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

FORM 10-Q

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

For the quarterly period ended December 31, 2016

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 number 1-4982

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

OHIO	**34-0451060**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**
6035 Parkland Blvd., Cleveland, Ohio	**44124-4141**
(Address of principal executive offices)	**(Zip Code)**

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

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 Web site, 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 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 (check one):

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 ☒

Number of Common Shares outstanding at December 31, 2016 133,293,693

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PARKER-HANNIFIN CORPORATION
CONSOLIDATED STATEMENT OF INCOME
(Dollars in thousands, except per share amounts)
(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Net sales	$ 2,670,804	$ 2,705,590	$ 5,413,935	$ 5,574,938
Cost of sales	2,044,484	2,140,624	4,150,490	4,341,528
Gross profit	626,320	564,966	1,263,445	1,233,410
Selling, general and administrative expenses	336,578	314,666	659,547	684,880
Interest expense	33,444	34,297	67,592	70,057
Other (income), net	(64,424)	(13,877)	(76,661)	(27,056)
Income before income taxes	320,722	229,880	612,967	505,529
Income taxes	79,322	46,743	161,329	127,366
Net income	241,400	183,137	451,638	378,163
Less: Noncontrolling interest in subsidiaries' earnings	95	155	204	203
Net income attributable to common shareholders	$ 241,305	$ 182,982	$ 451,434	$ 377,960
Earnings per share attributable to common shareholders:				
Basic	$ 1.81	$ 1.35	$ 3.38	$ 2.78
Diluted	$ 1.78	$ 1.33	$ 3.33	$ 2.74
Cash dividends per common share	$ 0.63	$ 0.63	$ 1.26	$ 1.26

See accompanying notes to consolidated financial statements.

PARKER-HANNIFIN CORPORATION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Dollars in thousands)
(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	**2015**	**2016**	**2015**
Net income	$ 241,400	$ 183,137	$ 451,638	$ 378,163
Less: Noncontrolling interests in subsidiaries' earnings	95	155	204	203
Net income attributable to common shareholders	241,305	182,982	451,434	377,960
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustment and other	(261,914)	(91,177)	(253,734)	(203,357)
Retirement benefits plan activity	36,173	28,221	70,335	57,117
Other comprehensive (loss)	(225,741)	(62,956)	(183,399)	(146,240)
Less: Other comprehensive (loss) for noncontrolling interests	(69)	(34)	(20)	(131)
Other comprehensive (loss) attributable to common shareholders	(225,672)	(62,922)	(183,379)	(146,109)
Total comprehensive income attributable to common shareholders	$ 15,633	$ 120,060	$ 268,055	$ 231,851

See accompanying notes to consolidated financial statements.

PARKER-HANNIFIN CORPORATION

CONSOLIDATED BALANCE SHEET
(Dollars in thousands)

	(Unaudited) December 31, 2016	June 30, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,520,736	$ 1,221,653
Marketable securities and other investments	684,299	882,342
Trade accounts receivable, net	1,411,074	1,593,920
Non-trade and notes receivable	256,545	232,183
Inventories	1,241,593	1,173,329
Prepaid expenses	133,592	104,360
Total current assets	5,247,839	5,207,787
Plant and equipment	4,653,676	4,737,141
Less: Accumulated depreciation	3,147,475	3,169,041
	1,506,201	1,568,100
Deferred income taxes	482,136	605,155
Other assets	832,507	827,492
Intangible assets, net	849,692	922,571
Goodwill	2,813,238	2,903,037
Total assets	$ 11,731,613	$ 12,034,142
LIABILITIES		
Current liabilities:		
Notes payable and long-term debt payable within one year	$ 581,487	$ 361,787
Accounts payable, trade	997,189	1,034,589
Accrued payrolls and other compensation	269,805	382,945
Accrued domestic and foreign taxes	125,954	127,597
Other accrued liabilities	451,039	458,970
Total current liabilities	2,425,474	2,365,888
Long-term debt	2,653,560	2,652,457
Pensions and other postretirement benefits	1,766,209	2,076,143
Deferred income taxes	50,809	54,395
Other liabilities	304,583	306,581
Total liabilities	7,200,635	7,455,464
EQUITY		
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 at December 31 and June 30	90,523	90,523
Additional capital	597,197	628,451
Retained earnings	10,579,635	10,302,866
Accumulated other comprehensive (loss)	(2,411,144)	(2,227,765)
Treasury shares, at cost; 47,752,435 shares at December 31 and 47,033,896 shares at June 30	(4,328,502)	(4,218,820)
Total shareholders' equity	4,527,709	4,575,255
Noncontrolling interests	3,269	3,423
Total equity	4,530,978	4,578,678
Total liabilities and equity	$ 11,731,613	$ 12,034,142

See accompanying notes to consolidated financial statements.

PARKER-HANNIFIN CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Six Months Ended December 31, 2016	Six Months Ended December 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 451,638	$ 378,163
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	92,634	96,675
Amortization	56,451	59,418
Share incentive plan compensation	47,161	39,026
Deferred income taxes	70,976	(20,899)
Foreign currency transaction (gain) loss	(853)	8,169
Loss (gain) on sale of plant and equipment	310	(336)
Gain on sale of businesses	(44,930)	—
Gain on sale of marketable securities	(230)	(158)
Changes in assets and liabilities, net of effect of acquisitions:		
Accounts receivable, net	160,500	173,590
Inventories	(97,440)	3,346
Prepaid expenses	(31,038)	99,511
Other assets	(1,625)	(20,673)
Accounts payable, trade	(18,258)	(135,070)
Accrued payrolls and other compensation	(104,710)	(124,866)
Accrued domestic and foreign taxes	1,003	(26,003)
Other accrued liabilities	(4,705)	(21,611)
Pensions and other postretirement benefits	(176,993)	(120,488)
Other liabilities	4,285	(25,147)
Net cash provided by operating activities	404,176	362,647
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions (net of cash of $1,760 in 2016 and $3,814 in 2015)	(29,927)	(67,552)
Capital expenditures	(71,356)	(75,419)
Proceeds from sale of plant and equipment	4,991	8,506
Proceeds from sale of businesses	85,610	—
Purchases of marketable securities and other investments	(393,909)	(575,183)
Maturities of marketable securities and other investments	506,642	527,819
Other	241	(41,450)
Net cash provided by (used in) investing activities	102,292	(223,279)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of stock options	1,890	80
Payments for common shares	(196,000)	(410,129)
Proceeds from notes payable, net	226,499	574,299
Proceeds from long-term borrowings	—	1,689
Payments for long-term borrowings	(4,074)	(219,397)
Dividends	(168,990)	(171,707)
Net cash (used in) financing activities	(140,675)	(225,165)
Effect of exchange rate changes on cash	(66,710)	(47,293)
Net increase (decrease) in cash and cash equivalents	299,083	(133,090)
Cash and cash equivalents at beginning of year	1,221,653	1,180,584
Cash and cash equivalents at end of period	$ 1,520,736	$ 1,047,494

See accompanying notes to consolidated financial statements.

PARKER-HANNIFIN CORPORATION

BUSINESS SEGMENT INFORMATION
(Dollars in thousands)
(Unaudited)

The Company operates in two reportable business segments: Diversified Industrial and Aerospace Systems.

Diversified Industrial - This segment produces a broad range of motion-control and fluid systems and components used in all kinds of manufacturing, packaging, processing, transportation, mobile construction, refrigeration and air conditioning, agricultural and military machinery and equipment and has a significant portion of international operations. Sales are made directly to major original equipment manufacturers (OEMs) and through a broad distribution network to smaller OEMs and the aftermarket.

Aerospace Systems - This segment designs and manufactures products and provides aftermarket support for commercial, business jet, military and general aviation aircraft, missile and spacecraft markets. The Aerospace Systems Segment provides a full range of systems and components for hydraulic, pneumatic and fuel applications.

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Net sales				
Diversified Industrial:				
North America	$ 1,121,053	$ 1,160,774	$ 2,288,024	$ 2,447,104
International	1,005,968	992,464	2,020,891	2,030,911
Aerospace Systems	543,783	552,352	1,105,020	1,096,923
Total net sales	$ 2,670,804	$ 2,705,590	$ 5,413,935	$ 5,574,938
Segment operating income				
Diversified Industrial:				
North America	$ 184,013	$ 153,581	$ 384,624	$ 366,329
International	127,517	95,367	264,713	224,662
Aerospace Systems	72,516	81,764	145,797	155,767
Total segment operating income	384,046	330,712	795,134	746,758
Corporate general and administrative expenses	43,926	31,210	74,960	84,261
Income before interest expense and other expense	340,120	299,502	720,174	662,497
Interest expense	33,444	34,297	67,592	70,057
Other (income) expense	(14,046)	35,325	39,615	86,911
Income before income taxes	$ 320,722	$ 229,880	$ 612,967	$ 505,529

1. Management representation

In the opinion of the management of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the Company's financial position as of December 31, 2016, the results of operations for the three and six months ended December 31, 2016 and 2015 and cash flows for the six months then ended. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company’s 2016 Annual Report on Form 10-K. Interim period results are not necessarily indicative of the results to be expected for the full fiscal year.

The Company has evaluated subsequent events that have occurred through the date these financial statements were issued. No subsequent events have occurred that required adjustment to these financial statements.

2. New Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-04, Simplifying the Test for Goodwill Impairment." ASU 2017-04 eliminates Step 2 from the goodwill impairment test. Under the amendments in this Update, an entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. ASU 2017-04 also eliminates the requirement for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. ASU 2017-04 is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company does not believe the adoption of ASU 2017-04 will have a material effect on its financial statements.

In October 2016, the FASB issued ASU 2016-16, "Intra-Entity Transfers of Assets Other Than Inventory." ASU 2016-16 provides that an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Consequently, the amendments in ASU 2016-16 eliminate the exception for an intra-entity transfer of an asset other than inventory. ASU 2016-16 is effective for fiscal years, and interim periods within those years, beginning after December 31, 2017. Early adoption is permitted. The Company has not yet determined the effect that ASU 2016-16 will have on its financial statements.

In August 2016, the FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments." ASU 2016-15 provides specific guidance on several cash flow classification issues to reduce diversity in practice in how certain transactions are classified within the statement of cash flows. ASU 2016-15 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. Early adoption is permitted. The Company has not yet determined the effect that ASU 2016-15 will have on its financial statements.

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments." ASU 2016-13 requires a financial asset (or a group of financial assets) measured at amortized cost to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. Credit losses relating to available-for-sale debt securities should be recorded through an allowance for credit losses. ASU 2016-13 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. Early adoption is permitted. The Company has not yet determined the effect that ASU 2016-13 will have on its financial statements.

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting." Under ASU 2016-09, all excess tax benefits and deficiencies arising from employee share-based payment awards, and dividends on those awards, will be recognized in the income statement during the period in which they occur. ASU 2016-09 allows companies to make an accounting policy election to estimate forfeitures, as required today, or record them when they occur and allows companies to withhold an amount up to the maximum statutory tax rate without causing the award to be classified as a liability. Within the statement of cash flows, ASU 2016-09 requires excess tax benefits to be classified as an operating activity and cash payments to tax authorities in connection with shares withheld to be classified as a financing activity. The Company adopted ASU 2016-09 in the first quarter of fiscal 2017. In fiscal 2017, the Company applied the recognition of the excess tax benefits and deficiencies requirement on a prospective basis and recognized a discrete income tax benefit, which was recorded as a reduction to income tax expense, of $7,597 and $17,099 for the three and six months ended December 31, 2016, respectively. Prior to the adoption of ASU 2016-09, this excess tax benefit was recorded as an increase to additional capital. The cash flow

2. New Accounting Pronouncements, cont'd

classification requirements of ASU 2016-09 were applied retrospectively. As a result, for the six months ended December 31, 2015 cash flows from operating activities was increased by $16,019 and cash flows from financing activities was decreased by $16,019. The Company elected to continue to estimate forfeitures expected to occur rather than electing to account for forfeitures as they occur. The other provisions of ASU 2016-09 related to accounting for income taxes and minimum statutory share withholding tax requirements had no impact on the Company's financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases." ASU 2016-02 requires lessees to put most leases on their balance sheet by recognizing a liability to make lease payments and an asset representing their right to use the asset during the lease term. Lessee recognition, measurement, and presentation of expenses and cash flows will not change significantly from existing guidance. Lessor accounting is also largely unchanged from existing guidance. ASU 2016-02 requires qualitative and quantitative disclosures that provide information about the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted. The Company has not yet determined the effect that ASU 2016-02 will have on its financial statements.

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Liabilities." ASU 2016-01 requires equity investments (excluding equity method investments and investments that are consolidated) to be measured at fair value with changes in fair value recognized in net income. Equity investments that do not have a readily determinable fair value may be measured at cost, adjusted for impairment and observable price changes. The ASU also simplifies the impairment assessment of equity investments, eliminates the disclosure of the assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at cost on the balance sheet and requires the exit price to be used when measuring fair value of financial instruments for disclosure purposes. Under ASU 2016-01, changes in fair value (resulting from instrument-specific credit risk) will be presented separately in other comprehensive income for liabilities measured using the fair value option and financial assets and liabilities will be presented separately by measurement category and type either on the balance sheet or in the financial statement disclosures. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company has not yet determined the effect that ASU 2016-01 will have on its financial statements.

In April 2015, the FASB issued ASU 2015-03, "Interest - Imputation of Interest." ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in the ASU. ASU 2015-03 is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. During the first quarter of fiscal 2017, the Company retrospectively adopted ASU 2015-03 and has revised the following captions within the Consolidated Balance Sheet at June 30, 2016:

	As Previously Reported	Revised
Other assets	$ 850,088	$ 827,492
Notes payable and long-term debt payable within one year	361,840	361,787
Long-term debt	2,675,000	2,652,457

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers." ASU 2014-09 requires revenue recognition to depict the transfer of goods or services to customers in an amount that reflects the consideration that a company expects to be entitled to in exchange for the goods or services. To achieve this principle, a company must apply five steps including identifying the contract with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations, and recognizing revenue when (or as) the company satisfies the performance obligations. Additional quantitative and qualitative disclosure to enhance the understanding about the nature, amount, timing, and uncertainty of revenue and cash flows is also required. ASU 2014-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. In April 2016, the FASB issued ASU 2016-10, "Identifying Performance Obligations and Licensing." ASU 2016-10 clarifies the following two aspects of ASU 2014-09: identifying performance obligations and licensing implementation guidance. The effective date of ASU 2016-10 is the same as the effective date of ASU 2014-09. The Company has not yet determined the effect that ASU 2014-09 and ASU 2016-10 will have on its financial statements.

3. Earnings per share

The following table presents a reconciliation of the numerator and denominator of basic and diluted earnings per share for the three and six months ended December 31, 2016 and 2015.

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Numerator:				
Net income attributable to common shareholders	$ 241,305	$ 182,982	$ 451,434	$ 377,960
Denominator:				
Basic - weighted average common shares	133,320,109	135,373,356	133,499,744	136,108,930
Increase in weighted average common shares from dilutive effect of equity-based awards	2,492,651	1,692,091	2,096,963	1,679,289
Diluted - weighted average common shares, assuming exercise of equity-based awards	135,812,760	137,065,447	135,596,707	137,788,219
Basic earnings per share	$ 1.81	$ 1.35	$ 3.38	$ 2.78
Diluted earnings per share	$ 1.78	$ 1.33	$ 3.33	$ 2.74

For the three months ended December 31, 2016 and 2015, 848,657 and 3,534,042 common shares subject to equity-based awards, respectively, were excluded from the computation of diluted earnings per share because the effect of their exercise would be anti-dilutive. For the six months ended December 31, 2016 and 2015, 1,860,081 and 2,894,106 common shares subject to equity-based awards, respectively, were excluded from the computation of diluted earning per share because the effect of their exercise would be anti-dilutive.

4. Share repurchase program

The Company has a program to repurchase its common shares. On October 22, 2014, the Board of Directors of the Company approved an increase in the overall number of shares authorized for repurchase under the program so that, beginning on such date, the aggregate number of shares authorized for repurchase was 35 million. There is no limitation on the number of shares that can be repurchased in a fiscal year. Repurchases may be funded primarily from operating cash flows and commercial paper borrowings and the shares are initially held as treasury stock. During the three-month period ended December 31, 2016, the Company repurchased 379,602 shares at an average price, including commissions, of $131.72 per share. During the six-month period ended December 31, 2016, the Company repurchased 1,329,346 shares at an average price, including commissions, of $123.89 per share.

5. Trade accounts receivable, net

Trade accounts receivable are initially recorded at their net collectible amount and are generally recorded at the time the revenue from the sales transaction is recorded. Receivables are written off to bad debt primarily when, in the judgment of the Company, the receivable is deemed to be uncollectible due to the insolvency of the debtor. Allowance for doubtful accounts was $5,936 and $8,010 at December 31, 2016 and June 30, 2016, respectively.

6. Non-trade and notes receivable

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

	December 31, 2016	June 30, 2016
Notes receivable	$ 107,668	$ 102,400
Reverse repurchase agreements	50,000	—
Accounts receivable, other	98,877	129,783
Total	$ 256,545	$ 232,183

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

7. Inventories

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

	December 31, 2016	June 30, 2016
Finished products	$ 478,867	$ 458,657
Work in process	682,901	639,907
Raw materials	79,825	74,765
Total	$ 1,241,593	$ 1,173,329

8. Business realignment charges

The Company incurred business realignment charges in fiscal 2017 and fiscal 2016.

Business realignment charges presented in the Business Segment Information are as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Diversified Industrial	$ 6,814	$ 22,956	$ 17,559	$ 42,999
Aerospace Systems	1,083	235	1,083	1,980
Corporate general and administrative expenses	—	80	—	80
Other (income) expense	—	—	—	116

Work force reductions in connection with such business realignment charges in the Business Segment Information are as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Diversified Industrial	157	890	330	2,054
Aerospace Systems	37	9	37	66
Corporate general and administrative expenses	—	2	—	2

The charges primarily consist of severance costs related to actions taken under the Company's Simplification initiative aimed at reducing organizational and process complexity, as well as plant closures, with the majority of the charges incurred in Europe and North America. The Company believes the realignment actions will positively impact future results of operations but will not have a material effect on liquidity and sources and uses of capital.

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Cost of sales	$ 6,606	$ 18,258	$ 14,626	$ 32,931
Selling, general and administrative expenses	1,291	5,013	4,016	12,128
Other (income), net	—	—	—	116

As of December 31, 2016, approximately $5 million in severance payments had been made relating to charges incurred during fiscal 2017, the remainder of which are expected to be paid by December 31, 2017. Severance payments relating to prior-year actions are being made as required. Remaining severance payments related to current-year and prior-year actions of approximately $30 million are primarily reflected within the other accrued liabilities caption in the Consolidated Balance Sheet. Additional charges may be recognized in future periods related to the realignment actions described above, the timing and amount of which are not known at this time.

9. Equity

Changes in equity for the three months ended December 31, 2016 and 2015 are as follows:

	Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance at September 30, 2016	$ 4,647,281	$ 3,308	$ 4,650,589
Net income	241,305	95	241,400
Other comprehensive (loss)	(225,672)	(69)	(225,741)
Dividends paid	(84,176)	(65)	(84,241)
Stock incentive plan activity	(1,029)	—	(1,029)
Shares purchased at cost	(50,000)	—	(50,000)
Balance at December 31, 2016	$ 4,527,709	$ 3,269	$ 4,530,978

	Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance at September 30, 2015	$ 4,851,518	$ 3,233	$ 4,854,751
Net income	182,982	155	183,137
Other comprehensive (loss)	(62,922)	(34)	(62,956)
Dividends paid	(85,681)	(39)	(85,720)
Stock incentive plan activity	3,509	—	3,509
Shares purchased at cost	(90,000)	—	(90,000)
Balance at December 31, 2015	$ 4,799,406	$ 3,315	$ 4,802,721

Changes in equity for the six months ended December 31, 2016 and 2015 are as follows:

	Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance at June 30, 2016	$ 4,575,255	$ 3,423	$ 4,578,678
Net income	451,434	204	451,638
Other comprehensive (loss)	(183,379)	(20)	(183,399)
Dividends paid	(168,652)	(338)	(168,990)
Stock incentive plan activity	17,743	—	17,743
Shares purchased at cost	(164,692)	—	(164,692)
Balance at December 31, 2016	$ 4,527,709	$ 3,269	$ 4,530,978

	Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance at June 30, 2015	$ 5,104,287	$ 3,282	$ 5,107,569
Net income	377,960	203	378,163
Other comprehensive (loss)	(146,109)	(131)	(146,240)
Dividends paid	(171,668)	(39)	(171,707)
Stock incentive plan activity	34,936	—	34,936
Shares purchased at cost	(400,000)	—	(400,000)
Balance at December 31, 2015	$ 4,799,406	$ 3,315	$ 4,802,721

9. Equity, cont'd

Changes in accumulated other comprehensive (loss) in shareholders' equity by component for the six months ended December 31, 2016 and 2015 are as follows:

	Foreign Currency Translation Adjustment and Other	Retirement Benefit Plans	Total
Balance at June 30, 2016	$ (844,121)	$ (1,383,644)	$ (2,227,765)
Other comprehensive (loss) before reclassifications	(253,484)	—	(253,484)
Amounts reclassified from accumulated other comprehensive (loss)	(230)	70,335	70,105
Balance at December 31, 2016	$ (1,097,835)	$ (1,313,309)	$ (2,411,144)

	Foreign Currency Translation Adjustment and Other	Retirement Benefit Plans	Total
Balance at June 30, 2015	$ (641,018)	$ (1,097,600)	$ (1,738,618)
Other comprehensive (loss) before reclassifications	(203,133)	—	(203,133)
Amounts reclassified from accumulated other comprehensive (loss)	(93)	57,117	57,024
Balance at December 31, 2015	$ (844,244)	$ (1,040,483)	$ (1,884,727)

Significant reclassifications out of accumulated other comprehensive (loss) in shareholders' equity for the three and six months ended December 31, 2016 and 2015 are as follows:

Details about Accumulated Other Comprehensive (Loss) Components	Income (Expense) Reclassified from Accumulated Other Comprehensive (Loss)		Consolidated Statement of Income Classification
	Three Months Ended December 31, 2016	Six Months Ended December 31, 2016	
Retirement benefit plans			
Amortization of prior service cost and initial net obligation	$ (1,717)	$ (3,467)	See Note 11
Recognized actuarial loss	(54,558)	(106,218)	See Note 11
Total before tax	(56,275)	(109,685)	
Tax benefit	20,102	39,350	Income taxes
Net of tax	$ (36,173)	$ (70,335)	

9. Equity, cont'd

Details about Accumulated Other Comprehensive (Loss) Components	Income (Expense) Reclassified from Accumulated Other Comprehensive (Loss)		Consolidated Statement of Income Classification
	Three Months Ended December 31, 2015	Six Months Ended December 31, 2015	
Retirement benefit plans			
Amortization of prior service cost and initial net obligation	$ (1,643)	$ (3,686)	See Note 11
Recognized actuarial loss	(42,577)	(85,824)	See Note 11
Total before tax	(44,220)	(89,510)	
Tax benefit	15,999	32,393	Income taxes
Net of tax	$ (28,221)	$ (57,117)	

10. Goodwill and intangible assets

The changes in the carrying amount of goodwill for the six months ended December 31, 2016 are as follows:

	Diversified Industrial Segment	Aerospace Systems Segment	Total
Balance at June 30, 2016	$ 2,804,403	$ 98,634	$ 2,903,037
Acquisitions	7,483	—	7,483
Divestitures	(22,618)	—	(22,618)
Foreign currency translation and other	(74,648)	(16)	(74,664)
Balance at December 31, 2016	$ 2,714,620	$ 98,618	$ 2,813,238

Acquisitions represent the original goodwill allocation and final adjustments to purchase price allocations during the measurement period subsequent to the applicable acquisition dates. The impact of final purchase price allocation adjustments on the Company's results of operations and financial position were immaterial.

Divestitures primarily represent goodwill associated with the sale of a product line during the first six months of fiscal 2017 (see Note 14 for further discussion).

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

	December 31, 2016		June 30, 2016	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents	$ 140,516	$ 91,956	$ 150,914	$ 95,961
Trademarks	330,353	181,432	340,805	179,156
Customer lists and other	1,324,695	672,484	1,362,521	656,552
Total	$ 1,795,564	$ 945,872	$ 1,854,240	$ 931,669

Total intangible amortization expense for the six months ended December 31, 2016 was $52,130. The estimated amortization expense for the five years ending June 30, 2017 through 2021 is $94,703, $90,636, $84,418, $77,173 and $69,206, respectively.

Intangible assets are evaluated for impairment whenever events or circumstances indicate that the undiscounted net cash flows to be generated by their use over their expected useful lives and eventual disposition may be less than their net carrying value. No such events or circumstances occurred during the six months ended December 31, 2016.

11. Retirement benefits

Net pension benefit cost recognized included the following components:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Service cost	$ 23,116	$ 23,406	$ 47,339	$ 47,519
Interest cost	29,972	45,663	61,468	91,734
Special termination cost	—	7,088	—	7,088
Expected return on plan assets	(60,180)	(55,566)	(117,797)	(111,215)
Amortization of prior service cost	1,683	1,669	3,399	3,738
Amortization of net actuarial loss	54,325	42,299	105,752	85,268
Amortization of initial net obligation	5	4	10	8
Net pension benefit cost	$ 48,921	$ 64,563	$ 100,171	$ 124,140

During the three months ended December 31, 2016 and 2015, the Company recognized $1,116 and $5,608, respectively, in expense related to other postretirement benefits. During the six months ended December 31, 2016 and 2015, the Company recognized $2,232 and $6,695, respectively, in expense related to other postretirement benefits.

During the prior-year quarter, the Company provided enhanced retirement benefits in connection with a plant closure, which resulted in an increase in net pension benefit cost of $7,088 and an increase in expense related to other postretirement benefits of $4,521.

Beginning in fiscal 2017, the Company changed the method used to estimate the service and interest cost components of net periodic pension and other postretirement benefit costs. The new method uses the spot yield curve approach to estimate the service and interest costs by applying the specific spot rates along the yield curve used to determine the benefit obligations to relevant cash outflows. Previously, these costs were determined using a single-weighted average discount rate. The change does not affect the measurement of the Company's benefit obligations. The new method provides a more precise measure of service and interest costs by improving the correlation between projected benefit cash flows and the discrete spot yield curve rates and is accounted for as a change in estimate prospectively beginning the first quarter of fiscal 2017. As a result of the method change, net pension benefit cost for the current-year quarter and first six months of fiscal 2017 is lower than the prior-year quarter and first six months of fiscal 2016 by approximately $8 million and $17 million, respectively,

12. Income taxes

The Company and its subsidiaries file income tax returns in the United States and in various foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities throughout the world. The Company is open to assessment of its federal income tax returns by the U.S. Internal Revenue Service for fiscal years after 2011, and its state and local returns for fiscal years after 2006. The Company is also open to assessment for foreign jurisdictions for fiscal years after 2007. Unrecognized tax benefits reflect the difference between positions taken or expected to be taken on income tax returns and the amounts reflected in the financial statements.

As of December 31, 2016, the Company had gross unrecognized tax benefits of $133,075. The total amount of gross unrecognized tax benefits that, if recognized, would affect the effective tax rate was $77,901. If recognized, a significant portion of the gross unrecognized tax benefits would be offset against an asset currently recorded in the Consolidated Balance Sheet. The accrued interest related to the gross unrecognized tax benefits, excluded from the amounts above, is $13,613. It is reasonably possible that within the next 12 months the amount of gross unrecognized tax benefits could be reduced by up to approximately $100,000 as a result of the revaluation of existing uncertain tax positions arising from developments in the examination process or the closure of tax statutes. Any increase in the amount of gross unrecognized tax benefits within the next 12 months is expected to be insignificant.

13. Financial instruments

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

Marketable securities and other investments include deposits, which are recorded at cost, and investments classified as available-for-sale, which are recorded at fair value with unrealized gains and losses recorded in accumulated other comprehensive (loss). Gross unrealized gains and losses were not material as of December 31, 2016 and June 30, 2016. All of the available-for-sale investments in an unrealized loss position have been in that position for less than 12 months. There were no facts or circumstances that indicated the unrealized losses were other than temporary.

The contractual maturities of available-for-sale investments at December 31, 2016 and June 30, 2016 are as follows:

	December 31, 2016		June 30, 2016	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Less than one year	$ 15,784	$ 15,785	$ 29,960	$ 29,990
One to three years	148,806	149,105	144,100	144,625
Above three years	43,745	43,790	34,276	34,275

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

The carrying value of long-term debt and estimated fair value of long-term debt are as follows:

	December 31, 2016	June 30, 2016
Carrying value of long-term debt	$ 2,726,300	$ 2,733,140
Estimated fair value of long-term debt	2,924,259	3,133,989

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

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

The Company's Euro bonds, which matured in November 2015, and Japanese Yen credit facility have each been designated as a hedge of the Company's net investment in certain foreign subsidiaries. The translation of the Euro bonds and Japanese Yen credit facility into U.S. dollars is recorded in accumulated other comprehensive (loss) and remains there until the underlying net investment is sold or substantially liquidated.

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

13. Financial instruments, cont'd

The following summarizes the location and fair value of significant derivative financial instruments reported in the Consolidated Balance Sheet as of December 31, 2016 and June 30, 2016:

	Balance Sheet Caption	December 31, 2016	June 30, 2016
Net investment hedges			
Cross-currency swap contracts	Other assets	$ 32,828	$ 24,771
Cash flow hedges			
Costless collar contracts	Non-trade and notes receivable	536	—
Costless collar contracts	Other accrued liabilities	5,542	8,368

The cross-currency swap and costless collar contracts are reflected on a gross basis in the Consolidated Balance Sheet. The Company has not entered into any master netting arrangements.

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

Cross-currency swap contracts have been designated as hedging instruments. 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 for the three and six months ended December 31, 2016 and 2015 were not material.

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Cross-currency swap contracts	$ 8,907	$ 4,630	$ 5,019	$ 7,793
Foreign denominated debt	4,934	5,407	4,261	4,273

There was no ineffectiveness of the cross-currency swap contracts or foreign denominated debt, nor was any portion of these financial instruments excluded from the effectiveness testing, during the six months ended December 31, 2016 and 2015.

13. Financial instruments, cont'd

A summary of financial assets and liabilities that were measured at fair value on a recurring basis at December 31, 2016 and June 30, 2016 are as follows:

	Fair Value at December 31, 2016	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Equity securities	$ 1,711	$ 1,711	$ —	$ —
Government bonds	15,279	15,279	—	—
Corporate bonds	188,552	188,552	—	—
Asset-backed and mortgage-backed securities	4,848	—	4,848	—
Derivatives	32,991	—	32,991	—
Investments measured at net asset value	379,501			
Liabilities:				
Derivatives	8,557	—	8,557	—

	Fair Value at June 30, 2016	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Equity securities	$ 1,296	$ 1,296	$ —	$ —
Government bonds	15,764	15,764	—	—
Corporate bonds	184,380	184,380	—	—
Asset-backed and mortgage-backed securities	8,746	—	8,746	—
Derivatives	25,303	—	25,303	—
Investments measured at net asset value	361,770			
Liabilities:				
Derivatives	13,028	—	13,028	—

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

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

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

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

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

14. Acquisition and divestiture

Acquisition - On December 1, 2016, the Company announced that it had entered into a definitive agreement under which the Company will acquire CLARCOR, Inc. ("Clarcor") for approximately $4,300 million in cash, including the assumption of net debt. The acquisition remains subject to certain closing conditions, including approval by the shareholders of Clarcor. Based on the current date for Clarcor's special meeting of stockholders on February 23, 2017, and subject to the satisfaction of all closing conditions, the parties currently expect the pending Clarcor transaction to close on or about February 28, 2017. The Company intends to pay for the Clarcor acquisition with cash and new debt.

Divestiture - During the current-year quarter, the Company divested its Autoline product line, which is part of the Diversified Industrial Segment. The operating results and net assets of the Autoline product line were immaterial to the Company's consolidated results of operations and financial position. The Company recorded a net pre-tax gain in the current-year quarter of approximately $45 million related to the divestiture. The gain is reflected in the other income, net caption in the Consolidated Statement of Income and the other (income) expense caption in the Business Segment Information for the three and six months ended December 31, 2016.

**FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2016
AND COMPARABLE PERIODS ENDED DECEMBER 31, 2015**

OVERVIEW

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

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

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

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

	December 31, 2016	September 30, 2016	June 30, 2016
United States	54.7	51.5	53.2
Eurozone countries	54.9	52.6	52.8
China	51.9	50.1	48.6
Brazil	45.2	46.0	43.2

Global aircraft miles flown and revenue passenger miles have both increased approximately six percent from their comparable fiscal 2016 levels. The Company anticipates that U.S. Department of Defense spending with regard to appropriations and operations and maintenance for the U.S. Government's fiscal year 2017 will be approximately one percent higher than the comparable fiscal 2016 level.

Housing starts in December 2016 were approximately six percent higher than housing starts in December 2015 and approximately three percent higher than housing starts in June 2016.

The Company remains 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 has been able to borrow funds at affordable interest rates and had a debt to debt-shareholders' equity ratio of 41.8 percent at December 31, 2016 compared to 39.9 percent at June 30, 2016 and 40.7 percent at December 31, 2015.

The Company believes many opportunities for profitable growth are available. The Company intends to focus primarily on business opportunities in the areas of energy, water, food, environment, defense, life sciences, infrastructure and transportation. The Company believes it can meet its strategic objectives by:

- Serving the customer and continuously enhancing its experience with the Company;
- Successfully executing its Win Strategy initiatives relating to premier customer service, financial performance and profitable growth;
- Maintaining its decentralized division and sales company structure;

- Fostering a safety first and entrepreneurial culture;
- Engineering innovative systems and products to provide superior customer value through improved service, efficiency and productivity;
- Delivering products, systems and services that have demonstrable savings to customers and are priced by the value they deliver;
- Acquiring strategic businesses;
- Organizing around targeted regions, technologies and markets;
- Driving efficiency by implementing lean enterprise principles; and
- Creating a culture of empowerment through its values, inclusion and diversity, accountability and teamwork.

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

The discussion below is structured to separately discuss the Consolidated Statement of Income, Results by Business Segment, Consolidated Balance Sheet and Consolidated Statement of Cash Flows.

CONSOLIDATED STATEMENT OF INCOME

	Three Months Ended December 31,		Six Months Ended December 31,	
(dollars in millions)	**2016**	**2015**	**2016**	**2015**
Net sales	$ 2,670.8	$ 2,705.6	$ 5,413.9	$ 5,574.9
Gross profit	$ 626.3	$ 565.0	$ 1,263.4	$ 1,233.4
Gross profit margin	23.5%	20.9%	23.3%	22.1%
Selling, general and administrative expenses	$ 336.6	$ 314.7	$ 659.5	$ 684.9
Selling, general and administrative expenses, as a percent of sales	12.6%	11.6%	12.2%	12.3%
Interest expense	$ 33.4	$ 34.3	$ 67.6	$ 70.1
Other (income), net	$ (64.4)	$ (13.9)	$ (76.7)	$ (27.1)
Effective tax rate	24.7%	20.3%	26.3%	25.2%
Net income	$ 241.4	$ 183.1	$ 451.6	$ 378.2
Net income, as a percent of sales	9.0%	6.8%	8.3%	6.8%

Net sales for the current-year quarter decreased from the prior-year quarter primarily due to lower sales in the Diversified Industrial North American businesses and the Aerospace Systems Segment, partially offset by higher sales in the Diversified Industrial International businesses. Net sales for the first six months of fiscal 2017 decreased primarily due to lower sales in the Diversified Industrial North American businesses. The effect of currency rate changes decreased net sales by approximately $31 million in the current-year quarter ($24 million of which was attributable to the Diversified Industrial International businesses) and $35 million for the first six months of fiscal 2017 ($24 million of which was attributable to the Diversified Industrial International businesses). Acquisitions made in the last 12 months contributed approximately $8 million and $17 million in sales in the current-year quarter and first six months of fiscal 2017, respectively.

Gross profit margin increased in the current-year quarter and first six months of fiscal 2017 primarily due to lower operating expenses resulting from the Company's Simplification initiative and prior-year restructuring activities, primarily experienced in the Diversified Industrial Segment, partially offset by lower margins in the Aerospace Systems Segment. Foreign currency transaction gain (loss) (primarily relating to cash, marketable securities and other investments and intercompany transactions) included in cost of sales for the current-year quarter and prior-year quarter were $5.9 million and $(13.4) million, respectively, and $0.9 million and $(8.2) million, respectively. Pension cost included in cost of sales for the current-year quarter and prior-year quarter were $33.4 million and $46.6 million, respectively, and $67.3 million and $87.8 million for the first six months of fiscal 2017 and 2016, respectively. Cost of sales for the current-year quarter and prior-year quarter also included business realignment charges of $6.6 million and $18.3 million, respectively and $14.6 million and $32.9 million for the first six months of fiscal 2017 and 2016, respectively.

Selling, general and administrative expenses decreased for the current-year quarter and first six months of fiscal 2017 primarily due to lower selling expenses resulting from the decrease in sales and lower expenses resulting from the Company's Simplification initiative partially offset by higher acquisition expenses. Selling, general and administrative expenses includes higher expenses associated with the Company's incentive and deferred compensation programs in the current-year quarter and lower deferred compensation expenses for the first six months of fiscal 2017. Pension cost included in selling, general and administrative expenses for the current-year quarter and prior-year quarter was $15.5 million and $17.9 million, respectively, and $32.2 million and $37.6 million for the first six months of fiscal 2017 and 2016, respectively. Business realignment charges included in selling, general and administrative expenses were $1.3 million and $5.0 million for the current-year quarter and prior-year quarter, respectively, and $4.0 million and $12.1 million for the first six months of fiscal 2017 and 2016, respectively.

Interest expense for the current-year quarter decreased from the prior-year quarter primarily due to lower weighted-average borrowings. Interest expense for the first six months of fiscal 2017 decreased primarily due to lower weighted-average interest rates.

Other (income), net in the current-year quarter and first six months of fiscal 2017 includes income of $11.0 million and $19.1 million, respectively, related to equity method investments compared to $5.4 million and $10.6 million for the prior-year quarter and first six months of fiscal 2016, respectively. Other (income), net includes a gain of approximately $45 million in both the current-year quarter and first six months of fiscal 2017 related to the sale of a product line.

Effective tax rate for the current-year quarter was higher than the comparable prior-year period primarily due to a net decrease in discrete tax benefits, a decrease in benefits related to the U.S. Research and Development tax credit and the U.S. Manufacturing deduction, and an increase in estimated tax related to international activities. The effective tax rate for the first six months of fiscal 2017 was higher than the comparable prior-year period primarily due to a net decrease in discrete tax benefits. The Company expects the effective tax rate for fiscal 2017 will be approximately 27.5 percent.

RESULTS BY BUSINESS SEGMENT

Diversified Industrial Segment

	Three Months Ended December 31,		Six Months Ended December 31,	
(dollars in millions)	**2016**	**2015**	**2016**	**2015**
Net sales				
North America	$ 1,121.1	$ 1,160.8	$ 2,288.0	$ 2,447.1
International	1,006.0	992.5	2,020.9	2,030.9
Operating income				
North America	184.0	153.6	384.6	366.3
International	$ 127.5	$ 95.4	$ 264.7	$ 224.7
Operating margin				
North America	16.4%	13.2%	16.8%	15.0%
International	12.7%	9.6%	13.1%	11.1%
Backlog	$ 1,507.3	$ 1,448.0	$ 1,507.3	$ 1,448.0

The Diversified Industrial Segment operations experienced the following percentage changes in net sales in the current-year period versus the comparable prior-year period:

	Period Ending December 31,	
	Three Months	Six Months
Diversified Industrial North America – as reported	(3.4)%	(6.5)%
Acquisitions	— %	— %
Currency	(0.6)%	(0.4)%
Diversified Industrial North America – without acquisitions and currency	(2.8)%	(6.1)%
Diversified Industrial International – as reported	1.4 %	(0.5)%
Acquisitions	0.8 %	0.8 %
Currency	(2.4)%	(1.2)%
Diversified Industrial International – without acquisitions and currency	3.0 %	(0.1)%
Total Diversified Industrial Segment – as reported	(1.2)%	(3.8)%
Acquisitions	0.4 %	0.4 %
Currency	(1.4)%	(0.8)%
Total Diversified Industrial Segment – without acquisitions and currency	(0.2)%	(3.4)%

The above presentation reconciles the percentage changes in net sales of the Diversified Industrial Segment reported in accordance with U.S. GAAP to percentage changes in net sales adjusted to remove the effects of acquisitions made within the prior four fiscal quarters as well as the effects of currency exchange rates (a non-GAAP measure). The effects of acquisitions and currency exchange rates are removed to allow investors and the Company to meaningfully evaluate the percentage changes in net sales on a comparable basis from period to period.

Excluding the effects of acquisitions and changes in currency exchange rates, Diversified Industrial North American sales decreased for the current-year quarter and first six months of fiscal 2017 primarily due to lower demand from both distributors and end-users in most markets. The markets that experienced the largest decline in end-user demand were the heavy-duty truck, oil and gas, construction equipment, cars and light truck, and general industrial machinery markets. The increase in operating margins in the Diversified Industrial North American businesses for the current-year quarter and first six months of fiscal 2017 was primarily due to lower operating expenses resulting from prior-year restructuring activities and the Company's Simplification initiative and a favorable product mix, partially offset by the impact of the lower sales volume, resulting in manufacturing inefficiencies.

Excluding the effects of acquisitions and changes in currency exchange rates, Diversified Industrial International sales for the current-year quarter increased from the prior-year quarter primarily due to higher volume in the Asia Pacific Region and Latin America, partially offset by lower volume in Europe. For the first six months of fiscal 2017, Diversified Industrial International sales were essentially flat compared to the first six months of fiscal 2016 primarily due to higher volume in the Asia Pacific region and Latin America being offset by lower volume in Europe. Within the Asia Pacific region and Latin America, end-users in the construction equipment, car and light truck, heavy-duty truck and semiconductor markets contributed to the increase in sales during the current-year quarter and first six months of fiscal 2017, partially offset by a decrease in demand from distributors. Within Europe, the largest decrease in sales during the current-year quarter and first six months of fiscal 2017 was experienced from both distributors and end-users in the industrial machinery, cars and light truck and marine markets, partially offset by an increase in demand in the aerospace market. A decrease in sales in the oil and gas market was experienced within Europe in the first six months of fiscal 2017. The increase in operating margins in the Diversified Industrial International businesses for the current-year quarter and first six months of fiscal 2017 was primarily due to lower operating expenses resulting from prior-year restructuring activities and the Company's Simplification initiative, partially offset by the impact of an unfavorable product mix. Higher sales volume also contributed to the increase in operating margin in the current-year quarter.

The following business realignment expenses are included in Diversified Industrial North American and Diversified Industrial International operating income:

(dollars in millions)	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015	Six Months Ended December 31, 2016	Six Months Ended December 31, 2015
Diversified Industrial North America	$ 2.3	$ 8.8	$ 6.0	$ 17.0
Diversified Industrial International	4.5	14.1	11.5	26.0

The business realignment charges primarily consist of severance costs related to actions taken under the Company's Simplification initiative implemented by operating units throughout the world as well as plant closures. The majority of the Diversified Industrial International business realignment charges were incurred in Europe. The Company anticipates that cost savings realized from the work force reduction measures taken during the first six months of fiscal 2017 will increase annual operating income in both the Diversified Industrial North American and Diversified Industrial International businesses by one percent in both fiscal 2017 and fiscal 2018. The Company expects to continue to take the actions necessary to structure appropriately the operations of the Diversified Industrial Segment. Such actions are expected to result in approximately $28 million of additional business realignment charges in the remainder of fiscal 2017.

Diversified Industrial Segment backlog increased from the prior-year quarter as orders exceeded shipments in the International businesses, partially offset by shipments exceeding orders in the North American businesses. Within the International businesses, backlog in Europe represented approximately 25 percent of the increase and the Asia Pacific region represented approximately 75 percent of the increase. Diversified Industrial Segment backlog increased from the June 30, 2016 amount of $1,455.3 million as orders exceeded shipments in both the International and North American businesses. Within the International businesses, backlog in Europe represented approximately 45 percent of the increase and backlog in the Asia Pacific region represented approximately 55 percent of the increase. Backlog consists of written firm orders from a customer to deliver products and, in the case of blanket purchase orders, only includes the portion of the order for which a schedule or release date has been agreed to with the customer. The dollar value of backlog is equal to the amount that is expected to be billed to the customer and reported as a sale. The Company anticipates Diversified Industrial North American sales for fiscal 2017 will decrease between five percent and one percent from their fiscal 2016 level and Diversified Industrial International sales for fiscal 2017 will range from a decrease of one percent to an increase of three percent from their fiscal 2016 level. Diversified Industrial North American operating margins in fiscal 2017 are expected to range from 17.2 percent to 17.6 percent and Diversified Industrial International operating margins in fiscal 2017 are expected to range from 12.8 percent to 13.2 percent.

Aerospace Systems Segment

(dollars in millions)	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015	Six Months Ended December 31, 2016	Six Months Ended December 31, 2015
Net sales	$ 543.8	$ 552.4	$ 1,105.0	$ 1,096.9
Operating income	$ 72.5	$ 81.8	$ 145.8	$ 155.8
Operating margin	13.3%	14.8%	13.2%	14.2%
Backlog	$ 1,664.9	$ 1,720.6	$ 1,664.9	$ 1,720.6

The decrease in net sales in the Aerospace Systems Segment for the current-year quarter was primarily due to lower volume in the commercial original equipment manufacturer (OEM) and aftermarket businesses, partially offset by higher volume in the military OEM and aftermarket businesses. The increase in net sales for the first six months of fiscal 2017 was primarily due to higher volume in the commercial aftermarket and military OEM and aftermarket businesses, partially offset by lower volume in the commercial OEM business. The lower operating margin in the current-year quarter was primarily due to the lower sales volume, partially offset by higher aftermarket profitability, lower operating expenses and lower engineering development expenses. The lower operating margin for the first six months of fiscal 2017 was primarily due to higher warranty costs, partially offset by higher aftermarket profitability, lower operating expenses and lower engineering development expenses. Operating margins in the current-year quarter and first six months of fiscal 2017 were also lower as the prior-year comparable periods benefited from favorable contract settlements.

The decrease in backlog from the prior-year quarter is due to shipments exceeding orders in the commercial OEM business, partially offset by orders exceeding shipments in the military OEM business and commercial and military aftermarket businesses. The decrease in backlog from the June 30, 2016 amount of $1,761.7 million was primarily due to shipments exceeding orders in the commercial and military OEM businesses, partially offset by orders exceeding shipments in the commercial and military aftermarket businesses. Backlog consists of written firm orders from a customer to deliver products and, in the case of blanket purchase orders, only includes the portion of the order for which a schedule or release date has been agreed to with the customer. The dollar value of backlog is equal to the amount that is expected to be billed to the customer and reported as a sale. For fiscal 2017, sales are expected to increase between one percent and three percent from the fiscal 2016 level and operating margins are expected to range from 14.9 percent to 15.1 percent. A higher concentration of commercial OEM volume in future product mix and higher than expected new product development costs could result in lower margins.

Corporate general and administrative expenses

Corporate general and administrative expenses were $43.9 million in the current-year quarter compared to $31.2 million in the comparable prior-year quarter and were $75.0 million for the first six months of fiscal 2017 compared to $84.3 million for the first six months of fiscal 2016. As a percent of sales, corporate general and administrative expenses increased to 1.6 percent in the current-year quarter from 1.2 percent in the prior-year quarter and decreased to 1.4 percent in the first six months of fiscal 2017 from 1.5 percent in the first six months of fiscal 2016. The higher expense in the current-year quarter is primarily due to higher net expenses associated with the Company's incentive and deferred compensation programs. The lower expense for the first six months of fiscal 2017 is primarily due to lower net expenses associated with the Company's deferred compensation program.

Other (income) expense (in the Results By Business Segment) included the following:

(dollars in millions)	**Three Months Ended December 31,**		**Six Months Ended December 31,**	
Expense (income)	**2016**	**2015**	**2016**	**2015**
Foreign currency transaction	$ (5.9)	$ 13.4	$ (0.9)	$ 8.2
Stock-based compensation	8.6	8.2	35.1	32.7
Pensions	19.0	27.1	40.5	57.0
Divestitures and asset sales and writedowns	(44.0)	(1.1)	(44.6)	(1.8)
Acquisition expenses	16.1	0.1	16.1	0.2
Other items, net	(7.8)	(12.4)	(6.6)	(9.4)
	$ (14.0)	$ 35.3	$ 39.6	$ 86.9

Foreign currency transaction primarily relates to the impact of changes in foreign exchange rates on cash, marketable securities and other investments and intercompany transactions. The lower pension expense in the current-year quarter and first six months of fiscal 2017 is primarily due to the use of the spot yield curve approach to estimate the interest cost component of net periodic pension cost. Previously, this cost component of net periodic pension cost was estimated using a single-weighted average discount rate. Divestitures and asset sales and writedowns for the current-year quarter and first six months of fiscal 2017 includes a gain on the sale of the Company's Autoline product line. Acquisition expenses for the current-year quarter and first six months of fiscal 2017 primarily relate to the pending CLARCOR Inc. ("Clarcor) acquisition. See Note 14 to the Consolidated Financial Statements for further discussion of the gain and pending acquisition.

CONSOLIDATED BALANCE SHEET

(dollars in millions)	December 31, 2016	June 30, 2016
Cash	$ 2,205.0	$ 2,104.0
Trade accounts receivable, net	1,411.1	1,593.9
Inventories	1,241.6	1,173.3
Notes payable and long-term debt payable within one year	581.5	361.8
Shareholders' equity	4,527.7	4,575.3
Working capital	$ 2,822.4	$ 2,841.9
Current ratio	2.16	2.20

Cash (comprised of cash and cash equivalents and marketable securities and other investments) includes $2,156 million and $2,065 million held by the Company's foreign subsidiaries at December 31, 2016 and June 30, 2016, respectively. Generally, cash and cash equivalents and marketable securities and other investments held by foreign subsidiaries are not readily available for use in the United States without adverse tax consequences. The Company's principal sources of liquidity are its cash flows provided by operating activities, commercial paper borrowings or borrowings directly from its line of credit. The Company does not believe the amount of cash held outside the U.S. will have an adverse effect on working capital needs, planned growth, repayment of maturing debt, benefit plan funding, dividend payments or share repurchases.

Trade accounts receivable, net are receivables due from customers for sales of product. Days sales outstanding relating to trade accounts receivable was 49 days at both December 31, 2016 and June 30, 2016. The Company believes that its receivables are collectible and appropriate allowances for doubtful accounts have been recorded.

Inventories as of December 31, 2016 increased $68 million (which includes a decrease of $29 million from the effect of foreign currency translation) compared to June 30, 2016. The increase in inventories was in both the Diversified Industrial Segment and Aerospace Systems Segment, with approximately 40 percent of the increase occurring in the Diversified Industrial International businesses, 35 percent of the increase occurring in the Aerospace Systems Segment and 25 percent of the increase occurring in the Diversified Industrial North American businesses. Days supply of inventory was 72 days at December 31, 2016, 62 days at June 30, 2016 and 74 days at December 31, 2015.

Notes payable and long-term debt payable within one year as of December 31, 2016 increased from the June 30, 2016 amount due primarily to higher commercial paper notes outstanding.

Shareholders' equity activity during the first six months of fiscal 2017 included a decrease of approximately $165 million as a result of share repurchases and a decrease of approximately $254 million as a result of foreign currency translation.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Six Months Ended December 31,	
(dollars in millions)	2016	2015
Cash provided by (used in):		
Operating activities	$ 404.2	$ 362.6
Investing activities	102.3	(223.3)
Financing activities	(140.7)	(225.2)
Effect of exchange rates	(66.7)	(47.3)
Net increase (decrease) in cash and cash equivalents	$ 299.1	$ (133.2)

Cash flows provided by operating activities for the first six months of fiscal 2017 was higher than the prior-year first six months primarily due to higher net income partially offset by an increase in cash used for working capital items. The Company continues to focus on managing its inventory and other working capital requirements. Cash flows provided by operating activities includes voluntary cash contributions made to the Company's domestic qualified pension plan of $220 million and $200 million in the first six months of fiscal 2017 and prior-year first six months, respectively.

Cash flows provided by investing activities was higher in the first six months of fiscal 2017 primarily due to the impact of the sale of a product line as well as a decrease in both marketable securities and other investments activity and acquisition activity.

Cash flows used in financing activities for the first six months of fiscal 2017 includes $222 million of net commercial paper borrowings versus $357 million of net commercial paper borrowings in prior-year first six months. Cash flows used in financing activities includes repurchase activity under the Company's share repurchase program. The Company repurchased 1.3 million common shares for $165 million in the first six months of fiscal 2017 as compared to the repurchase of 3.7 million common shares for $400 million in the prior-year first six months.

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 a 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. From time to time, such as at December 31, 2016 and at June 30, 2016, fluctuations in cash flows from operations or capital deployment actions may cause the ratio of debt to debt-shareholders' equity to exceed the 37 percent goal. The Company does not believe that its ability to borrow funds at affordable interest rates will be impacted if the debt to debt-shareholders' ratio exceeds the 37 percent goal.

(dollars in millions) **Debt to Debt-Shareholders' Equity Ratio**	**December 31, 2016**	**June 30, 2016**
Debt (excluding debt issuance costs)	$ 3,257	$ 3,037
Debt & Shareholders' equity	$ 7,784	$ 7,612
Ratio	41.8%	39.9%

At December 31, 2016, the Company had a line of credit totaling $2,000 million through a multi-currency revolving credit agreement with a group of banks, $1,470 million of which was available. The credit agreement expires in October 2021; however, the Company has the right to request a one-year extension of the expiration date on an annual basis, which request may result in changes to the current terms and conditions of the credit agreement. Advances from the credit agreement can be used for general corporate purposes, including acquisitions, and for the refinancing of existing indebtedness. The credit agreement requires the payment of an annual facility fee, the amount of which may 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.

As of December 31, 2016, the Company was authorized to sell up to $1,850 million of short-term commercial paper notes. As of December 31, 2016, $530 million commercial paper notes were outstanding and the largest amount of commercial paper notes outstanding during the second quarter of fiscal 2017 was $624 million.

As discussed in Note 14 to the Consolidated Financial Statements, the Company has entered into a definitive agreement to acquire Clarcor for $4,300 million in cash, including the assumption of debt. The acquisition remains subject to certain closing conditions, including approval by the shareholders of Clarcor. The Company intends to pay for the Clarcor acquisition with cash and new debt.

The Company's credit agreements and indentures governing certain debt securities 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. Based on the Company's rating level at December 31, 2016, 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.

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;
- CLARCOR's potential inability to realize anticipated benefits of the strategic supply partnership with General Electric Company;
- disputes regarding contract terms or significant changes in financial condition, changes in contract cost and revenue estimates for new development programs, and changes in product mix;
- ability to identify acceptable strategic acquisition targets; uncertainties surrounding timing, successful completion or integration of acquisitions and similar transactions; ability to successfully divest businesses planned for divestiture and realize the anticipated benefits of such divestitures;
- the determination to undertake business realignment activities and the expected costs thereof and, if undertaken, the ability to complete such activities and realize the anticipated cost savings from such activities;
- ability to implement successfully the capital allocation initiatives, including timing, price and execution of share repurchases;
- availability, limitations or cost increases of raw material, component products and/or commodities that cannot be recovered in product pricing;
- ability to manage costs related to insurance and employee retirement and health care benefits;
- compliance costs associated with environmental laws and regulations;
- potential labor disruptions;
- threats associated with and efforts to combat terrorism and cyber-security risks;
- uncertainties surrounding the ultimate resolution of outstanding legal proceedings, including the outcome of any appeals;
- competitive market conditions and resulting effects on sales and pricing; and
- global economic factors, including manufacturing activity, air travel trends, currency exchange rates, difficulties entering new markets and general economic conditions such as inflation, deflation, interest rates and credit availability.

The Company makes these statements as of the date of this disclosure, and undertakes no obligation to update them unless otherwise required by law.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Derivative financial instruments are recognized on the Consolidated Balance Sheet as either assets or liabilities and are measured at fair value. Further information on the fair value of these contracts is provided in Note 13 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 (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 (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.

ITEM 4. 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 December 31, 2016. Based on this evaluation, the Company's principal executive officer and principal financial officer concluded that, as of December 31, 2016, the Company's disclosure controls and procedures were effective.

There was no change in the Company's internal control over financial reporting during the quarter ended December 31, 2016 that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(a) ***Unregistered Sales of Equity Securities.*** Not applicable.

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

(c) ***Issuer Purchases of Equity Securities.***

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (1)
October 1, 2016 through October 31, 2016	134,891	$ 124.00	134,891	18,232,470
November 1, 2016 through November 30, 2016	125,700	$ 130.30	125,700	18,106,770
December 1, 2016 through December 31, 2016	119,011	$ 141.90	119,011	17,987,759
Total:	379,602	$ 131.70	379,602	17,987,759

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

ITEM 6. Exhibits.

The following documents are furnished as exhibits and are numbered pursuant to Item 601 of Regulation S-K:

Exhibit No.	Description of Exhibit
10(a)	Parker-Hannifin Corporation 2016 Omnibus Stock Incentive Plan incorporated by reference to Annex B to the Registrant's Definitive Proxy Statement filed with the Securities and Exchange Commission on September 26, 2016 (Commission File No. 1-4982).
10(b)	Parker-Hannifin Corporation Amended and Restated Savings Restoration Plan, effective January 1, 2016.*
12	Computation of Ratio of Earnings to Fixed Charges as of December 31, 2016.*
31(a)	Certification of the Principal Executive Officer Pursuant to 17 CFR 240.13a-14(a), as Adopted Pursuant to §302 of the Sarbanes-Oxley Act of 2002.*
31(b)	Certification of the Principal Financial Officer Pursuant to 17 CFR 240.13a-14(a), as Adopted Pursuant to §302 of the Sarbanes-Oxley Act of 2002.*
32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to §906 of the Sarbanes-Oxley Act of 2002. *
101.INS	XBRL Instance Document.*
101.SCH	XBRL Taxonomy Extension Schema Document.*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document. *
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.*

* Submitted electronically herewith.

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statement of Income for the three months ended December 31, 2016 and 2015, (ii) Consolidated Statement of Income for the six months ended December 31, 2016 and 2015, (iii) Consolidated Statement of Comprehensive Income for the three months ended December 31, 2016 and 2015, (iv) Consolidated Statement of Comprehensive Income for the six months ended December 31, 2016 and 2015, (v) Consolidated Balance Sheet at December 31, 2016 and June 30, 2016, (vi) Consolidated Statement of Cash Flows for the six months ended December 31, 2016 and 2015, and (vii) Notes to Consolidated Financial Statements for the six months ended December 31, 2016.

SIGNATURE

Pursuant to the requirements 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
(Registrant)

/s/ Catherine A. Suever

Catherine A. Suever
Vice President and Controller,
Acting Chief Financial Officer
(Principal Financial Officer)

Date: February 7, 2017

EXHIBIT INDEX

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Exhibit 10(b)

PARKER-HANNIFIN CORPORATION
AMENDED AND RESTATED
SAVINGS RESTORATION PLAN

Adopted: December 13, 2016
Effective: January 1, 2016

Parker-Hannifin Corporation, an Ohio corporation, (the "Company"), established this Savings Restoration Plan (the "Plan"), originally effective October 1, 1994, for the purpose of attracting high quality executives and promoting in its executives increased efficiency and an interest in the successful operation of the Company by restoring some of the deferral opportunities and employer-provided benefits that are lost under The Parker Retirement Savings Plan due to legislative limits.

The Plan has been amended and restated from time to time. The Plan underwent significant and comprehensive changes when it was amended during December 2005 to provide for certain transitional rules and was amended and restated as of July 21, 2008 and such other dates as specified herein to reflect the requirements of the American Jobs Creation Act ("the Act") with respect to the terms and conditions applicable to amounts that are deferred under the Savings Restoration Plan after December 31, 2004 and subject to Section 409A of the Code. Except as otherwise specifically provided in Sections 4.1(a), 6.2(a)(iii), 6.2(b)(ii) and 8.4 of this Plan, all benefits deferred and vested under the Plan prior to January 1, 2005 and any additional amounts that are not subject to Section 409A of the Code, including the portion of a Participant's Excess RIA Account that was vested under the terms of the Plan in effect on December 31, 2004 and earnings thereon, (the "Grandfathered Amounts") shall continue to be subject solely to the terms of the separate Plan as in effect on December 31, 2004. The Plan will be administered in a manner consistent with the Act and Section 409A of the Code and any Regulations or other guidance thereunder and any provision in the Plan that is inconsistent with Section 409A of the Code shall be void and without effect. Notwithstanding anything else in the Plan to the contrary, nothing herein shall be read to preclude the Plan from using any transition rules permitted under the Act, provided that no action will be permitted with respect to the Grandfathered Amounts that will subject such amounts to Section 409A of the Code.

The Plan is hereby amended and restated in its entirety as of January 1, 2016.

ARTICLE 1 DEFINITIONS

1.1. Account shall mean the notional account established for record-keeping purposes for a Participant pursuant to Article 5. The term Account shall include the Restoration Account and/or the Excess RIA Account, as applicable.

1.2. Adjusted Matching Percentage shall mean the sum of 100% of the first 3% of a Participant's Total Deferral Percentage, plus 50% of the next 2% of the Participant's Total Deferral Percentage. The maximum Adjusted Matching Percentage for any Plan Year shall be 4%.

1.3. Administrator shall mean the Parker Total Rewards Administration Committee of the Company or, if applicable, the administration subcommittee appointed by the Parker Total Rewards Administration Committee with respect to the Plan.

1.4. Affiliated Group shall mean the Company and all entities with which the Company would be considered a single employer under Sections 414(b) and 414(c) of the Code, provided that in applying Section 1563(a)(1), (2), and (3) of the Code for purposes of determining a controlled group of corporations under Section 414(b) of the Code, the language "at least 50 percent" is used instead of "at least 80 percent" each place it appears in Section 1563(a)(1), (2), and (3) of the Code, and in applying Section 1.414(c)-2 of the Treasury Regulations for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Section 414(c) of the Code, "at least 50 percent" is used instead of "at least 80 percent" each place it appears in that regulation. Such term shall be interpreted in a manner consistent with the definition of "service recipient" contained in Section 409A of the Code.

1.5. Annual Deferral shall mean the amount of Compensation which the Participant elects to defer for a Plan Year pursuant to Articles 2 and 3.

1.6. Annualized Base Salary shall mean a Participant's annualized base salary, determined by the Administrator as of November 1 of the calendar year immediately preceding the Plan Year for which the Matching Limit is being determined.

1.7. Applicable Dollar Amount shall mean the "applicable dollar amount" determined under Section 402(g)(1)(B) of the Code for the Plan Year for which the Matching Limit is being determined.

1.8. Beneficiary shall mean the person or persons or entity designated as such in accordance with Article 14.

1.9. Change in Control means the occurrence of one of the following events:

(a)A change in ownership of the Company, which occurs on the date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total voting power of the stock of the Company. Notwithstanding the foregoing, if any one person or group is considered to own more than 50% of the total voting power of the stock of the Company, the acquisition of additional stock by the same person or group is not considered to cause a change in the ownership of the Company or a change in the effective control of the Company (within the meaning of Section 1.9(b) of this Plan). Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires ownership of more than 50% of the total voting power of the stock of the Company as a result of the acquisition by the Company of stock of the Company which, by reducing the number of shares outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change in Control would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional stock of the Company that increases the percentage of outstanding shares of stock of the Company owned by such person, a Change in Control shall then occur.

(b)A change in effective control of the Company, which occurs on either of the following dates:

(i)The date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) ownership of stock of the Company possessing 30% or more of the total voting power of the Company. Notwithstanding the foregoing, if any one person or group is considered to own 30% or more of the total voting power of the stock of the Company, the acquisition of additional stock by the same person or group is not considered to cause a change in the effective control of the Company or a change in ownership of the Company (within the meaning of Section 1.9(a) of this Plan). Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires ownership of more than 30% of the total voting power of the stock of the Company as a result of the acquisition by the Company of stock of the Company which, by reducing the number of shares outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change in Control would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional stock of the Company that increases the percentage of outstanding shares of stock of the Company owned by such person, a Change in Control shall then occur.

(ii)The date that a majority of the Company's board of directors is replaced during any 12-month period by directors whose appointment or election was not endorsed by a majority of the members of the board prior to the date of such appointment or election.

(c)a change in the ownership of a substantial portion of the Company's assets, which occurs on the date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) assets that have a total gross fair market value equal to or more than 65% of the total gross fair market value of all the assets of the Company immediately before such acquisition or acquisitions. The gross fair market value of assets shall be determined without regard to liabilities associated with such assets. Notwithstanding the foregoing, a transfer of assets shall not result in a change in ownership of a substantial portion of the Company's assets if such transfer is to: (i) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock, (ii) an entity 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (iii) a person or group (within the meaning of the Regulations under Section 409A of the Code) that owns, directly or indirectly, 50% or more of the total value or voting power of the stock of the Company, or (iv) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly by a person or group described in Section 1.9(c)(iii) of this Plan.

Notwithstanding Sections 1.9(a), 1.9(b)(i) and 1.9(c) above, the consummation of a merger, consolidation, share exchange or similar form of corporate reorganization of the Company or any Subsidiary that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in connection with the transaction or otherwise (a "Business Combination"), shall not be deemed a Change in Control if, immediately following such Business Combination: (a) more than 50% of the total voting power of the corporation resulting from such Business Combination (the "Surviving Corporation") or, if applicable, the ultimate parent corporation which directly or indirectly has beneficial ownership of 100% of the voting securities eligible to elect directors of the Surviving Corporation (the "Parent Corporation"), is represented by securities of the Company eligible to vote for the election of the Board (the "Company Voting Securities") that were outstanding immediately prior to the Business Combination (or, if applicable, shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination, (b) no person (other than any employee benefit plan sponsored or maintained by the Surviving Corporation or the Parent Corporation) is or becomes the beneficial owner, directly or indirectly, of 20% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), and (c) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), following the Business Combination, were members of the Company's Board at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination.

Notwithstanding the foregoing, an acquisition of stock of the Company described in Section 1.9(a) or 1.9(b)(i) above shall not be deemed to be a Change in Control by virtue of any of the following situations: (a) an acquisition by the Company or any Subsidiary; (b) an acquisition by any employee benefit plan sponsored or maintained by the Company or any Subsidiary; (c) an acquisition by any underwriter temporarily holding securities pursuant to an offering of such securities; or (d) the acquisition of stock of the Company from the Company.

1.10. Code shall mean the Internal Revenue Code of 1986, as amended, or any successor statute, and regulations or other guidance issued thereunder.

1.11. Committee shall mean the Administrator, the Investment Committee or the Compensation Committee, as applicable.

1.12. Compensation shall mean:

(a) For amounts that are due and payable before January 1, 2007, the sum of the Participant's base salary and regular bonuses (including profit-sharing, the Company's Return on Net Assets (RONA) Plan, and target incentive bonus, but excluding sales commissions, payments under any long term incentive plan, volume incentive plan, or other extraordinary bonus or incentive plan) for a Plan Year before reductions for deferrals under the Plan, or the Executive Deferral Plan, or the Savings Plan, or the Parker-Hannifin Corporation Cafeteria Plan, or the Group Insurance Plan for Hourly and Salaried Employees of Parker-Hannifin Corporation.

(b) For Plan Years beginning on and after January 1, 2007, Compensation shall mean a Participant's base salary before reductions for deferrals under the Plan, or the Executive Deferral Plan, or the Savings Plan, or the Parker-Hannifin Corporation Cafeteria Plan, or the Group Insurance Plan for Hourly and Salaried Employees of Parker-Hannifin Corporation. Compensation shall not include any amounts payable on account of Termination of Employment, whether paid periodically or in a lump sum.

1.13. Compensation Committee shall mean the Human Resources and Compensation Committee of the Board.

1.14. Crediting Rate shall mean: (a) the amount described in Section 1.14.1 to the extent the Account balance represents either Annual Deferrals under Article 3 or earnings previously credited on such deferrals under Section 5.2(d), or Excess RIA Contributions under Section 4.1(b) or earnings previously credited on such Excess RIA Contributions under Section 5.2(d); or (b) the amount described in Section 1.14.2 to the extent the Restoration Account balance represents either Matching Credits under Section 4.1(a) or interest previously credited on such Matching Credits under Section 5.2(d).

1.14.1 Crediting Rate for Annual Deferrals and Excess RIA Contributions shall mean any notional gains or losses equal to those generated as if the Restoration Account balance attributable to Annual Deferrals under Article 3 and the Excess RIA Account Balance attributable to Excess RIA Contributions under Section 4.1(b) had been invested in one or more of the investment portfolios designated as available by the Investment Committee, less separate account fees and less applicable administrative charges determined annually by the Administrator.

A Participant may elect to allocate his or her Restoration Account and Excess RIA Account among the available portfolios. The gains or losses shall be credited based upon the daily unit values for the portfolio(s) selected by the Participant. The rules and procedures for allocating the Restoration Account and Excess RIA Account balance among the portfolios shall be determined by the Administrator. The Participant's allocation is solely for the purpose of calculating the Crediting Rate. Notwithstanding the method of calculating the Crediting Rate, the Company shall be under no obligation to purchase any investments designated by the Participant.

1.14.2 Crediting Rate for Matching Credits shall mean any notional gains or losses equal to those generated as if the Restoration Account balance attributable to Matching Credits under Section 4.1(a) had been invested in the Common Stock of the Company, including reinvestment of dividends. The rules and procedures for determining the value of the Common Stock of the Company shall be determined by the Administrator. The rules and procedures for re-allocating the Restoration Account balance attributable to the Matching Credits among the other portfolios offered under the Plan shall be determined by the Administrator.

1.15. Disability shall mean the condition whereby a Participant is (a) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or (b) by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under any accident and health plan covering employees of the Company. The Administrator, in its complete and sole discretion, shall determine a Participant's Disability. The Administrator may require that the Participant submit to an examination on an annual basis, at the expense of the Company, by a competent physician or medical clinic selected by the Administrator to confirm Disability. On the basis of such medical evidence, the determination of the Administrator as to whether or not a condition of Disability exists or continues shall be conclusive.

1.16. Disability Benefit shall mean the benefit payable pursuant to Article 9.

1.17. Early Retirement Date shall mean age 55 with ten or more years of employment with the Company.

1.18. Eligible Executive shall mean a key employee of the Company or any of its subsidiaries who: (a) is designated by the Administrator as eligible to participate in the Plan; and (b) qualifies as a member of the "select group of management or highly compensated employees" under ERISA.

1.19. Eligible RIA Executive shall mean an employee of the Company or any of its subsidiaries who is entitled to receive an allocation to the Retirement Income Account portion of the Savings Plan, and (a) who receives compensation, as such term is used to determine contributions under the Savings Plan, in excess of the amount specified in Section 401(a)(17) of the Code, or (b) whose benefits payable from the Savings Plan are directly or indirectly limited pursuant to Section 415(c) of the Code.

1.20. ERISA shall mean the Employee Retirement Income Security Act of 1974, as amended, or any successor statute, and regulations or other guidance issued thereunder.

1.21. Estimated Bonuses shall mean:

(a)For each Plan Year beginning before January 1, 2007, the sum of a Participant's RONA and Target Incentive bonuses payable during the Plan Year for which the Matching Limit is being determined, estimated in good faith by the Administrator as of November 1 of the immediately preceding calendar year.

(b)For each Plan Year beginning on and after January 1, 2007, the sum of a Participant's RONA and Target Incentive bonuses payable in August of the Plan Year for which the Matching Limit is being determined, estimated in good faith by the Administrator as of November 1 of the immediately preceding calendar year.

1.22. Excess RIA Account shall mean the Account established pursuant to Section 5.1(b) of this Plan.

1.23. Excess RIA Contribution shall mean the difference between the amount actually contributed to a Participant's Retirement Income Account under the Savings Plan with respect to a Plan Year and the amount that would have been contributed for such Plan Year but for the application of the Statutory Limits, as adjusted for cost of living increases.

1.24. Executive Deferral Plan shall mean the Parker-Hannifin Corporation Amended and Restated Executive Deferral Plan as it currently exists and as it may subsequently be amended.

1.25. Investment Committee shall mean the Parker Total Rewards Investment Committee of the Company or, if applicable, the investment subcommittee appointed by the Parker Total Rewards Investment Committee with respect to the Plan.

1.26. Matching Credit shall mean the Company's credit to the Participant's Restoration Account under Section 4.1(a).

1.27. Matching Limit shall mean, for any Plan Year, the excess of: (a) the lesser of: (i) $17,000 or (ii) the product of the Adjusted Matching Percentage times the sum of the Participant's Projected Gross Compensation, over (b) the product of 4% times the lesser of: (i) the Statutory Limit under Section 401(a)(17) of the Code on compensation that may be taken into account under the Savings Plan for the Plan Year, or (ii) the excess of a Participant's Projected Gross Compensation over the Participant's Projected SRP Deferral and Projected EDP Deferral.

1.28. Matching Percentage shall mean, for any Plan Year, the percentage determined by dividing a Participant's Matching Limit by the Participant's Projected SRP Deferral.

1.29. Normal Retirement Date shall mean the date on which a Participant attains age 65.

1.30. Participant shall mean an Eligible Executive who has elected to participate and has completed a Participation Agreement pursuant to Article 2 or an Eligible RIA Executive entitled to receive an Excess RIA Contribution.

1.31. Participation Agreement shall mean the Eligible Executive's or Eligible RIA Executive's written or electronic election to participate in the Plan and/or to select distribution options in accordance with Article 6.

1.32. Plan Year shall mean the calendar year.

1.33. Projected EDP Deferral shall mean the amount that would be deferred by a Participant under Section 3.1(a) of the Executive Deferral Plan for the Plan Year for which the Matching Limit is being determined, if the terms "Salary" and "Bonuses" used therein referred to the Participant's Annualized Base Salary and Estimated Bonuses, respectively.

1.34. Projected Gross Compensation shall mean the sum of a Participant's RONA and target incentive bonuses payable during the Plan Year for which the Matching Limit is being determined, estimated in good faith by the Administrator as of November 1 of the immediately preceding calendar year, plus the Participant's Annualized Base Salary.

1.35. Projected Savings Plan Deferral shall mean the lesser of (a) the Applicable Dollar Amount, or (b) 75% of the excess of a Participant's Projected Gross Compensation over the Participant's Projected SRP Deferral and Projected EDP Deferral.

1.36. Projected SRP Deferral shall mean:

(a)For the Plan Year beginning January 1, 2005:

(i)For a Participant who is not eligible to participate in the Executive Deferral Plan for such Plan Year, the lesser of: (A) $25,000 or (B) the product of the sum of the Participant's Annualized Base Salary and Estimated Bonuses times the percentage of Compensation specified in the Participant's Annual Deferral under Section 3.1 for the Plan Year for which the Matching Limit is being determined.

(ii)For a Participant who is eligible to participate in the Executive Deferral Plan for such Plan Year, the lesser of: (A) $7,600 or (B) the product of the sum of the Participant's Annualized Base Salary and Estimated Bonuses times the percentage of Compensation specified in the Participant's Annual Deferral under Section 3.1 for the Plan Year for which the Matching Limit is being determined.

(b)For the Plan Year beginning January 1, 2006, the lesser of: (i) $25,000 or (ii) the product of the sum of the Participant's Annualized Base Salary and Estimated Bonuses times the percentage of Compensation specified in the Participant's Annual Deferral under Section 3.1 for the Plan Year for which the Matching Limit is being determined.

(c)For each Plan Year beginning on and after January 1, 2007, the lesser of: (i) $25,000 or (ii) the product of the Participant's Annualized Base Salary times the percentage of Compensation specified in the Participant's Annual Deferral under Section 3.1 for the Plan Year for which the Matching Limit is being determined.

1.37. Regulations shall mean regulations issued under Section 409A of the Code. Reference to any section of the Regulations shall be read to include any amendment or revision of such Regulation.

1.38. Restoration Account shall mean the Account established pursuant to Section 5.1(a).

1.39. Retirement shall mean a Separation from Service from the Affiliated Group that follows Normal or Early Retirement Date.

1.40. Retirement Benefit shall mean the benefit payable pursuant to Article 6.

1.41. Savings Plan shall mean the Parker Retirement Savings Plan, as it currently exists and as it may subsequently be amended.

1.42. Separation from Service shall have the meaning set out in Section 1.409A-1(h) of the Regulations; provided, that in applying Section 1.409A-1(h)(ii) of the Regulations, a separation from service shall be deemed to occur if the Company and the Participant reasonably anticipate that the level of bona fide services the Participant will perform for the Affiliated Group after a certain date (whether as an employee or as an independent contractor) will permanently decrease to less than 50% of the average level of bona fide services performed by the Participant for the Affiliated Group (whether as an employee or as an independent contractor) over the immediately preceding 36-month period (or the full period of services performed for the Affiliated Group if the Participant has been providing services to the Affiliated Group for less than 36 months). In the event of a disposition of assets by the Company to an unrelated person, the Administrator reserves the discretion to specify (in accordance with Section 1.409A-1(h)(4) of the Regulations) whether a Participant who would otherwise experience a Separation from Service with the Company as part of the disposition of assets will be considered to experience a separation from service for purposes of Section 1.409A-1(h) of the Regulations.

1.43. Specified Employee shall mean a person designated from time to time as such by the Administrator pursuant to Section 409A(a)(2)(B)(i) of the Code and the Company's policy for determining specified employees.

1.44. Spouse shall mean an individual of the same or opposite sex of a Participant to whom the Participant is married in, and under the laws of, the state of celebration of such marriage.

1.45. Statutory Limits shall mean any limit on compensation taken into account in calculating benefits under the Savings Plan under Section 401(a)(17) of the Code or that directly or indirectly affects the amount of benefits payable from the Savings Plan pursuant to Section 415(c) of the Code or any other applicable Section of the Code.

1.46. Subsidiary shall mean any corporation or other entity in which the Company has a direct or indirect ownership interest of 50% or more of the total combined voting power of the then outstanding securities or interests of such corporation or other entity.

1.47. Survivor Benefit shall mean the benefit payable pursuant to Article 8.

1.48. Termination Benefit shall mean the benefit payable pursuant to Article 7.

1.49. Termination of Employment shall mean Separation from Service from the Affiliated Group, other than Separation from Service due to Retirement, Disability or death.

1.50. Total Deferral Percentage shall mean the percentage determined by dividing the sum of a Participant's Projected SRP Deferral and Projected Savings Plan Deferral by the Participant's Projected Gross Compensation.

1.51. Unforeseeable Emergency shall mean a severe financial hardship arising from: (a) the illness or accident of the Participant, the Participant's Spouse, or the Participant's dependent (as defined in Section 152(a) of the Code), (b) loss of the Participant's property due to casualty, or (c) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The determination of when a Participant has incurred an Unforeseeable Emergency shall be made by the Administrator, in its sole discretion, pursuant to and subject to the conditions of Section 409A of the Code and Regulations thereunder.

1.52. Valuation Date shall mean each day on which the New York Stock Exchange is open, except that for purposes of determining the value of a distribution under Articles 6, 7, 8, 9 or 15, it shall mean the 24th day of each month (or the most recent business day preceding such date) immediately preceding the month in which a distribution is to be made.

ARTICLE 2 PARTICIPATION

2.1. Participant Deferral or Automatic Participation.

(a)An Eligible Executive shall become a Participant in the Plan on the first day of the Plan Year coincident with or next following the date the individual becomes an Eligible Executive, provided such Eligible Executive has submitted to the Administrator a Participation Agreement prior to the beginning of the Plan Year and within the enrollment period designated by the Administrator. In the Participation Agreement, and subject to the restrictions in Article 3, the Eligible Executive shall designate the Annual Deferral for the covered Plan Year.

(b)An Eligible RIA Executive shall become a Participant in this Plan automatically on January 1 of the Plan Year immediately following the first Plan Year that the Participant's right to an Excess RIA Contribution accrues. A Participant who is not an Eligible Executive for the first Plan Year that such Participant is an Eligible RIA Executive (or any earlier Plan Year) shall submit an initial Participation Agreement to the Administrator within thirty (30) days of becoming a Participant in this Plan. To the extent permitted under Section 409A of the Code, such a Participant's election of a distribution option in such an initial Participation Agreement submitted within thirty (30) days of becoming a Participant in this Plan shall govern the form of payment of such Participant's Excess RIA Account, except as otherwise provided in Section 6.4.

(c)An individual may be both an Eligible Executive and an Eligible RIA Executive.

2.2. Continuation of Participation. An individual who has become a Participant in this Plan pursuant to Section 2.1 shall continue as a Participant in the Plan even though such individual ceases to be an Eligible Executive and/or an Eligible RIA Executive; provided that any such

Participant shall not be eligible to: (a) make an Annual Deferral for a Plan Year unless the Participant is an Eligible Executive for such Plan Year, or (b) receive an allocation of an Excess RIA Contribution for a Plan Year if the Participant is not an Eligible RIA Participant for such Plan Year.

ARTICLE 3 EXECUTIVE DEFERRALS

3.1. Deferral Election. A Participant may elect on the Participation Agreement to make an Annual Deferral to defer a specified percentage of Compensation relating to services performed during a Plan Year. Except as may be otherwise permitted under Section 409A of the Code, an election to make Annual Deferrals with respect to Compensation relating to services performed during a Plan Year must be made prior to the beginning of such Plan Year. An election to make Annual Deferrals for a Plan Year shall be irrevocable, except as otherwise permitted by the Regulations, including Section 1.409A-3(j)(4)(viii) of the Regulations, where cancellation of a deferral election is required by Section 401(k) of the Code upon the Participant's taking a hardship withdrawal from the Savings Plan.

3.2. Amount of Annual Deferral. The Annual Deferral shall be determined as follows:

(a)For the Plan Year beginning January 1, 2005:

(i)For a Participant who is not eligible to participate in the Executive Deferral Plan, any whole percentage between 1 and 15% of Compensation (maximum Annual Deferral of $25,000).

(ii)For a Participant who is eligible to participate in the Executive Deferral Plan, any whole percentage between 1 and 5% of Compensation (maximum Annual Deferral of $7,600).

(b)For the Plan Year beginning January 1, 2006, any whole percentage between 1 and 15% of Compensation (maximum Annual Deferral of $25,000).

(c)For any Plan Year beginning January 1, 2007 or later, any whole percentage between 1 and 20% of Compensation (maximum Annual Deferral of $25,000).

3.3. Vesting. The Participant's right to his or her Annual Deferrals and gains or losses thereon, shall be 100% vested at all times.

ARTICLE 4 COMPANY CREDITS

4.1. Amount.

(a)Matching Credit. The Company's Matching Credit in each Plan Year shall equal the product of the Participant's Annual Deferral for such Plan Year times the Matching Percentage for the Plan Year; provided, however, that in no event shall the Matching

Credit credited to a Participant's Account in any Plan Year exceed the Matching Limit for such Plan Year. The Matching Percentage and Matching Limit for a Participant for any Plan Year shall be determined in good faith by the Administrator as of December 31 of the immediately preceding calendar year.

(b)Excess RIA Contributions. Effective April 1, 2004, in the Plan Year following any Plan Year in which an Eligible RIA Participant has an Excess RIA Contribution with respect to the Savings Plan, the Eligible RIA Participant shall receive an allocation of an amount equal to such Excess RIA Contribution.

4.2. Vesting.

(a)The Participant's right to receive Matching Credits and gains or losses thereon credited to the Participant's Restoration Account shall be one hundred percent (100%) vested.

(b)From April 1, 2004 to December 31, 2006, the Participant’s right to his or her Excess RIA Account and gains or losses thereon shall be 100% vested after the Participant has 5 years of Service, as such term is defined in the Savings Plan, or upon attainment of Normal Retirement Age as that term is defined in the Savings Plan.

(c)Effective January 1, 2007, the Participant’s right to his or her Excess RIA Account and gains or losses thereon shall be 100% vested after the Participant has 3 years of Service, as such term is defined in the Savings Plan, or upon attainment of Normal Retirement Age as that term is defined in the Savings Plan.

ARTICLE 5 ACCOUNTS

5.1. Accounts. Solely for record keeping purposes, the Company shall maintain an Account for each Participant, which Account shall consist of one or more sub-accounts, as follows:

(a)A Restoration Account to which shall be credited all Annual Deferrals made by a Participant and Matching Credits, as well as all gains or losses with respect thereto.

(b)An Excess RIA Account to which shall be credited the amount of the Participant’s Excess RIA Contributions, as well as all gains and losses with respect thereto.

(c)The Account for a Participant listed on Appendix A shall have sub-accounts for pre-2016 and post-2015 amounts earned and credited to the Participant’s Account if, prior to January 1, 2016, such Participant elects a time and form of payment for such post-2015 amounts other than the default time and form of payment provided for in Section 6.2(a) and Section 6.3.

(d)The Account for a Participant described in Section 6.4(a)(ii)(B) shall have sub-accounts for Initial Year of Participation (as defined in Section 6.4(a)(ii)(B)) and post-Initial Year of Participation amounts that are earned and credited to the Participant’s Account if, prior to the first day of the Plan Year following the Initial Year of Participation, such Participant elects a time and form of payment for such post-Initial Year of Participation amounts other than the default time and form of payment provided for in Section 6.2(a) or Section 6.2(b), as applicable, and Section 6.3.

5.2. The Timing of Credits.

(a) Annual Deferrals made under Article 3 shall be credited to the Restoration Account on the same day the deferrals would otherwise have been paid to the Participant but for the deferral election;

(b) Matching Credits under Article 4 shall be credited to the Restoration Account as of the day the corresponding Annual Deferrals are credited to the Restoration Account;

(c) Excess RIA Contributions shall be credited to the Participant's Excess RIA Account as of February 1 (or the next business day thereafter) of the year in which the Participant's Excess RIA Contribution with respect to a Plan Year is determined; and

(d) Gains or losses shall be credited to the Participant's Account as of the close of business on each Valuation Date, based on the Crediting Rate in effect for the day under Section 1.14.

5.3. Terminations. Following a Participant's Termination of Employment, Retirement or death, gains or losses shall continue to be credited to the Participant's Account through the final Valuation Date.

5.4. Statement of Accounts. The Administrator shall provide periodically to each Participant a statement setting forth the balance of the Account maintained for such Participant.

ARTICLE 6 RETIREMENT BENEFITS

6.1. Amount. Upon Retirement, the Company shall pay to the Participant the value of his or her vested Account at the time and in the manner determined pursuant to the rules set forth in this Article 6.

6.2. Form of Retirement Benefits.

(a) Except as otherwise provided pursuant to an election under Section 6.4(c), for Participants whose initial participation date under the Plan is prior to January 1, 2017, the Retirement Benefit shall be paid monthly over a period of fifteen (15) years; provided, however, that the Participant may elect in accordance with the terms of Section 6.4 to have payment made in one of the following options:

(i) a single lump sum payment in cash;

(ii) monthly installments over 5, 10 or 15 years; or

(iii) an annual lump sum amount equal to a specified whole number percentage (1-8%) of the account balance as of the Valuation Date preceding each such annual payment, plus monthly installments of the remaining balance of the Account over 5, 10 or 15 years. Annual lump sum payments pursuant to this Section 6.2(a)(iii), with respect to all Retirement Benefits under this Plan, including Grandfathered Amounts, shall be paid as follows: (A) the first lump sum payment shall be made on the first day of the second month after the Participant's Retirement, and (B) the remaining lump sum payments shall be made on January 1 of each succeeding year in the applicable 5, 10 or 15 year period.

(b)Except as otherwise provided pursuant to an election under Section 6.4(c), for Participants whose initial participation date under the Plan is on or after January 1, 2017, the Retirement Benefit shall be paid in a single lump sum; provided, however, that the Participant may elect in accordance with the terms of Section 6.4 to have payment made in one of the following options:

(i)monthly installments over 5, 10 or 15 years; or

(ii)an annual lump sum amount equal to a specified whole number percentage (1-8%) of the account balance as of the Valuation Date preceding each such annual payment, plus monthly installments of the remaining balance of the Account over 5, 10 or 15 years. Annual lump sum payments pursuant to this Section 6.2(b)(ii), with respect to all Retirement Benefits under this Plan, including Grandfathered Amounts, shall be paid as follows: (A) the first lump sum payment shall be made on the first day of the second month after the Participant's Retirement, and (B) the remaining lump sum payments shall be made on January 1 of each succeeding year in the applicable 5, 10 or 15 year period.

6.3. Time of Payment. Except as otherwise provided pursuant to an election under Section 6.4(c), payment of a Participant's Account shall be made or shall begin as of the first day of the second month after the Participant's Retirement or on the first day of the month following the first, second, third, fourth or fifth anniversary of the Participant’s Retirement, as elected by the Participant in accordance with the terms of Section 6.4. Notwithstanding the foregoing, payment to any Specified Employee will be made or will commence on the first day of the seventh month following the Participant’s Retirement and shall include any payments that would have been made between the Participant’s Retirement and the actual date of commencement of payment if the Participant had not been a Specified Employee.

6.4. Elections.

(a)Initial Election.

(i) Except as provided in Section 6.4(a)(ii), a Participant shall elect the time and form of payment of his or her Account payable on Retirement on his or her initial Participation Agreement in accordance with such rules as the Administrator shall reasonably apply.

(ii) (A) A Participant listed on Appendix A to the Plan may elect a time and form of payment for post-2015 Annual Deferrals, Matching Credits and Excess RIA Contributions that are earned and credited to the Participant's Account, together with all gains and losses with respect thereto, and all such amounts covered by such election shall be payable on Retirement without regard to his or her prior election (or deemed election) for pre-2016 Annual Deferrals, Matching Credits and Excess RIA Contributions that are earned and credited to the Participant's Account. Any such election must be made prior to January 1, 2016, shall be irrevocable as of December 31, 2015, and shall apply to all such post-2015 amounts that are earned and credited to the Participants' Accounts (except as otherwise provided in Section 6.4(b)) . If any such Participant fails to make such an election, his or her Retirement Benefit shall be paid pursuant to the default time and form of payment provisions pursuant to Section 6.2(a) and Section 6.3.

(B) In the event an Eligible RIA Executive, who becomes a Participant in the Plan on or after January 1, 2016, is not provided with at least a thirty (30) day period to submit an initial Participation Agreement following the date that he or she becomes a Participant in the Plan and the default payment provisions under Section 6.2(a) or Section 6.2(b), as applicable, and Section 6.3 of the Plan become effective with respect to the Participant, the Participant may elect a time and form of payment for Annual Deferrals, Matching Credits and Excess RIA Contributions that are earned and credited after his or her initial Plan Year of participation in the Plan ("Initial Year of Participation"), together with all gains and losses with respect thereto, payable on Retirement without regard to his or her prior deemed election. Any such election must be made prior to the first day of the Plan Year following the Initial Year of Participation, shall be irrevocable as of the date of the election (except as otherwise provided in Section 6.4(b)), and shall apply to all such amounts that are earned and credited to the Participant's Account after the Initial Year of Participation. If any such Participant fails to make such an election, his or her Retirement Benefit shall be paid pursuant to the default time and form of payment provisions pursuant to Section 6.2(a) or Section 6.2(b), as applicable, and Section 6.3.

(b)One-Time Change by Participant. To the extent permitted by Section 409A of the Code, a Participant may make a one-time election to delay payment or change the form of payment at any time up to 12 months before the first scheduled payment; provided, however, that: (i) any such election shall not be effective for at least 12 months following the date made; (ii) to the extent required by Section 409A of the Code, as a result of any such change, payment or commencement of payment shall be delayed for 5 years from the date the first payment was scheduled to have been paid (taking into account any delay in payment or commencement of payment under Section 6.3 on account of a Participant's status as a Specified Employee); (iii) any such change made by a Participant listed on Appendix A to the Plan shall apply to both pre-2016 and post-2015 amounts credited to the Participant's Account to the extent permitted by Section 409A of the Code; and (iv) any such change made by a Participant who makes an election pursuant to Section 6.4(a)(ii)(B) shall apply to all amounts credited to the Participant's Account, to the extent permitted by Section 409A of the Code.

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

6.5. Small Benefit Exception.

(a) Benefits Payable Prior to January 1, 2008. Notwithstanding the foregoing, with respect to a Participant's Retirement Benefit under the Plan that would otherwise be paid in installments (or as a combination of lump sums and installments) prior to January 1, 2008, if the balance of the Participant's Account under the Plan as of the date payment would otherwise commence is less than or equal to ten thousand dollars ($10,000), the Company shall pay such benefit in a single lump sum; provided, however, that payment of a Retirement Benefit to any Specified Employee pursuant to this Section 6.5(a) will be made on the first day of the seventh month following the Participant's Termination of Employment.

(b) Benefits Payable After December 31, 2007. Notwithstanding the foregoing, effective December 31, 2007 with respect to a Participant's Retirement Benefit under the Plan that would otherwise be paid in installments (or as a combination of lump sums and installments) after December 31, 2007, if the aggregate balances of the Participant's accounts under the Plan, the Executive Deferral Plan and any other nonqualified deferred compensation arrangement that is aggregated with any portion of the Plan or the Executive Deferral Plan under Section 1.409A-1(c) of the Regulations as of the date payment would otherwise commence is less than or equal to the applicable dollar amount in effect on such date under Section 402(g)(1)(B) of the Code, the Company shall pay the Retirement Benefit under the Plan in a single lump sum; provided, however, that payment of a Retirement Benefit to any Specified Employee pursuant to this Section 6.5(b) will be made on the first day of the seventh month following the Participant's Termination of Employment.

ARTICLE 7 TERMINATION BENEFITS

7.1. Amount and Time of Payment. As of the first day of the second month after Termination of Employment, the Company shall pay to the Participant a Termination Benefit equal to the value of the vested Account as of the Valuation Date. Notwithstanding the foregoing, payment of a Termination Benefit to any Specified Employee pursuant to this Article 7 will be made on the first day of the seventh month following the Participant's Termination of Employment.

7.2. Form of Termination Benefits. The Company shall pay the Termination Benefits in a single lump sum.

ARTICLE 8 SURVIVOR BENEFITS

8.1. Amount. If the Participant dies (whether before or after Retirement or other Termination of Employment) with any balance remaining in his or her Account, the Company shall pay to the Participant's Beneficiary a Survivor Benefit equal to the vested balance of the Account on the date of death.

8.2. Form of Survivor Benefits. The Company shall pay the vested balance of the Participant's Account in a single lump sum payment in cash; provided, however, that the Participant may elect in accordance with the terms of Section 6.4 to have payment made in one of the following options:

(a)a single lump sum payment in cash; or

(b)monthly installments over 5, 10 or 15 years.

8.3. Time of Payment. Payment of Survivor Benefits shall be made or shall begin as of the first day of the second month following the date of death, and the provisions of Sections 6.3 and 6.4 regarding payment to a Specified Employee and the 5-year delay of payments following certain elections shall be disregarded for purposes of the payment of the Survivor Benefit pursuant to this Article 8.

8.4. Survivor Benefits Paid From Grandfathered Amounts. To the extent that the Company pays to a Participant's Beneficiary a Survivor Benefit consisting of Grandfathered Amounts, the time and form of payment of such Grandfathered Amounts shall be governed by the Participant's election as in effect on December 31, 2006 and the terms of the Plan as in effect on December 31, 2004; provided, however, that after December 31, 2006 a Participant may make a one-time election to have all Grandfathered Amounts paid in a lump sum as of the first day of the second month after the Participant's death (regardless of whether the Participant dies before or after the date that payment of Grandfathered Amounts would otherwise commence under the Plan). In accordance with the terms of the Plan as in effect on December 31, 2004, any election to change the form of payment of Survivor Benefits from Grandfathered Amounts must be filed at least thirteen (13) months prior to the date that payment of Survivor Benefits would otherwise commence or be made, unless the Participant's Beneficiary agrees to take a ten percent (10%) reduction in the value of the Grandfathered Amounts.

8.5. Small Benefit Payments.

(a) Benefits Payable Prior to January 1, 2008. Notwithstanding the foregoing, with respect to a Survivor Benefit under the Plan that would otherwise be paid in installments prior to January 1, 2008, if the balance of the Participant's Account under the Plan as of the date that payment of the Survivor Benefit would otherwise commence is less than or equal to ten thousand dollars ($10,000), the Company shall pay such benefit in a single lump sum.

(b) Benefits Payable After December 31, 2007. Notwithstanding the foregoing, effective December 31, 2007 with respect to a Survivor Benefit under the Plan that would otherwise be paid in installments after December 31, 2007, if the aggregate balances of the Participant's accounts under the Plan, the Executive Deferral Plan and any other nonqualified deferred compensation arrangement that is aggregated with any portion of the Plan or the Executive Deferral Plan under Section 1.409A-1(c) of the Regulations as of the date that payment of the Survivor Benefit would otherwise commence is less than or equal to the applicable dollar amount in effect on such date under Section 402(g)(1)(B) of the Code, the Company shall pay the Survivor Benefit under the Plan in a single lump sum.

ARTICLE 9 DISABILITY BENEFITS

If a Participant suffers a Disability, the Company shall pay the Retirement Benefit described in Article 6 to the Participant as if the date of the Participant's Disability were the Participant's Normal Retirement Date; provided, however, that the provisions of Sections 6.3, 6.4 and 6.5 regarding payment to a Specified Employee and the 5-year delay of payments following certain elections shall be disregarded for purposes of the payment of the Disability Benefit pursuant to this Article 9.

ARTICLE 10 CHANGE IN CONTROL

If a Change in Control occurs, the Participant shall receive a lump sum payment of the balance of the vested Account thirty (30) days after the Change in Control. Such balance shall be determined as of the date of the Change in Control, without regard to gains or losses attributable to the Account thereafter.

ARTICLE 11 WITHDRAWALS

Upon a finding by the Administrator that the Participant has suffered an Unforeseeable Emergency, the Administrator may permit the Participant to cease any on-going deferrals for the Plan Year. Furthermore, the Participant may elect to receive a distribution from his or her Account equal to the amount reasonably necessary to alleviate such Unforeseeable Emergency, including the amount reasonably determined to be sufficient to satisfy any applicable income taxes and penalties anticipated to result from the distribution. In any case, no distribution may be made to a Participant pursuant to this Article 11 to the extent that the Unforeseeable Emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets (to the extent the liquidation of such assets would not cause severe financial hardship), or by cessation of deferrals under the Plan, the Executive Deferral Plan and any other nonqualified deferred compensation arrangement that is aggregated with any portion of the Plan or the Executive Deferral Plan under Section 1.409A-1(c) of the Regulations. If a distribution is made to a Participant on account of Unforeseeable Emergency, the Participant may not make further Annual Deferrals under the Plan until one entire Plan Year following the Plan Year in which a distribution based on Unforeseeable Emergency was made has elapsed, or such longer period as may be required by the Code. If, after December 31, 2007, a distribution is made from Grandfathered Amounts due to a "Financial Hardship" (as defined in the separate Plan applicable to Grandfathered Amounts), no cessation of deferrals shall be required with respect to Non-Grandfathered Amounts pursuant to this Article 11. Distributions to a Participant in the event of an Unforeseeable Emergency pursuant to this Article 11 shall be made as follows: (a) first, from Grandfathered Amounts under the Plan, to the extent thereof; (b) second, from other amounts under the Plan, to the extent thereof; (c) third, from Grandfathered Amounts under the Executive Deferral Plan, to the extent thereof; and (d) fourth, from other amounts under the Executive Deferral Plan, to the extent thereof.

ARTICLE 12 CONDITIONS RELATED TO BENEFITS

12.1. Non-assignability. The benefits provided under the Plan may not be alienated, assigned, transferred, pledged or hypothecated by or to any person or entity, at any time or in any manner whatsoever. These benefits shall be exempt from the claims of creditors of any Participant or other claimants and from all orders, decrees, levies, garnishment or executions against any Participant to the fullest extent allowed by law.

12.2. No Right to Company Assets. The benefits paid under the Plan shall be paid from the general funds of the Company, and the Participants and any Beneficiaries shall be no more than unsecured general creditors of the Company with no special or prior right to any assets of the Company for payment of any obligations under this Plan.

12.3. Protective Provisions. Each Participant shall cooperate with the Company by furnishing any and all information requested by the Administrator, in order to facilitate the payment of benefits under this Plan, taking such physical examinations as the Administrator may deem necessary and taking such other actions as may be requested by the Administrator. If a Participant refuses to cooperate, the Company shall have no further obligation to the Participant under the Plan. If a Participant makes any material misstatement of information or nondisclosure of medical history, then no benefits shall be payable to the Participant or the Participant's Beneficiary or estate under the Plan beyond the sum of the Participant's Annual Deferrals.

12.4. Withholding. Each Participant and Beneficiary shall make appropriate arrangements with the Company for satisfaction of any federal, state or local income tax withholding requirements and Social Security or other employee tax requirements applicable to the payment of benefits under the Plan. If no other arrangements are made, the Company may provide, at its discretion, for such withholding and tax payments as may be required.

ARTICLE 13 ADMINISTRATION OF PLAN

The Administrator shall administer the Plan and shall have discretionary authority to interpret, construe and apply its provisions in accordance with its terms, provided that such authority shall be exercised consistent with the requirements of Section 409A of the Code. The Administrator shall further establish, adopt or revise such rules and regulations as it may deem necessary or advisable for the administration of the Plan. All decisions of the Administrator shall be final and binding. The individuals serving on a Committee shall, except as prohibited by law, be indemnified and held harmless by the Company from any and all liabilities, costs, and expenses (including legal fees), to the extent not covered by liability insurance arising out of any action taken by any member of the Committee with respect to the Plan, unless such liability arises from the individual's own gross negligence or willful misconduct.

ARTICLE 14 BENEFICIARY DESIGNATION

The Participant shall have the right, at any time, to designate any person or persons as Beneficiary (both primary and contingent) to whom payment under the Plan shall be made in the event of the Participant's death. The Beneficiary designation shall be effective when it is submitted in writing to the Administrator during the Participant's lifetime on a form prescribed by the Administrator.

The submission of a new Beneficiary designation shall cancel all prior Beneficiary designations. Any finalized divorce or marriage of a Participant subsequent to the date of a Beneficiary designation shall revoke such designation, unless in the case of divorce the previous Spouse was not designated as Beneficiary and unless in the case of marriage the Participant's new Spouse has previously been designated as Beneficiary. The Spouse of a married Participant shall consent to any designation of a Beneficiary other than the Spouse, and the Spouse's consent shall be witnessed by a notary public.

If a Participant fails to designate a Beneficiary as provided above, or if the Beneficiary designation is revoked by marriage, divorce, or otherwise without execution of a new designation, or if every person designated as Beneficiary predeceases the Participant or dies prior to complete distribution of the Participant's benefits, then the Administrator shall direct the distribution of such benefits to the estate of the last to die of the Participant and the Beneficiaries.

ARTICLE 15 AMENDMENT AND TERMINATION OF PLAN

15.1. Amendment of Plan.

(a)The Company may at any time amend the Plan in whole or in part, provided, however, that such amendment: (i) shall not decrease the balance of the Participant's Account at the time of such amendment; and (ii) shall not retroactively decrease the applicable Crediting Rate of the Plan prior to the time of such amendment.

(b)In addition, no amendment shall permit an acceleration of time of payment of a Participant's benefit under the Plan, other than: (i) as necessary to comply with a certificate of divestiture, as defined in Section 1043(b)(2) of the Code; (ii) in accordance with Sections 6.5 and 8.5 with respect to small cashouts; (iii) as necessary to pay Federal Insurance Contribution ("FICA") taxes and any resulting federal, state, local or foreign income taxes attributable to amounts deferred under the Plan, subject to the limitations of Section 1.409A-3(j)(4)(vi) of the Regulations; (iv) in the event the arrangement fails to meet the requirements of Section 409A of the Code with respect to one or more Participants, and then only in such amount as is included in income of such Participant(s) as a result of such failure; (v) due to a termination of the Plan pursuant to Section 15.2 that meets the requirements of Section 1.409A-3(j)(4)(ix) of the Regulations; or (vi) as otherwise may be permitted under Section 409A of the Code.

(c)The Company may amend the Crediting Rate of the Plan prospectively, in which case the Company shall notify the Participants of such amendment in writing within thirty (30) days after such amendment.

15.2. Termination of Plan. The Company may terminate the Plan only as permitted by Section 1.409A-3(j)(4)(ix) of the Regulations (Plan Terminations and Liquidations), or as otherwise may be permitted by future Regulations or other guidance under Section 409A of the Code. Notwithstanding the foregoing, the Company may at any time determine to cease all future deferrals and contributions to the Plan. In such event, Participants' Accounts shall continue to be held and administered in accordance with the terms of this Plan; provided, however that the Company shall determine, in its sole discretion, whether to continue to credit Participants' Accounts with earnings at the otherwise applicable Crediting Rates or instead to credit Participants' Accounts, as of January 1 of the year that all future deferrals and contributions to the Plan are ceased, with a reasonable rate of interest, not less than the prime rate as published in the Wall Street Journal, in either case continuing until distribution of Participants' Accounts in accordance with the terms of the Plan.

15.3. Company Action. Except as provided in Section 15.4, the Company's power to amend or terminate the Plan shall be exercisable by the Company's Board of Directors or by the committee or individual authorized by the Company's Board of Directors to exercise such powers.

15.4. Distribution on Income Inclusion Under Section 409A. In the event the Administrator determines that amounts deferred under the Plan fail to meet the requirements of Section 409A of the Code and must be recognized as income for federal income tax purposes, distribution of the amount required to be included in income shall be made to affected Participants to the extent permitted by Section 409A of the Code.

ARTICLE 16 MISCELLANEOUS

16.1. Successors of the Company. The rights and obligations of the Company under the Plan shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Company.

16.2. ERISA Plan. The Plan is intended to be an unfunded plan maintained primarily to provide deferred compensation benefits for "a select group of management or highly compensated employees" within the meaning of Sections 201, 301 and 401 of ERISA and therefore to be exempt from Parts 2, 3 and 4 of Title I of ERISA.

16.3. Trust. The Company shall be responsible for the payment of all benefits under the Plan. The Company may establish one or more grantor trusts for the purpose of providing for payment of benefits under the Plan. Such trust or trusts may be irrevocable, but the assets thereof shall be subject to the claims of the Company's creditors. Benefits paid to the Participant from any such trust shall be considered paid by the Company for purposes of meeting the obligations of the Company under the Plan.

16.4. Employment Not Guaranteed. Nothing contained in the Plan nor any action taken under this Plan shall be construed as a contract of employment or as giving any Participant any right to continued employment with the Company.

16.5. Gender, Singular and Plural. All pronouns and variations thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.

16.6. Captions. The captions of the articles and sections of the Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

16.7. Validity. If any provision of the Plan is held invalid, void or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provisions of the Plan.

16.8. Waiver of Breach. The waiver by the Company of any breach of any provision of the Plan by a Participant shall not operate or be construed as a waiver of any subsequent breach by such Participant.

16.9. Applicable Law. The Plan shall be governed and construed in accordance with the laws of the State of Ohio except where the laws of the State of Ohio are preempted by ERISA or the Code.

16.10. Notice. Any notice or filing required or permitted to be given to the Company or the Administrator under the Plan shall be sufficient if in writing and hand-delivered, or sent by first class mail, facsimile, or electronic mail to the principal office of the Company, directed to the attention of the Administrator. Such notice shall be deemed given as of the date of delivery, or, if delivery is made by mail, as of the date shown on the postmark.

ARTICLE 17 CLAIMS AND REVIEW PROCEDURES

17.1. Claims Procedure. The Administrator shall notify a Participant in writing, within ninety (90) days after his or her written application for benefits, of his or her eligibility or noneligibility for benefits under the Plan. If the Administrator determines that a Participant is not eligible for benefits or full benefits, the notice shall set forth: (a) the specific reasons for such denial; (b) a specific reference to the provisions of the Plan on which the denial is based; (c) a description of any additional information or material necessary for the claimant to perfect his or her claim, and a description of why it is needed; and (d) an explanation of the Plan's claims review procedure and other appropriate information as to the steps to be taken if the Participant wishes to have the claim reviewed. If the Administrator determines that there are special circumstances requiring additional time to make a decision, the Administrator shall notify the Participant of the special circumstances and the date by which a decision is expected to be made, and may extend the time for up to an additional ninety-day period.

17.2. Review Procedure. If a Participant is determined by the Administrator not to be eligible for benefits, or if the Participant believes that he or she is entitled to greater or different benefits, the Participant shall have the opportunity to have such claim reviewed by the Administrator by filing a petition for review with the Administrator within sixty (60) days after receipt of the notice issued by the Administrator. Said petition shall state the specific reasons which the Participant believes entitle him or her to benefits or to greater or different benefits. Within sixty (60) days after receipt by the Administrator of the petition, the Administrator shall afford the Participant (and counsel, if any) an opportunity to present his or her position to the Administrator in writing, and the Participant (or counsel) shall have the right to review the pertinent documents. The Administrator shall notify the Participant of its decision in writing within the sixty-day period, stating specifically the basis of its decision, written in a manner calculated to be understood by the Participant and the specific provisions of the Plan on which the decision is based. If the sixty-day period is not sufficient, the decision may be deferred for up to another sixty-day period at the election of the Administrator, but notice of this deferral shall be given to the Participant. In the event of the death of the Participant, the same procedures shall apply to the Participant's beneficiaries.

17.3. Payment. Any benefits paid in accordance with the procedures provided in this Article 17 shall be made consistent with the rules of Section 409A of the Code.

EXECUTED at Cleveland, Ohio this 13th day of December, 2016.

PARKER-HANNIFIN CORPORATION

By: /s/ Catherine A. Suever

Title: Vice President, Corporate Controller

By: /s/ Mark J. Hart

Title: Executive Vice President, Human Resources & External Affairs

Appendix A

M. Steven Barber

Achilleas A. Dorotheou

Barry S. Draskovich

Frank A. Dubey

Thomas L. Dudley

Jeffrey E. From

Richard A. Izor

Vernon Moreland

David M. Overholt

Jennifer A. Parmentier

Kevin L. Ruffer

Kenneth R. Theiss

Vance P. Zanardelli

Exhibit 12

Parker-Hannifin Corporation
Computation of Ratio of Earnings to Fixed Charges
(In thousands, except ratios)

	Six Months Ended December 31,		Fiscal Year Ended June 30,				
	2016	**2015**	**2016**	**2015**	**2014**	**2013**	**2012**
EARNINGS							
Income from continuing operations before income taxes and noncontrolling interests	$ 612,967	$ 505,529	$ 1,114,728	$ 1,432,240	$ 1,556,720	$ 1,311,001	$ 1,576,698
Adjustments:							
Interest on indebtedness, exclusive of interest capitalized	65,472	68,240	133,004	115,077	79,845	88,668	89,888
Amortization of deferred loan costs	2,120	1,817	3,513	3,329	2,721	2,884	2,902
Portion of rents representative of interest factor	19,834	20,943	39,668	41,886	43,983	44,493	41,515
Loss (income) of equity investees	(19,106)	(10,562)	(25,648)	(23,204)	(11,141)	(247)	1,237
Distributed income of equity investees	17,873	13,702	36,616	31,723	1,661	—	—
Amortization of previously capitalized interest	69	84	152	179	190	193	196
Income as adjusted	$ 699,229	$ 599,753	$ 1,302,033	$ 1,601,230	$ 1,673,979	$ 1,446,992	$ 1,712,436
FIXED CHARGES							
Interest on indebtedness, exclusive of interest capitalized	$ 65,472	$ 68,240	$ 133,004	$ 115,077	$ 79,845	$ 88,668	$ 89,888
Amortization of deferred loan costs	2,120	1,817	3,513	3,329	2,721	2,884	2,902
Portion of rents representative of interest factor	19,834	20,943	39,668	41,886	43,983	44,493	41,515
Fixed charges	$ 87,426	$ 91,000	$ 176,185	$ 160,292	$ 126,549	$ 136,045	$ 134,305
RATIO OF EARNINGS TO FIXED CHARGES	8.00x	6.59x	7.39x	9.99x	13.23x	10.64x	12.75x

Exhibit 31(a)

CERTIFICATIONS

I, Thomas L. Williams, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: February 7, 2017

/s/ Thomas L. Williams

Thomas L. Williams
Chief Executive Officer

Exhibit 31(b)

CERTIFICATIONS

I, Catherine A. Suever, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: February 7, 2017

/s/ Catherine A. Suever

Catherine A. Suever
Vice President and Controller,
Acting Chief Financial Officer
(Principal 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 Quarterly Report on Form 10-Q of Parker-Hannifin Corporation (the “Company”) for the quarterly period ended December 31, 2016, 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: February 7, 2017

/s/ Thomas L. Williams

Name: Thomas L. Williams
Title: Chief Executive Officer

/s/ Catherine A. Suever

Name: Catherine A. Suever
Title: Vice President and Controller,
Acting Chief Financial Officer
(Principal Financial Officer)