649,996)	(274,348)
Effect of exchange rate changes on cash	**75,723**	(34,738)	(32,450)
Net increase (decrease) in cash and cash equivalents	**81,940**	387,915	(138,437)
Cash and cash equivalents at beginning of year	**575,526**	187,611	326,048
Cash and cash equivalents at end of year	**$ 657,466**	$ 575,526	$ 187,611
Supplemental Data:			
Cash paid during the year for:			
Interest	**$ 99,227**	$ 104,812	$ 111,648
Income taxes	**203,539**	127,320	211,281

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

Consolidated Statement of Equity

(Dollars in thousands)	Common Stock	Additional Capital	Retained Earnings	Guarantee of ESOP Debt	Accumulated Other Comprehensive (Loss)	Treasury Shares	Noncontrolling Interests	Total
Balance June 30, 2008	**$90,523**	**$530,914**	**$5,387,836**	**$ (4,951)**	**$ 110,224**	**$ (862,993)**	**$ 78,589**	**$5,330,142**
Net income			508,515				1,629	510,144
Other comprehensive (loss) income:								
Foreign currency translation, net of tax of $10,131					(498,553)		4,008	(494,545)
Retirement benefits plan activity, net of tax of $253,261					(454,457)			(454,457)
Net unrealized loss, net of tax of $173					(233)			(233)
Total comprehensive (loss) income							5,637	(439,091)
Dividends paid			(161,575)				(4,936)	(166,511)
Stock incentive plan activity		49,379	(6,348)			18,147		61,178
Shares purchased at cost						(447,800)	(824)	(448,624)
Retirement benefits plan activity		7,908	(6,390)	4,951		3,102		9,571
Acquisition activity							3,775	3,775
Balance June 30, 2009	**$90,523**	**$588,201**	**$5,722,038**	**$ —**	**$ (843,019)**	**$(1,289,544)**	**$ 82,241**	**$4,350,440**
Net income			554,065				2,300	556,365
Other comprehensive (loss) income:								
Foreign currency translation, net of tax of $(8,274)					(186,925)		7,093	(179,832)
Retirement benefits plan activity, net of tax of $106,065					(183,364)			(183,364)
Net realized loss, net of tax of $(2,937)					4,747			4,747
Total comprehensive (loss) income							9,393	197,916
Dividends paid			(162,540)				(199)	(162,739)
Stock incentive plan activity		49,241	(23,131)			44,564		70,674
Shares purchased at cost						(24,999)		(24,999)
Retirement benefits plan activity			(3,887)			31,995		28,108
Balance June 30, 2010	**$90,523**	**$637,442**	**$6,086,545**	**$ —**	**$ (1,208,561)**	**$(1,237,984)**	**$ 91,435**	**$4,459,400**
Net income			1,049,130				8,020	1,057,150
Other comprehensive income:								
Foreign currency translation, net of tax of $12,675					503,756		8,325	512,081
Retirement benefits plan activity, net of tax of $(144,108)					253,603			253,603
Realized loss, net of tax of $(119)					212			212
Total comprehensive income							16,345	1,823,046
Dividends paid			(202,786)				(3,298)	(206,084)
Stock incentive plan activity		30,890	(41,482)			115,662		105,070
Shares purchased at cost						(693,096)		(693,096)
Balance June 30, 2011	**$90,523**	**$668,332**	**$6,891,407**	**$ —**	**$ (450,990)**	**$(1,815,418)**	**$ 104,482**	**$5,488,336**

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 Company operates in three business segments: Industrial, Aerospace and Climate & Industrial Controls. The Industrial Segment is an aggregation of several business units, which manufacture motion-control and fluid power system components for builders and users of various types of manufacturing, packaging, processing, transportation, agricultural, construction, and military vehicles and equipment. Industrial Segment products are marketed primarily through field sales employees and independent distributors. The Industrial North American operations have manufacturing plants and distribution networks throughout the United States, Canada and Mexico and primarily service North America. The Industrial International operations provide Parker products and services to 44 countries throughout Europe, Asia Pacific, Latin America, the Middle East and Africa.

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

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

See the table of Business Segment Information “By Industry” and “By Geographic Area” on pages 13-16 and 13-17 for further disclosure of business segment information.

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

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

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

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

Revenue Recognition - Revenue is recognized when the risks and rewards of ownership and title to the product have transferred to the customer. The Company's revenue recognition policies are in compliance with the SEC's Staff Accounting Bulletin (SAB) No. 104. Shipping and handling costs billed to customers are included in Net sales and the related costs in Cost of sales.

Long-term Contracts - The Company enters into long-term contracts primarily for the production of aerospace products. For financial statement purposes, revenues are primarily recognized using the percentage-of-completion method. The extent of progress toward completion is primarily measured using the units-of-delivery method. Unbilled costs on these contracts are included in inventory. Progress payments are netted against the inventory balances. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

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

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

June 30,	2011	2010
Accounts receivable, trade	**$1,780,137**	$1,457,355
Allowance for doubtful accounts	**(10,472)**	(14,701)
Non-trade accounts receivable	**75,550**	58,091
Notes receivable	**132,641**	99,196
Total	**$1,977,856**	$1,599,941

Accounts receivable are initially recorded at their net collectible amount and where applicable, 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.

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

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

Investments and Other Assets - Investments in joint-venture companies in which ownership is 50 percent or less and in which the Company does not have operating control are stated at cost plus the Company's equity in undistributed earnings. These investments and the related earnings are not material to the consolidated financial statements.

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, 2011 and 2010 is immaterial to the financial position of the Company and the change in the accrual during 2011, 2010 and 2009 was immaterial to the Company's results of operations and cash flows.

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

Subsequent Events - The Company has evaluated subsequent events that have occurred through the date of filing of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2011. No subsequent events occurred that required either adjustment to or disclosure in these financial statements.

Recent Accounting Pronouncements - In May 2011, the Financial Accounting Standards Board (FASB) issued new accounting guidance to improve consistency with fair value measurement and disclosure requirements. This guidance is effective for interim and annual periods beginning after December 15, 2011. The Company has not yet determined the effect, if any, that this new guidance will have on its fair value disclosures.

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

2. Acquisitions

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

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

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

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 2011, 2010 and 2009 are presented below. Some of the 2011 purchase price allocations are preliminary and may require subsequent adjustment primarily to the values currently assigned to Plant and equipment and Intangible assets.

	2011	2010	2009
Assets acquired:			
Accounts receivable	**$ 9,332**	$ 908	$ 116,931
Inventories	**7,908**	447	87,230
Prepaid expenses	**69**	(575)	3,957
Deferred income taxes	**468**		7,899
Plant and equipment	**5,376**	408	107,278
Intangible and other assets	**35,094**	4,198	431,964
Goodwill	**8,715**	2,891	319,193
	66,962	8,277	1,074,452
Liabilities assumed:			
Notes payable			2,622
Accounts payable, trade	**2,440**	531	49,421
Accrued payrolls and other compensation	**765**	219	33,714
Accrued domestic and foreign taxes	**215**	(91)	22,111
Other accrued liabilities	**1,500**	2,587	97,093
Long-term debt			1,640
Pensions and other postretirement benefits			5,418
Deferred income taxes	**1,815**	(420)	136,864
Other liabilities			2,934
	6,735	2,826	351,817
Net assets acquired	**$60,227**	$5,451	$ 722,635

3. Charges Related to Business Realignment

In 2011, the Company recorded a $16.5 million charge for the costs to structure its businesses in light of current and anticipated customer demand. The charges primarily consist of severance costs related to plant closures as well as general work force reductions implemented by various operating units throughout the world. The Company believes the realignment actions taken will positively impact future results of operations, but will have no material effect on liquidity and sources and uses of capital. The Industrial Segment recognized $15.5 million of the total charge and included severance costs related to approximately 465 employees. The Aerospace Segment recognized $1.0 million of the total charge and included severance costs related to approximately 50 employees. The business realignment costs are presented in the Consolidated Statement of Income for 2011 in the following captions: $15.3 million in Cost of sales and $1.2 million in Selling, general and administrative expenses. As of June 30, 2011, approximately $9.5 million in severance payments have been made with the remaining payments expected to be made by March 31, 2012.

In 2010, the Company recorded a $48.5 million charge for the costs to structure its businesses in light of current and anticipated customer demand. The charges primarily consisted of severance costs related to plant closures as well as general work force reductions implemented by various operating units throughout the world. The Company believes the realignment actions taken will positively impact future results of operations, but will have no material effect on liquidity and sources and uses of capital. The Industrial Segment recognized $44.0 million of the total charge and included severance costs related to approximately 1,455 employees. The Climate & Industrial Controls Segment recognized $3.9 million of the total charge and included severance costs related to approximately 255 employees. The Aerospace Segment recognized $0.6 million of the total charge and included severance costs related to approximately 50 employees. The business realignment costs are presented in the Consolidated Statement of Income for 2010 in the following captions: $43.0 million in Cost of sales and $5.5 million in Selling, general and administrative expenses. All required severance payments have been made.

In 2009, the Company recorded a $52.1 million charge for the costs to structure its businesses in light of current and anticipated customer demand. The charges primarily consisted of severance costs related to plant closures as well as general work force reductions implemented by various operating units throughout the world. The Company believes the realignment actions taken will positively impact future results of operations, but will have no material effect on liquidity and sources and uses of capital. The Industrial Segment recognized $33.7 million of the total charge and included severance costs related to approximately 3,345 employees. The Climate & Industrial Controls Segment recognized $9.7 million of the total charge and included severance costs related to approximately 745 employees. The Aerospace Segment recognized $2.0 million of the total charge and included severance costs related to approximately 205 employees. Approximately $6.7 million of the charge was recorded below segment operating income. All required severance payments have been made. The business realignment costs are presented in the Consolidated Statement of Income for 2009 in the following captions: $41.0 million in Cost of sales, $6.2 million in Selling, general and administrative expenses and $4.9 million in (Gain) loss on disposal of assets.

4. Income Taxes

Income before income taxes was derived from the following sources:

	2011	2010	2009
United States	**$ 681,910**	$354,675	$390,507
Foreign	**731,811**	400,142	292,576
	$1,413,721	$754,817	$683,083

Income taxes include the following:

	2011	2010	2009
Federal			
Current	**$121,292**	$ 84,878	$ 46,524
Deferred	**34,136**	6,104	37,670
Foreign			
Current	**193,064**	105,927	120,963
Deferred	**(24,229)**	(22,788)	(50,560)
State and local			
Current	**21,500**	25,000	18,500
Deferred	**10,808**	(669)	(158)
	$356,571	$198,452	$172,939

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

	2011	2010	2009
Statutory Federal income tax rate	**35.0%**	35.0%	35.0%
State and local income taxes	**1.8**	2.1	1.7
Litigation settlements			1.8
Foreign tax rate difference	**(8.7)**	(7.4)	(8.7)
Cash surrender of life insurance	**(0.9)**	(1.0)	2.3
Research tax credit	**(1.1)**	(0.7)	(2.5)
Worthless stock benefit			(3.2)
Other	**(0.9)**	(1.7)	(1.1)
Effective income tax rate	**25.2%**	26.3%	25.3%

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

	2011	2010
Postretirement benefits	**$ 374,005**	$ 565,258
Other liabilities and reserves	**161,954**	118,882
Long-term contracts	**7,355**	4,323
Stock-based incentive compensation	**63,590**	60,882
Loss carryforwards	**186,613**	106,106
Unrealized currency exchange gains and losses	**43,484**	15,312
Inventory	**24,623**	21,123
Depreciation and amortization	**(479,103)**	(455,684)
Valuation allowance	**(192,904)**	(92,799)
Net deferred tax asset	**$ 189,617**	$ 343,403
Change in net deferred tax asset:		
Provision for deferred tax	**$ (20,715)**	$ 17,353
Items of other comprehensive (loss) income	**(131,552)**	94,854
Acquisitions and other	**(1,519)**	(4,050)
Total change in net deferred tax	**$(153,786)**	$ 108,157

At June 30, 2011, the Company had recorded deferred tax assets of $186,613 resulting from $663,735 in loss carryforwards. A valuation allowance of $156,721 related to the loss carryforwards has been established due to the uncertainty of realizing certain deferred tax assets. An additional valuation allowance of $36,183 relates to a foreign capital loss carryforward and certain deferred tax assets associated with other liabilities and reserves. The foreign capital loss carryforward and some of the loss carryforwards can be carried forward indefinitely; others can be carried forward from one to 19 years.

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

Accumulated undistributed earnings of foreign operations reinvested in their operations amounted to $983,950, $1,102,978 and $1,298,102, at June 30, 2011, 2010 and 2009, respectively.

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

	2011	2010	2009
Balance July 1	**$ 82,089**	$132,954	$105,070
Additions for tax positions related to current year	**8,398**	10,815	31,414
Additions for tax positions of prior years	**10,015**	23,408	15,899
Additions for acquisitions		294	760
Reductions for tax positions of prior years	**(15,060)**	(64,821)	(10,566)
Reductions for settlements	**(7,133)**	(21,770)	(3,768)
Reductions for expiration of statute of limitations		(37)	
Effect of foreign currency translation	**2,847**	1,246	(5,855)
Balance June 30	**$ 81,156**	$ 82,089	$132,954

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was $78,754, $81,927 and $114,210 as of June 30, 2011, 2010 and 2009, respectively. The accrued interest related to the gross unrecognized tax benefits, excluded from the amounts above, was $11,331, $8,200 and $9,179 as of June 30, 2011, 2010 and 2009, respectively.

The Company and its subsidiaries file income tax returns in the United States and in various foreign jurisdictions. In the normal course of business, the Company's tax returns are subject to examination by taxing authorities throughout the world. The Company is no longer subject to examinations of its federal income tax returns by the United States Internal Revenue Service for fiscal years through 2007. All significant state, local and foreign tax returns have been examined for fiscal years through 2001. The Company does not anticipate that, within the next twelve months, the total amount of unrecognized tax benefits will significantly change due to the settlement of examinations and the expiration of statutes of limitation.

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:

	2011	2010	2009
Numerator:			
Net income attributable to common shareholders	**$ 1,049,130**	$ 554,065	$ 508,515
Denominator:			
Basic – weighted-average common shares	**161,125,869**	160,909,655	161,564,111
Increase in weighted-average common shares from dilutive effect of stock-based awards	**3,672,352**	1,992,062	1,155,037
Diluted – weighted-average common shares, assuming exercise of stock-based awards	**164,798,221**	162,901,717	162,719,148
Basic earnings per share	**$ 6.51**	$ 3.44	$ 3.15
Diluted earnings per share	**$ 6.37**	$ 3.40	$ 3.13

For 2011, 2010 and 2009, 1.6 million, 9.0 million, and 6.4 million common shares, respectively, subject to stock-based awards were excluded from the computation of diluted earnings per share because the effect of their exercise would be anti-dilutive.

6. Inventories

Inventories valued on the last-in, first-out (LIFO) cost method were approximately 28 percent of total inventories in 2011 and 2010. The current cost of these inventories exceeds their valuation determined on the LIFO basis by $205,739 in 2011 and $193,519 in 2010. Progress payments of $33,489 in 2011 and $33,676 in 2010 are netted against inventories.

7. Goodwill and Intangible Assets

The Company's annual impairment tests performed in 2011, 2010, and 2009 resulted in no impairment loss being recognized.

The changes in the carrying amount of goodwill for the years ended June 30, 2010 and June 30, 2011 are as follows:

	Industrial Segment	Aerospace Segment	Climate & Industrial Controls Segment	Total
Balance June 30, 2009	$2,496,449	$98,709	$ 307,919	$2,903,077
Acquisitions		193		193
Foreign currency translation	(115,175)	(46)	(1,081)	(116,302)
Goodwill adjustments	(634)			(634)
Balance June 30, 2010	$2,380,640	$98,856	$ 306,838	$2,786,334
Acquisitions	**7,424**		**1,291**	**8,715**
Foreign currency translation	**208,261**	**58**	**6,059**	**214,378**
Goodwill adjustments	**(336)**		**25**	**(311)**
Balance June 30, 2011	**$2,595,989**	**$98,914**	**$ 314,213**	**$3,009,116**

Goodwill adjustments represent final adjustments to the purchase price allocation for acquisitions during the measurement period subsequent to the applicable acquisition dates. The Company's previously reported results of operations and financial position would not be materially different had the goodwill adjustments recorded during 2011 and 2010 been reflected in the same reporting period that the initial purchase price allocations for those acquisitions were made.

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

	2011		2010	
June 30,	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents	**$ 124,015**	**$ 61,061**	$ 114,935	$ 48,682
Trademarks	**319,158**	**116,995**	289,017	83,936
Customer lists and other	**1,251,271**	**338,666**	1,125,782	247,065
Total	**$ 1,694,444**	**$ 516,722**	$ 1,529,734	$ 379,683

During 2011, the Company acquired intangible assets with an initial purchase price allocation and weighted-average life as follows:

	Purchase Price Allocation	Weighted-Average Life
Trademarks	**$ 1,443**	**7 years**
Customer lists and other	**33,642**	**13 years**
Total	**$35,085**	**13 years**

Total intangible amortization expense in 2011, 2010 and 2009 was $107,701, $114,749 and $102,750, respectively. The estimated amortization expense for the five years ending June 30, 2012 through 2016 is $100,342, $93,048, $89,354, $86,521 and $84,717, respectively.

8. Financing Arrangements

The Company has a line of credit totaling $1,500,000 through a multi-currency revolving credit agreement with a group of banks, all of which was available at June 30, 2011. The credit agreement expires in March 2016; however, the Company has the right to request a one-year extension of the expiration date on an annual basis, which request may result in changes to the current terms and conditions of the credit agreement. A portion of the credit agreement supports the Company's commercial paper note program. The interest on borrowings is based upon the terms of each specific borrowing and is subject to market conditions. The revolving credit agreement requires the payment of an annual facility fee, the amount of which would increase in the event the Company's credit ratings are lowered.

The Company is currently authorized to sell up to $1,350,000 of short-term commercial paper notes. No commercial paper notes were outstanding at June 30, 2011 or at June 30, 2010.

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

The Company's credit agreements and indentures governing certain debt agreements contain various covenants, the violation of which would limit or preclude the use of the agreement for future borrowings, or might accelerate the maturity of the related outstanding borrowings covered by the indentures. At the Company's present rating level, the most restrictive covenant provides that the ratio of secured debt to net tangible assets be less than 10 percent. As of June 30, 2011, the Company does not have any secured debt outstanding. The Company is in compliance with all covenants.

Notes payable consists of short-term lines of credit and borrowings from foreign banks. At June 30, 2011, the Company had $97,548 in lines of credit from various foreign banks, all of which was available at June 30, 2011. Most of these agreements are renewed annually. There was no balance of Notes payable at June 30, 2011 and there was a balance of $17,759 at June 30, 2010. The weighted-average interest rate on Notes payable during 2011 and 2010 was 0.6 percent and 0.5 percent, respectively.

9. Debt

June 30,	2011	2010
Domestic:		
Debentures		
7.30%, due 2011	**$**	$ 100,000
Fixed rate medium-term notes		
3.50% to 6.55%, due 2018-2038	**1,175,000**	875,000
Fixed rate senior notes		
4.88%, due 2013	**225,000**	225,000
Foreign:		
Bank loans, including revolving credit		
1% to 7.2%, due 2012-2017	**1,380**	1,807
Euro bonds		
3.5%, due 2011		244,580
4.125%, due 2016	**290,040**	244,580
Japanese Yen credit facility		
Libor plus 20 bps, due 2012	**74,472**	67,878
Other long-term debt,		
including capitalized leases	**465**	302
Total long-term debt	**1,766,357**	1,759,147
Less long-term debt payable		
within one year	**75,271**	345,513
Long-term debt, net	**$ 1,691,086**	$ 1,413,634

Principal amounts of Long-term debt payable in the five years ending June 30, 2012 through 2016 are $75,271, $225,437, $236, $154 and $290,200, respectively. In 2011, the Company issued $300,000 aggregate principal amount of medium-term notes. The notes are due in a balloon payment in September 2022 and carry an interest rate of 3.5 percent. Interest payments are due semiannually. Debt issuance costs were $5,460 and will be amortized over the term of the notes. The Company used the net proceeds from the note issuance to repay outstanding commercial paper borrowings.

Lease Commitments - Future minimum rental commitments as of June 30, 2011, under non-cancelable operating leases, which expire at various dates, are as follows: 2012-$83,688; 2013-$59,003; 2014-$35,490; 2015-$23,511; 2016-$20,689 and after 2016-$72,988.

Rental expense in 2011, 2010 and 2009 was $118,496, $123,582 and $125,516, 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:

	2011	2010	2009
Benefit cost			
Service cost	**$ 87,676**	$ 70,977	$ 71,187
Interest cost	**176,081**	178,562	172,321
Expected return on plan assets	**(200,303)**	(177,559)	(186,417)
Amortization of prior service cost	**12,636**	13,974	11,787
Amortization of unrecognized actuarial loss	**109,436**	65,823	31,507
Amortization of initial net (asset)	**(63)**	(55)	(53)
Net periodic benefit cost	**$ 185,463**	$ 151,722	$ 100,332

	2011	2010
Change in benefit obligation		
Benefit obligation at beginning of year	**$3,430,835**	$ 2,952,297
Service cost	**87,676**	70,977
Interest cost	**176,081**	178,562
Actuarial (gain) loss	**(101,806)**	440,941
Benefits paid	**(146,779)**	(150,176)
Plan amendments	**9,735**	11,902
Foreign currency translation and other	**113,818**	(73,668)
Benefit obligation at end of year	**$3,569,560**	$ 3,430,835
Change in plan assets		
Fair value of plan assets at beginning of year	**$2,020,186**	$ 1,807,479
Actual gain on plan assets	**384,848**	261,820
Employer contributions	**461,243**	153,291
Benefits paid	**(146,779)**	(150,176)
Foreign currency translation and other	**78,919**	(52,228)
Fair value of plan assets at end of year	**$2,798,417**	$ 2,020,186
Funded status	**$ (771,143)**	$(1,410,649)

	2011	2010
Amounts recognized on the Consolidated Balance Sheet		
Other accrued liabilities	**$ (14,815)**	$ (12,866)
Pensions and other postretirement benefits	**(756,328)**	(1,397,783)
Net amount recognized	**$ (771,143)**	$(1,410,649)
Amounts recognized in Accumulated Other Comprehensive (Loss)		
Net actuarial loss	**$1,133,411**	$ 1,496,209
Prior service cost	**69,337**	70,810
Transition obligation	**161**	105
Net amount recognized	**$1,202,909**	$ 1,567,124

The presentation of the amounts recognized on the Consolidated Balance Sheet and in Accumulated Other Comprehensive (Loss) is on a debit (credit) basis and excludes the effect of income taxes.

The estimated amount of net actuarial loss, prior service cost and transition asset that will be amortized from accumulated other comprehensive (loss) into net periodic benefit pension cost in 2012 is $102,182, $13,877 and $66, respectively.

The accumulated benefit obligation for all defined benefit plans was $3,219,403 and $3,096,603 at June 30, 2011 and 2010, respectively. The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were $3,119,540, $2,798,701 and $2,353,730, respectively, at June 30, 2011, and $3,401,504, $3,072,016 and $1,991,174, respectively, at June 30, 2010. The projected benefit obligation and fair value of plan assets for pension plans with projected benefit obligations in excess of plan assets were $3,557,563 and $2,783,349, respectively, at June 30, 2011, and $3,420,234 and $2,007,629, respectively, at June 30, 2010.

The Company expects to make cash contributions of approximately $67 million to its defined benefit pension plans in 2012, the majority of which relate to non-U.S. defined benefit plans. Estimated future benefit payments in the five years ending June 30, 2012 through 2016 are $153,694, $199,048, $164,605, $176,455 and $190,524, respectively and $1,177,675 in the aggregate for the five years ending June 30, 2017 through June 30, 2021.

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

	2011	2010	2009
U.S. defined benefit plans			
Discount rate	**5.3%**	6.25%	6.8%
Average increase in compensation	**5.21%**	4.34%	4.7%
Expected return on plan assets	**8.5%**	8.5%	8.5%
Non-U.S. defined benefit plans			
Discount rate	**1.75 to 6.0%**	2.0 to 6.78%	2.25 to 6.9%
Average increase in compensation	**2.0 to 4.5%**	2.0 to 4.7%	1.0 to 4.25%
Expected return on plan assets	**1.0 to 8.0%**	1.0 to 8.0%	1.0 to 8.0%

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

	2011	2010
U.S. defined benefit plans		
Discount rate	**5.45%**	5.3%
Average increase in compensation	**5.21%**	5.21%
Non-U.S. defined benefit plans		
Discount rate	**2.0 to 5.87%**	1.75 to 6.0%
Average increase in compensation	**2.0 to 5.0%**	2.0 to 4.5%

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:

	2011	2010
Equity securities	**59%**	56%
Debt securities	**33%**	37%
Other	**8%**	7%
	100%	100%

The weighted-average target asset allocation as of June 30, 2011 is 55 percent equity securities, 39 percent debt securities and 6 percent other. 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 an investment portfolio that is broadly diversified across various asset classes and external investment managers. Assets held in the U.S. defined benefit plans account for approximately 75 percent of the Company's total defined benefit plan assets. The Company's overall investment strategy with respect to the Company's U.S. defined benefit plans is to opportunistically migrate from its current mix between growth seeking assets (primarily consisting of global public equities in developed and emerging countries and hedge fund of fund strategies) and income generating assets (primarily consisting of high quality bonds, both domestic and global, emerging market bonds, high yield bonds and Treasury Inflation Protected Securities) to an allocation more heavily weighted toward income generating assets. Over time, long duration fixed income assets will be added to the portfolio. These securities will be highly correlated with the Company's pension liabilities and will serve to hedge a portion of the Company's interest rate risk.

The fair values of pension plan assets at June 30, 2011 and at June 30, 2010, by asset class, are as follows:

	Total	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	**$ 112,080**	**$ 58,511**	**$ 53,569**	**$**
Equity securities	**665,107**	**665,107**		
Fixed income securities				
Corporate bonds	**120,136**		**120,136**	
Government issued securities	**137,618**	**79,536**	**58,082**	
Mutual funds				
Equity funds	**220,312**	**219,816**	**496**	
Fixed income funds	**138,314**	**135,620**	**2,694**	
Common/Collective trusts				
Equity funds	**766,847**		**766,847**	
Fixed income funds	**513,365**		**513,365**	
Limited Partnerships	**128,470**		**128,470**	
Miscellaneous	**(3,832)**	**88**	**(3,920)**	
Total at June 30, 2011	**$2,798,417**	**$1,158,678**	**$ 1,639,739**	**$**

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

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

Equity securities consist of common stock of both U.S. and foreign corporations and are valued at the closing price reported on the active market on which the individual securities are traded. Equity securities include Company stock with a fair value of $119,856 as of June 30, 2011 and $74,000 as of June 30, 2010.

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

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

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

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

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

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

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

	2011	2010	2009
Shares held by ESOP	**10,308,032**	10,950,349	11,189,598
Company contributions to ESOP	**$ 52,627**	$ 48,336	$ 51,593

Company contributions to the ESOP are generally made in the form of cash and are recorded as compensation expense. In 2010 and 2009, in lieu of cash, the Company issued 510,984 and 49,422 of its common shares, respectively, out of treasury for the matching contribution.

The Company has a retirement income account (RIA) within the employee savings plan. The Company makes a contribution to the participant's RIA account each year, the amount of which is based on the participant's age and years of service. Participants do not contribute to the RIA. The Company recognized $16,844, $12,598 and $14,489 in expense related to the RIA in 2011, 2010 and 2009, respectively.

In addition to shares within the ESOP, as of June 30, 2011, employees have elected to invest in 3,297,412 shares of common stock within the Company Stock Fund of the Parker Retirement Savings Plan.

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

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

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

	2011	2010	2009
Benefit cost			
Service cost	**$ 675**	$ 545	$ 1,034
Interest cost	**3,579**	3,920	5,193
Net amortization and deferral	**524**	(461)	(753)
Net periodic benefit cost	**$4,778**	$ 4,004	$ 5,474

	2011	2010
Change in benefit obligation		
Benefit obligation at beginning of year	**$ 69,868**	$ 64,434
Service cost	**675**	545
Interest cost	**3,579**	3,920
Actuarial loss	**5,002**	8,689
Benefits paid	**(5,985)**	(7,720)
Benefit obligation at end of year	**$ 73,139**	$ 69,868
Funded status	**$(73,139)**	$(69,868)

	2011	2010
Amounts recognized on the Consolidated Balance Sheet		
Other accrued liabilities	**$ (5,670)**	$ (5,176)
Pensions and other postretirement benefits	**(67,469)**	(64,692)
Net amount recognized	**$(73,139)**	$(69,868)
Amounts recognized in Accumulated Other Comprehensive (Loss)		
Net actuarial loss	**$ 10,324**	$ 5,870
Prior service (credit)	**(1,068)**	(1,113)
Net amount recognized	**$ 9,256**	$ 4,757

The presentation of the amounts recognized on the Consolidated Balance Sheet and in Accumulated Other Comprehensive (Loss) is on a debit (credit) basis and is before the effect of income taxes. The amount of prior service (credit) and net actuarial loss that will be amortized from accumulated other comprehensive (loss) into net periodic postretirement cost in 2012 is $45 and $624, respectively.

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

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

	2011	2010	2009
Discount rate	**5.01%**	6.1%	6.71%
Current medical cost trend rate	**8.0%**	8.5%	9.25%
Ultimate medical cost trend rate	**5.0%**	5.0%	5.0%
Medical cost trend rate decreases to ultimate in year	**2018**	2018	2014

The discount rate assumption used to measure the benefit obligation was 5.0 percent in 2011 and 5.01 percent in 2010.

Estimated future benefit payments for other postretirement benefits in the five years ending June 30, 2012 through 2016 are $5,686, $5,840, $5,940, $6,027 and $5,820, respectively, and $27,099 in the aggregate for the five years ending June 30, 2017 through June 30, 2021.

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

	1% Increase	1% Decrease
Effect on total of service and interest cost components	**$ 218**	**$ (188)**
Effect on postretirement benefit obligation	**3,381**	**(2,932)**

Other - The Company has established nonqualified deferred compensation programs, which permit officers, directors and certain management employees annually to elect to defer a portion of their compensation, on a pre-tax basis, until their retirement. The retirement benefit to be provided is based on the amount of compensation deferred, Company match, and earnings on the deferrals. During 2011, 2010 and 2009, the Company recorded expense (income) relating to deferred compensation of $28,720, $21,553 and $(27,167), 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

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

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

	2011	2010
Foreign currency translation	**$ 316,010**	$ (187,746)
Retirement benefit plans	**(766,159)**	(1,019,762)
Other	**(841)**	(1,053)

The balance of Accumulated other comprehensive (loss) income in Noncontrolling interests relates to foreign currency translation and amounted to $26,844 and $18,519, at June 30, 2011 and June 30, 2010, respectively.

Share Repurchases - The Company has a program to repurchase its common shares. Under the program, the Company is authorized to repurchase an amount of common shares each fiscal year equal to the greater of 7.5 million shares or five percent of the shares outstanding as of the end of the prior fiscal year. Repurchases are funded primarily from operating cash flows and commercial paper borrowings, and the shares are initially held as treasury stock. The number of common shares repurchased at the average purchase price follows:

	2011	2010	2009
Shares repurchased	**8,008,926**	441,118	7,557,284
Average price per share	**$ 86.54**	$ 56.67	$ 59.25

12. Stock Incentive Plans

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

Stock Options/SARs - Stock options allow the participant to purchase shares of common stock at a price not less 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 2011, 2010 and 2009 was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	2011	2010	2009
Risk-free interest rate	**1.5%**	2.9%	3.2%
Expected life of award	**5.2 yrs**	5.3 yrs	4.9 yrs
Expected dividend yield of stock	**1.5%**	1.4%	1.3%
Expected volatility of stock	**35.9%**	34.5%	26.6%
Weighted-average fair value	**$ 18.70**	$ 15.77	$ 16.56

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

Stock option and SAR activity during 2011 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, 2010	16,152,493	$ 49.55		
Granted	**1,399,068**	**63.49**		
Exercised	**(4,245,373)**	**44.97**		
Canceled	**(77,070)**	**58.92**		
Outstanding June 30, 2011	**13,229,118**	**$ 52.44**	**5.5 years**	**$ 493.6**
Exercisable June 30, 2011	**9,109,413**	**$ 50.30**	**4.5 years**	**$ 359.2**

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, 2010	5,586,873	$ 16.10
Granted	**1,399,068**	**18.70**
Vested	**(2,798,791)**	**16.31**
Canceled	**(67,445)**	**16.36**
Nonvested June 30, 2011	**4,119,705**	**$ 16.84**

At June 30, 2011, $18,909 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 15 months. The total fair value of shares vested during 2011, 2010 and 2009 was $45,635, $40,494 and $40,082, respectively.

Information related to stock options and SAR awards exercised during 2011, 2010 and 2009 is as follows:

	2011	2010	2009
Net cash proceeds	**$ 25,862**	$10,307	$3,557
Intrinsic value	**163,752**	45,424	4,787
Income tax benefit	**42,546**	14,031	1,517

During 2011, 2010 and 2009, the Company recognized stock-based compensation expense of $36,617, $44,415 and $41,488, 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: 2011 – 2,447,908; 2010 – 606,554; 2009 – 90,129.

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

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

	Number of Shares	Weighted-Average Grant Date Fair Value
Nonvested June 30, 2010	0	$ 0
Granted	**425,359**	**62.55**
Vested	**(320)**	**62.35**
Canceled	**(9,864)**	**62.35**
Nonvested June 30, 2011	**415,175**	**$ 62.55**

During 2011, the Company recognized stock-based compensation expense of $12,243 relating to the RSU awards. At June 30, 2011, $12,817 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 24 months.

Restricted Stock - The Company's Long Term Incentive Plans (LTIP) provide for the issuance of restricted and unrestricted stock to certain officers and key employees based on the attainment of certain goals relating to the Company's revenue growth, earnings per share growth and return on invested capital during the three-year performance period. Restricted stock was earned and awarded, and an estimated value was accrued, based upon attainment of criteria specified in the LTIP over the cumulative years of each three-year plan. Plan participants are entitled to cash dividends and to vote their respective shares, but transferability of the restricted stock is restricted for one to three years following issuance. For payouts in 2010 and 2009, in lieu of restricted stock, the participant could elect to receive the LTIP payout as a deferred cash contribution. Retired participants received the 2010 and 2009 LTIP payouts in cash.

Restricted Stock for LTIP	**2011**	**2010**	**2009**
LTIP 3-year plan	**2008-09-10**	2007-08-09	2006-07-08
Number of shares issued	**157,491**	68,172	172,130
Average share value on date of issuance	**$ 62.35**	$ 48.58	$ 65.34
Total value	**$ 9,820**	$ 3,312	$ 11,247

Under the Company's 2009-10-11 LTIP, a payout of restricted stock will be issued in August 2011. Awards granted since the 2009-10-11 LTIP provide for the issuance of unrestricted stock based upon attainment of criteria specified in the LTIP over the cumulative years of each three-year plan.

The fair value of each LTIP award granted in 2011, 2010 and 2009 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, 2010	1,350,028	$ 57.74
Granted	**281,191**	**86.34**
Vested	**(382,333)**	**61.06**
Canceled	**(118,429)**	**63.06**
Nonvested June 30, 2011	**1,130,457**	**$ 64.50**

During 2011, 2010 and 2009, the Company recorded stock-based compensation expense (income) of $24,378, $15,018 and $(5,562), respectively, relating to the LTIP.

Shares surrendered in connection with the LTIP: 2011– 126,462; 2010– 83,991; 2009 – 60,247.

In 2011, 2010 and 2009, 17,820, 20,000 and 12,150 restricted shares, respectively, were issued to certain non-employee members of the Board of Directors. Transferability of these shares is restricted for one to three years following issuance. In addition, non-employee members of the Board of Directors have been given the opportunity to receive all or a portion of their fees in restricted shares. These shares vest ratably, on an annual basis, over the term of office of the director. In 2011, 2010 and 2009, 2,400, 4,578 and 3,868 restricted shares, respectively, were issued in lieu of directors' fees.

During 2011, 2010 and 2009, the Company recognized a tax benefit (cost) of $277, $(333), and $2,175, respectively, relating to the restricted stock awards.

At June 30, 2011, the Company had approximately 23 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, 2011, 155,090,509 common shares were reserved for issuance under this Agreement. Under certain conditions involving acquisition of, or an offer for, 15 percent or more of the Company's common shares, all holders of Shareholders' Rights would be entitled to purchase one common share at an exercise price currently set at $160. In addition, in certain circumstances, all holders of Shareholders' Rights (other than the acquiring entity) would be entitled to purchase a number of common shares equal to twice the exercise price, or at the option of the Board, to exchange each Shareholders' Right for one common share. The Shareholders' Rights remain in existence until February 17, 2017, unless extended by the Board of Directors or earlier redeemed (at one cent per Shareholders' Right), exercised or exchanged under the terms of the agreement. In the event of an unfriendly business combination attempt, the Shareholders' Rights will cause substantial dilution to the person attempting the business combination. The Shareholders' Rights should not interfere with any merger or other business combination that is in the best interest of the Company and its shareholders since the Shareholders' Rights may be redeemed.

14. Research and Development

Research and development costs amounted to $359,456 in 2011, $316,181 in 2010 and $338,908 in 2009. 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 $61,327 in 2011, $40,277 in 2010 and $50,739 in 2009. These costs are included in the total research and development cost for each of the respective years.

15. Financial Instruments

The Company's financial instruments consist primarily of Cash and cash equivalents, long-term investments, and Accounts receivable, net as well as obligations under Accounts payable, trade, Notes payable and Long-term debt. Due to their short-term nature, the carrying values for Cash and cash equivalents, Accounts receivable, net, Accounts payable, trade and Notes payable approximate fair value. The carrying value of Long-term debt (excluding leases) was $1,765,892 and $1,758,845 at June 30, 2011 and June 30, 2010, respectively, and was estimated to have a fair value of $1,902,221 and $1,925,397 at June 30, 2011 and June 30, 2010, respectively. The fair value of Long-term debt was estimated using discounted cash flow analyses based on the Company's current incremental borrowing rate for similar types of borrowing arrangements.

The Company 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.

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

Derivative financial instruments are recognized on the balance sheet as either assets or liabilities and are measured at fair value. Gains or losses on derivatives that are not hedges are adjusted to fair value through the Cost of sales caption in the Consolidated Statement of Income. Gains or losses on derivatives that are hedges are adjusted to fair value through Accumulated other comprehensive income (loss) in the Consolidated Balance Sheet until the hedged item is recognized in earnings.

During 2011, the Company entered into 10-year cross-currency swap contracts with an aggregate notional amount of approximately €235 million and designated the cross-currency swap contracts as a hedge of the Company's net investment in certain foreign subsidiaries whose functional currency is the euro. Also during 2011, the Company entered into forward exchange contracts with an aggregate notional amount of €200 million. The forward exchange contracts were entered into to hedge against foreign currency movements prior to the repayment of the Company's Euro bonds which matured in November 2010. The forward exchange contracts were settled in November 2010.

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

	Balance Sheet Caption	2011	2010
Net investment hedges			
Cross-currency swap contracts	Other liabilities	**$ 36,582**	$
Cash flow hedges			
Costless collar contracts	Accounts receivable	**638**	1,624
Costless collar contracts	Other accrued liabilities	**2,979**	2,334

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

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

	2011	2010	2009
Forward exchange contracts	**$19,048**	$	$
Costless collar contracts	**(6,624)**	(4,897)	(5,286)

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

	2011	2010
Cross-currency swap contracts	**$(22,600)**	$
Foreign denominated debt	**(50,581)**	40,955

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 2011, 2010 and 2009.

16. Fair Value Measurements

On July 1, 2009, the Company adopted new accounting guidance relating to fair value measurements of nonfinancial assets and nonfinancial liabilities, which includes goodwill and long-lived assets. These items are recognized at fair value when an impairment exists. No material fair value adjustments were made to the Company's nonfinancial assets and nonfinancial liabilities during 2011 and 2010.

A summary of financial assets and liabilities that were measured at fair value on a recurring basis at June 30, 2011 and June 30, 2010 is as follows:

	Total Value At June 30, 2011	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Derivatives	**$ 638**	**$**	**$ 638**	**$**
Liabilities:				
Derivatives	**39,561**		**39,561**	

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

Available for sale securities consisted of an investment in stock in an electronic and electrical equipment company. The fair value of available for sale securities was estimated using a market and income approach with equal weighting given to each approach. The market approach estimates a fair value by applying price-to-earnings multiples for similar companies that are publicly traded while the income approach estimates a fair value using a discounted cash flow analysis. During 2011, there were no purchases, sales, issuances or settlements of available for sale securities. During the third quarter of fiscal 2011, it was determined that the investment in the electronic and electrical equipment company had permanently declined to a fair value of zero and as a result an expense of $3,542 was recognized in Net income. Derivatives primarily consist of costless collar contracts, the fair value of which is calculated through a model that utilizes market observable inputs including both spot and forward prices for the same underlying currencies.

17. Contingencies

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

Parker ITR S.r.l. (Parker ITR), a subsidiary acquired on January 31, 2002, has been the subject of a number of lawsuits and regulatory investigations, the majority of which have either been settled or are pending an appeal filed by the Company. With respect to the lawsuits, the Company recognized $2,322 in expense in 2009. With respect to the regulatory investigations, the Company recognized $35,084 in expense in 2009 and $654 in expense in 2010. In 2011, the Company recognized income of $10,869 related to the insurance recovery of a portion of the expense incurred with respect to the regulatory investigations.

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, 2011, the Company had a reserve of $15,257 for environmental matters, which are probable and reasonably estimable. This reserve is recorded based upon the best estimate of costs to be incurred in light of the progress made in determining the magnitude of remediation costs, the timing and extent of remedial actions required by governmental authorities and the amount of the Company's liability in proportion to other responsible parties.

The Company's estimated total liability for environmental matters ranges from a minimum of $15.3 million to a maximum of $72.1 million. The largest range for any one site is approximately $6.1 million. The actual costs to be incurred by the Company will be dependent on final determination of contamination and required remedial action, negotiations with governmental authorities with respect to cleanup levels, changes in regulatory requirements, innovations in investigatory and remedial technologies, effectiveness of remedial technologies employed, the ability of other responsible parties to pay, and any insurance or other third-party recoveries.

18. **Quarterly Information** (Unaudited)

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

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

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.

19. **Stock Prices and Dividends** (Unaudited)

(In dollars)		1st	2nd	3rd	4th	Full Year
2011	**High**	**$72.12**	**$87.36**	**$95.00**	**$99.40**	**$ 99.40**
	Low	**54.26**	**67.52**	**82.80**	**83.65**	**54.26**
	Dividends	**.27**	**.29**	**.32**	**.37**	**1.25**
2010	High	$55.89	$59.36	$66.71	$72.50	$ 72.50
	Low	39.53	49.36	53.50	55.18	39.53
	Dividends	.25	.25	.25	.26	1.01
2009	High	$72.69	$52.52	$46.45	$48.45	$ 72.69
	Low	48.67	31.29	27.69	33.13	27.69
	Dividends	.25	.25	.25	.25	1.00

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, 2011. In making this assessment, we used the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission in "Internal Control-Integrated Framework." We concluded that based on our assessment, the Company's internal control over financial reporting was effective as of June 30, 2011.

Deloitte & Touche LLP, the independent registered accounting firm that audited the Company's consolidated financial statements, has issued an attestation report on the Company's internal control over financial reporting as of June 30, 2011, which is included herein.

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

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, 2011 and June 30, 2010, and the related consolidated statements of income, equity, and cash flows for each of the three years in the period ended June 30, 2011. 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, 2011, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, 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, 2011 and June 30, 2010, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2011, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2011, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ DELOITTE & TOUCHE LLP

Cleveland, Ohio
August 26, 2011

Five-Year Financial Summary

(Amounts in thousands, except per share information)	2011	2010	2009	2008	2007
Net sales	**$12,345,870**	$9,993,166	$10,309,015	$12,145,605	$10,718,059
Cost of sales	**9,387,457**	7,847,067	8,181,348	9,339,072	8,272,949
Selling, general and administrative expenses	**1,467,773**	1,277,080	1,290,379	1,364,082	1,226,861
Interest expense	**99,704**	103,599	112,071	98,996	83,414
Income taxes	**356,751**	198,452	172,939	377,058	329,236
Net Income attributable to common shareholders	**1,049,130**	554,065	508,515	949,466	830,046
Basic earnings per share	**6.51**	3.44	3.15	5.64	4.75
Diluted earnings per share	**$ 6.37**	$ 3.40	$ 3.13	$ 5.53	$ 4.68
Average number of shares outstanding - Basic	**161,126**	160,910	161,564	168,285	174,643
Average number of shares outstanding - Diluted	**164,798**	162,902	162,719	171,644	177,495
Cash dividends per share	**$ 1.250**	$ 1.010	$ 1.000	$ .840	$ .692
Net income attributable to common shareholders as a percent of net sales	**8.5%**	5.5%	4.9%	7.8%	7.7%
Return on average assets	**10.1%**	5.6%	5.0%	10.1%	10.0%
Return on average shareholders' equity	**21.5%**	12.8%	10.7%	19.1%	18.5%
Book value per share	**$ 34.71**	$ 27.09	$ 26.59	$ 31.35	$ 27.14
Working capital	**$ 1,914,213**	$1,383,905	$ 1,118,027	$ 1,912,369	$ 1,460,930
Ratio of current assets to current liabilities	**1.8**	1.6	1.6	1.9	1.8
Plant and equipment, net	**$ 1,797,179**	$1,697,881	$ 1,880,554	$ 1,926,522	$ 1,736,372
Total assets	**10,886,805**	9,910,382	9,855,902	10,386,854	8,441,413
Long-term debt	**1,691,086**	1,413,634	1,839,705	1,952,452	1,089,916
Shareholders' equity	**$ 5,383,854**	$4,367,965	$ 4,268,199	$ 5,251,553	$ 4,712,680
Debt to debt-shareholders' equity percent	**24.7%**	28.9%	35.2%	28.3%	21.4%
Depreciation	**$ 229,238**	$ 245,295	$ 252,599	$ 257,570	$ 245,058
Capital expenditures	**$ 207,294**	$ 129,222	$ 270,733	$ 280,327	$ 237,827
Number of employees	**58,409**	54,794	51,639	61,722	57,338
Number of shares outstanding at year-end	**155,091**	161,256	160,489	167,512	173,618

Exhibit (21)* to Report
on Form 10-K for
Fiscal Year Ended June 30, 2011
by Parker-Hannifin Corporation

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

Name of Subsidiary	State/Country of Incorporation
UNITED STATES	
Alkid Corp.	California
Winco Enterprises Inc.	California
Parker-Hannifin International Corp.	Delaware
Parker Hannifin Luxembourg Acquisitions LLC	Delaware
Parker Intangibles LLC	Delaware
Parker Italy (PH Espana Holding) LLC	Delaware
Parker Hannifin Holding EMEA LLC	Delaware
Parker Hannifin Outbound LLC	Delaware
Parker Hannifin Spain LLC	Delaware
Parker Italy Holding LLC	Delaware
PG Square LLC	Ohio
Parker Royalty Partnership	Ohio
Parker Hannifin Luxembourg Acquisitions Limited Co.	Texas
Parker-Hannifin Luxembourg Finance Limited Company	Texas
Parker Hannifin Luxembourg 1 Limited Company	Texas
INTERNATIONAL	
Parker Hannifin Argentina S.A.I.C.	Argentina
Parker Hannifin Australia Holding, Pty Limited	Australia
Parker Hannifin Australia Assets Pty Limited	Australia
Parker Hannifin (Australia) Pty Limited	Australia
Parker Hannifin Ges.m.b.H.	Austria
Parker Hannifin Manufacturing Austria GmbH	Austria
Parker Hannifin Manufacturing Holding Austria GmbH	Austria
Parker Hannifin Manufacturing Belgium BVBA	Belgium
Parker Hannifin Manufacturing Holding Belgium BVBA	Belgium
Parker Hannifin BeLux SPRL	Belgium
Parker Hannifin (Bermuda) Ltd.	Bermuda
Legris do Brasil Ltda.	Brazil
Parker Adesivos e Selantes Quimicos Industria e Comericio Ltda	Brazil
Parker Hannifin Industria e Comercio Ltda	Brazil
Parker Canada Holding Co	Canada
Parker Canada Investment Co.	Canada
Parker Canada Limited Partner Co	Canada
Parker Canada Management Inc.	Canada

Name of Subsidiary	State/Country of Incorporation
Parker Hannifin Canada	Canada
Parker Ontario Limited Partnership	Canada
9183-7252 Quebec Inc.	Canada
Parker Ontario Holdings Inc.	Canada
BAMT Ltd.	Channel Islands Jersey
ONSGAR Ltd.	Channel Islands Jersey
Parker Hannifin Chile Limitada	Chile
Ingeniera y Servicios Metalcrom Limitada	Chile
Parker Hannifin Motion & Control (Shanghai) Co. Ltd.	China
Shanghai Denison Hydraulics Components Limited **(1)**	China
Parker Hannifin Fluid Connectors (Qingdao) Co., Ltd.	China
Parker Shenyang Rubber Products Co., Ltd. **(2)**	China
Parker Hannifin Hydraulics (Tianjin) Co., Ltd.	China
Parker Hannifin Fluid Power Systems & Components Co., Ltd.	China
Parker Hannifin Refrigeration and Air Conditioning (Wuxi) Co., Ltd.	China
Parker Hannifin Electronic Material (Shenzhen) Co., Ltd.	China
Parker Hannifin Management (Shanghai) Co., Ltd. (China RHQ)	China
Rayco (Wuxi) Technologies Co., Ltd.	China
Parker Hannifin Fluid Connectors Co., Ltd	China
Taiyo Parker Fluidpower (Shanghai) Co., Ltd.	China
Parker Hannifin Motion & Control (Wuxi) Company Ltd.	China
Parker Hannifin Manufacturing Holding Czech Republic Sro	Czech Republic
Parker Hannifin Czech Republic sro	Czech Republic
Parker Hannifin Manufacturing Czech Republic (Sadska) s.r.o.	Czech Republic
Parker Hannifin Manufacturing Czech Republic (Chomutov) s.r.o.	Czech Republic
Parker Hannifin Manufacturing Holding Denmark ApS	Denmark
Parker Hannifin Manufacturing Denmark ApS	Denmark
Parker Hannifin Danmark A/S	Denmark
Parker Hannifin Manufacturing Finland OY	Finland
Parker Hannifin OY	Finland
Parker Hannifin France Holding SAS	France
Parker Hannifin France Manufacturing Finance SAS	France
Parker Hannifin France SAS	France
Parker Hannifin Gebaeudeverwaltung eins GmbH & Co. KG	Germany
Parker Hannifin Real Estate Holding GmbH	Germany
Parker Hannifin Gebaeudeverwaltung zwei Gmbh & Co. KG	Germany
Parker Hannifin GmbH	Germany
Parker Hannifin Holding GmbH	Germany
Parker Hannifin Manufacturing Germany GmbH & Co. KG	Germany
Parker Hannifin Verw. GmbH	Germany
Parker Hannifin (Gibraltar) Holding Ltd. (Gib1)	Gibraltar
Parker Hannifin (Gibraltar) Properties Ltd. (Gib7)	Gibraltar
Parker Hannifin Hong Kong, Ltd.	Hong Kong
Parker International Capital Mng Hungary Ltd.	Hungary

Name of Subsidiary	State/Country of Incorporation
Legris Hungary Ltd.	Hungary
Parker Hannifin India Private Ltd.	India
Annapurna Kenmore Tube Products Pvt. Ltd. **(2)**	India
Legris India Holding Private Ltd.	India
Legris India Private Ltd. **(3)**	India
Parker Sales (Ireland) Limited	Ireland
Acadia International Insurance Ltd	Ireland
Parker Marine Hose Products Srl	Italy
Parker Italy Holding S.r.l.	Italy
Parker ITR SRL	Italy
Parker Hannifin Srl	Italy
Parker Hannifin Manufacturing Holding Italy Srl	Italy
Parker Hannifin Japan Ltd.	Japan
Taiyo System (Tianjin) Co., Ltd.	Japan
Taiyo Ltd. **(4)**	Japan
Kuroda Pneumatics Ltd.	Japan
Taiyo Tech	Japan
Taiyo Techno	Japan
Parker Korea Ltd.	Korea
Parker Hannifin Climate & Industrial Controls Ltd.	Korea
Parker Hannifin Connectors Ltd.	Korea
Parker Mobile Control Division Asia Co., Ltd.	Korea
Parker Hannifin Europe S.a r.l.	Luxembourg
Parker Hannifin (Luxembourg) Sarl	Luxembourg
Parker Hannifin Luxembourg Finance S.a r.l.	Luxembourg
Parker Hannifin Outbound S.a r.l.	Luxembourg
Parker Hannifin Holding EMEA S.à.r.l.	Luxembourg
Parker Hannifin S.a.r.l.	Luxembourg
Parker Hannifin Luxembourg Acquisitions S.a r.l.	Luxembourg
Parker Hannifin Lux Finco S.à.r.l.	Luxembourg
Parker Hannifin Partnership S.C.S	Luxembourg
Parker Hannifin Bermuda Luxembourg S.C.S.	Luxembourg
Parker Hannifin Global Capital Management S.a.r.l.	Luxembourg
PH Luxembourg Investments 1 S.a.r.l.	Luxembourg
Parker Hannifin Industrial (M) Sdn Bhd	Malaysia
Parker Hannifin Malaysia Sdn. Bhd	Malaysia
Parker Hannifin Singapore Private (Malaysia Branch)	Malaysia
EmiTherm Sdn. Bhd.	Malaysia
Parker-Origa Sdn. Bhd	Malaysia
Parker Baja Servicios	Mexico
Parker Brownsville Servicios	Mexico
Parker Hannifin de Mexico, S.A. de C.V.	Mexico
Parker Hannifin Hldg S. de R.L. de C.V.	Mexico
Parker Industrial S. de R.L. de C.V.	Mexico

Name of Subsidiary	State/Country of Incorporation
Parker Servicio's de Mexico, S.A. de C.V.	Mexico
Parker Sistemas de Automatization S de R.L.	Mexico
Arosellos, S.A. de C.V.	Mexico
Parker Seal de Mexico S.A.	Mexico
Parker Hannifin Netherlands Holdings B.V.	Netherlands
Parker Hannifin VAS Netherlands B.V.	Netherlands
Parker Filtration B.V.	Netherlands
Parker Hannifin B.V.	Netherlands
Parker Hose BV	Netherlands
Parker Pneumatic BV	Netherlands
Parker Polyflex BV	Netherlands
Parker Hannifin Finance BV	Netherlands
Parker Filtration & Separation BV	Netherlands
Parker Hannifin Netherlands Holdings 2 B.V.	Netherlands
Parker Hannifin (N.Z.) Limited	New Zealand
Parker Hannifin A/S	Norway
Parker Hannifin VAS Norway AS	Norway
Parker Hannifin Holdings AS	Norway
Parker Maritime AS	Norway
Parker Scanrope AS	Norway
Scanrppe Eindom Nord AS	Norway
Parker Hannifin Manufacturing Holding Poland Sp. Z.o.o.	Poland
Parker Hannifin Sales Poland Sp. Z.o.o.	Poland
Parker Hannifin Sp. z.o.o.	Poland
Parker Hannifin Portugal LDA	Portugal
Parker Hannifin LLC	Russia
Legris Industries OOO	Russia
Parker Hannifin Singapore Pte. Ltd.	Singapore
Rayco Technologies Pte. Ltd.	Singapore
Rayco International Pte. Ltd.	Singapore
Parker Hannifin (Africa) Pty. Ltd.	South Africa
Tecknit Europe Espana, S.L.	Spain
Parker Hannifin Catera Industrial S.L.	Spain
Parker Hannifin (Espana) SL	Spain
Parker Hannifin Industries & Assets Holding SL	Spain
Parker Hannifin Manufacturing Holding Spain SL	Spain
Parker Hannifin Manufacturing Spain SL	Spain
Parker Hannifin AB	Sweden
Parker Hannifin Sweden Sales AB	Sweden
Tema Ingenjorsfirma AB	Sweden
Parker Hannifin Cartera Industrial, S.L. Torrejon de Ardoz (Espagne) succursale de Carouge	Switzerland
Parker Lucifer SA	Switzerland
Tema Marketing AG	Switzerland

Name of Subsidiary	State/Country of Incorporation
Parker Hannifin Europe Sarl, Luxembourg, Switzerland Branch, Etoy	Switzerland
Parker Hannifin Europe Sarl	Switzerland
Parker-Origa Holding Sarl	Switzerland
Parker Hannifin Taiwan Ltd.	Taiwan
Parker Hannifin (Thailand) Co. Ltd.	Thailand
KV Automation Thailand **(5)**	Thailand
Parker Hareket ve Kontrol Sistemeri Tic. Ltd Sirket	Turkey
Parker Lklim Kontrol Sistemleri Sanayi ve Tic AS	Turkey
Alenco (Holdings) Ltd.	UK
domnick hunter Group Ltd.	UK
domnick hunter Investments Limited	UK
Parker Hannifin UK Sales Limited	UK
Parker Hannifin GB Ltd.	UK
Parker Hannifin Ltd.	UK
Parker Hannifin (UK) Limited	UK
Parker Hannifin 2007 LLP	UK
ScanRope Ltd.	UK
Vansco Electronics (UK) Limited	UK
Parker-Origa Ltd.	UK
Legris Limited	UK
Parker Middle East FZE	United Arab Emirates
Parker Hannifin de Venezuela, S.A.	Venezuela
Parker Hannifin Vietnam Company Limited	Vietnam

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

All of the foregoing subsidiaries are included in the Company’s consolidated financial statements. In addition to the foregoing, the Company owns 47 inactive or name holding companies.

Exhibit (23) to Report
On Form 10-K for Fiscal
Year Ended June 30, 2011
By Parker-Hannifin Corporation

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-169069), and Form S-8 (Nos. 033-53193, 333-95477, 333-34542, 333-103181, 333-103633, 333-107691, 333-117761, 333-126957, 333-130123, and 333-164335) of our report dated August 26, 2011, 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, 2011.

/s/ DELOITTE & TOUCHE LLP
Cleveland, OH
August 26, 2011

Exhibit 24

Securities and Exchange Commission
Washington, D.C. 20549

Re: Parker-Hannifin Corporation

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

Gentlemen:

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

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

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

	Date
/s/ D. E. Washkewicz Donald E. Washkewicz, Chairman of the Board, Chief Executive Officer and President (Principal Executive Officer)	8/18/11
/s/ Jon P. Marten Jon P. Marten, Executive Vice President – Finance & Administration and Chief Financial Officer (Principal Financial Officer)	8/18/11
/s/ Catherine A. Suever Catherine A. Suever, Vice President and Controller (Principal Accounting Officer)	8/18/11
/s/ Robert G. Bohn Robert G. Bohn, Director	8/18/11
/s/ L. S. Harty Linda S. Harty, Director	8/18/11
/s/ W. E. Kassling William E. Kassling, Director	8/18/11
/s/ R. J. Kohlhepp Robert J. Kohlhepp, Director	8/18/11

	Date
/s/ K. P. Müller Klaus-Peter Müller, Director	8/18/11
/s/ Candy M. Obourn Candy M. Obourn, Director	8/18/11
/s/ Joseph M. Scaminace Joseph M. Scaminace, Director	8/18/11
/s/ Wolfgang R. Schmitt Wolfgang R. Schmitt, Director	8/18/11
/s/ Åke Svensson Åke Svensson, Director	8/18/11
/s/ Markos I. Tambakeras Markos I. Tambakeras, Director	8/18/11
/s/ James L. Wainscott James L. Wainscott, Director	8/18/11

Exhibit 31(i)(a)

CERTIFICATIONS

I, Donald E. Washkewicz, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 26, 2011

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

Exhibit 31(i)(b)

CERTIFICATIONS

I, Jon P. Marten, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 26, 2011

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

Exhibit 32

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Annual Report on Form 10-K of Parker-Hannifin Corporation (the “Company”) for the fiscal year ended June 30, 2011, 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, 2011

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

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