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

FORM 10-K

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

For the fiscal year ended June 30, 2014

OR

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

For the transition period from to

Commission File No. 1-4982

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

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

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

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

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

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

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

Yes ☒ No ☐

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

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

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

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

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

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

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

The aggregate market value of the outstanding common stock held by non-affiliates of the Registrant as of December 31, 2013, excluding, for purpose of this computation only, stock holdings of the Registrant's Directors and Officers: $18,970,152,269.

The number of Common Shares outstanding on July 31, 2014 was 148,795,701.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents are incorporated by reference:

(1) Annual Report to Shareholders of the Company for the fiscal year ended June 30, 2014 is incorporated by reference into Parts I and II hereof.

(2) Definitive Proxy Statement for the Company's 2014 Annual Meeting of Shareholders to be held on October 22, 2014 is incorporated by reference into Part III hereof.

PARKER-HANNIFIN CORPORATION

FORM 10-K

Fiscal Year Ended June 30, 2014

PART I

ITEM 1. Business. Parker-Hannifin Corporation is a leading worldwide diversified manufacturer of motion and control technologies and systems, providing precision engineered solutions for a wide variety of mobile, industrial and aerospace markets. The Company was incorporated in Ohio in 1938. Its principal executive offices are located at 6035 Parkland Boulevard, Cleveland, Ohio 44124-4141, telephone (216) 896-3000. As used in this Annual Report on Form 10-K, unless the context otherwise requires, the term "Company" or "Parker" refers to Parker-Hannifin Corporation and its subsidiaries.

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

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

The Company’s manufacturing, service, sales, distribution and administrative facilities are located in 40 states within the United States and in 49 other countries. The Company’s products are sold as original and replacement equipment through sales and distribution centers worldwide. The Company markets its products through direct-sales employees, independent distributors and sales representatives. Parker products are supplied to approximately 450,000 customers in virtually every significant manufacturing, transportation and processing industry.

As of July 1, 2013, the Company consolidated its Climate & Industrial Controls businesses into existing operating groups within the Industrial Segment. As a result of this consolidation and the resulting change in management structure in connection with the strategic divestiture of certain operations in the Climate & Industrial Controls Segment, the Company now has two reporting segments: Diversified Industrial and Aerospace Systems.

During the fiscal year ended June 30, 2014, the Company's technologies and systems were used in the products of these two reporting segments. For fiscal year 2014, total net sales were $13.2 billion. Diversified Industrial Segment products accounted for 83% and Aerospace Systems Segment products accounted for 17% of those net sales.

Markets

The Company’s technologies and systems are used throughout various industries and in various applications. The approximately 450,000 customers who purchase the Company’s products are found throughout virtually every significant manufacturing, transportation and processing industry. No single customer accounted for more than 3% of the Company’s total net sales for the fiscal year ended June 30, 2014.

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

Automation Group:

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

Engineered Materials Group:

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

Filtration Group:

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

Fluid Connectors Group:

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

Hydraulics Group:

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

Instrumentation Group:

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

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

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

Principal Products and Methods of Distribution

Although the Company offers hundreds of thousands of individual products, no single product contributed more than 1% to the Company's total net sales for the fiscal year ended June 30, 2014. Listed below are some of the Company's principal products.

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

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

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

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

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

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

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

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

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

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

- Accumulators
- Cartridge valves
- Coolers
- Electrohydraulic actuators
- Electronic displays
- Electronic I/O controllers
- Fan drives
- Hybrid drives
- Hydraulic cylinders
- Hydraulic motors and pumps
- Hydraulic systems
- Hydraulic valves and controls
- Hydrostatic steering units
- Integrated hydraulic circuits
- Power take-off equipment
- Power units
- Rotary actuators
- Sensors
- Telematic controllers

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

- Accumulators
- Analytical instruments and sample conditioning systems
- CNG dispensers
- CO_2 controls
- Electronic controllers
- Filter driers
- Fluoropolymer chemical delivery fittings, valves and pumps
- Hand shut-off valves
- High pressure fittings, valves, pumps and systems
- High-purity gas delivery fittings, valves, regulators and digital flow controllers
- Industrial mass flow meters/controllers
- Medical devices
- Pressure regulating valves
- Process control fittings, valves, regulators and manifold valves
- Refrigerant distributors
- Safety relief valves
- Solenoid valves
- Thermostatic expansion valves

Diversified Industrial Segment products include standard products, as well as custom products which are engineered and produced to original equipment manufacturers' specifications for application to particular end products. Both standard and custom products are also used in the replacement of original products. Diversified Industrial Segment products are marketed primarily through field sales employees and approximately 12,200 independent distributor locations throughout the world.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Competition

The Company's business operates in highly competitive markets and industries. The Company offers its products over numerous, varied markets through its 142 divisions operating in 50 countries and consequently has hundreds of competitors when viewed across its various markets and product offerings. The Company's competitors include U.S. and non-U.S. companies. These competitors and the degree of competition vary widely by product lines, end markets, geographic scope and/or geographic locations. Although each of the Company's segments has numerous competitors, given the Company's market and product breadth, no single competitor competes with the Company with respect to all products manufactured and sold by the Company.

In the Diversified Industrial Segment, the Company competes on the basis of product quality and innovation, customer service, manufacturing and distribution capability, and price competitiveness. The Company believes that it is one of the market leaders in most of the major markets for its most significant Diversified Industrial Segment products. The Company has comprehensive motion and control packages for the broadest systems capabilities. While the Company's primary global competitors include Bosch Rexroth AG, Danfoss A/S, Donaldson Company, Inc., Eaton Corporation plc, Emerson Climate Technologies, Emerson/ASCO, Festo AG, Freudenberg-NOK, IMI/Norgren, Pall Corporation, SMC Corporation, Swagelok Company, and Trelleborg AB, none of these businesses compete with every group in the Company's Diversified Industrial Segment and every product line offered by this segment.

In the Aerospace Systems Segment, the Company has developed alliances with key customers based on the Company's advanced technological and engineering capabilities, superior performance in quality, delivery, and service, and price competitiveness, which has enabled the Company to obtain significant original equipment business on new aircraft programs for its systems and components and to thereby obtain the follow-on repair and replacement business for these programs. Further, the Aerospace Systems Segment is able to utilize low cost manufacturing techniques for similar product on the Diversified Industrial Segment to achieve a lower cost producer status. Although the Company believes that it is one of the market leaders in most of the major markets for its most significant Aerospace Systems Segment products, the Company's primary global competitors for the most significant Aerospace Systems Segment products include Eaton Corporation plc, Honeywell International, Inc., Moog Inc., Triumph Group, Inc., UTC Aerospace Systems, Woodward, Inc. and Zodiac Aerospace SA.

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

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

Research and Product Development

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

Total research and development costs relating to the development of new products and services and the improvement of existing products and services amounted to $410.1 million in fiscal year 2014, $406.6 million in fiscal year 2013, and $365.7 million in fiscal year 2012. These amounts include costs incurred by the Company related to independent research and development initiatives as well as costs incurred in connection with research and development contracts. Costs incurred in connection with research and development contracts and included in the total research and development costs reported above for each of the respective fiscal years 2014, 2013 and 2012 were $55.9 million, $58.9 million and $43.7 million, respectively.

Patents, Trademarks, Licenses

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

Backlog and Seasonal Nature of Business

Backlog consists of written firm orders from a customer to deliver products and, in the case of blanket purchase orders, only includes the portion of the order for which a schedule or release date has been agreed to with the customer. The dollar value of backlog is equal to the amount that is expected to be billed to the customer and reported as a sale. The Company’s backlog by business segment for the past two fiscal years, as set forth on pages 13-5 and 13-6 of Exhibit 13 to this Annual Report on Form 10-K, is incorporated into this section by reference. The Company’s backlog was $3.9 billion at June 30, 2014 and $3.7 billion at June 30, 2013. Approximately 81% of the Company’s backlog at June 30, 2014 is scheduled for delivery in the succeeding twelve months. The Company’s business is generally not seasonal in nature.

Environmental Regulation

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

As of June 30, 2014, the Company was involved in environmental remediation at various United States and non-U.S. manufacturing facilities presently or formerly operated by the Company and as a "potentially responsible party," along with other companies, at off-site waste disposal facilities and regional sites.

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

As of June 30, 2014, the Company had a reserve of $13.6 million for environmental matters that were probable and reasonably estimable. This reserve was recorded based upon the best estimate of costs to be incurred in light of the progress made in determining the magnitude of remediation costs, the timing and extent of remedial actions required by governmental authorities and the amount of the Company’s liability in proportion to other responsible parties.

The Company’s estimated total liability for the above mentioned sites ranges from a minimum of $13.6 million to a maximum of $82.7 million. The largest range of the estimated total liability for any one site is approximately $14.6 million. The actual costs to be incurred by the Company will be dependent on final determination of contamination and required remedial action, negotiations with governmental authorities with respect to cleanup levels, changes in regulatory requirements, innovations in investigatory and remedial technologies, effectiveness of remedial technologies employed, the ability of the other responsible parties to pay, and any insurance or other third-party recoveries.

Energy Matters and Sources and Availability of Raw Materials

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

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

Employees

The Company employed approximately 57,450 persons as of June 30, 2014, of whom approximately 29,890 were employed by foreign subsidiaries.

Business Segment Information

The Company’s net sales, segment operating income and assets by business segment and net sales and long-lived assets by geographic area for the past three fiscal years, as set forth on pages 13-15 to 13-16 of Exhibit 13 to this Annual Report on Form 10-K, are incorporated into this section by reference. As a result of the consolidation of the Climate and Industrial Controls business into existing operating groups within the Diversified Industrial Segment as of July 1, 2013, all prior period results have been revised to reflect the new reporting segment structure.

Acquisitions and Divestitures

During fiscal year 2014, the Company deconsolidated a subsidiary and completed three acquisitions as set forth on pages 13-22 to 13-23 of Exhibit 13 to this Annual Report on Form 10-K, which is incorporated into this section by reference.

ITEM 1A. Risk Factors.

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

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

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

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

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

The Company relies extensively on information technology systems to manage and operate its business. If these systems are damaged, intruded upon, shutdown or cease to function properly (whether by planned upgrades, force majeure, telecommunications failures, hardware or software break-ins or viruses, other cyber-security incidents or otherwise) and the

Company suffers any resulting interruption in its ability to manage and operate its business or if its products are effected, the Company's results of operations and financial condition could be materially adversely affected.

The Company may be subject to product liability risks.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company's net sales derived from customers outside the United States were approximately 44% in each of fiscal 2014 and 2013, and 45% in fiscal 2012. In addition, many of the Company's manufacturing operations and suppliers are located outside the United States. The Company expects net sales from non-U.S. markets to continue to represent a significant portion of its total net sales. The Company's non-U.S. operations are subject to risks in addition to those facing its domestic operations, including:

- fluctuations in currency exchange rates;
- limitations on ownership and on repatriation of earnings;
- transportation delays and interruptions;
- political, social and economic instability and disruptions;
- government embargoes or trade restrictions;
- the imposition of duties and tariffs and other trade barriers;
- import and export controls;
- labor unrest and current and changing regulatory environments;
- the potential for nationalization of enterprises;

- difficulties in staffing and managing multi-national operations;
- limitations on the Company’s ability to enforce legal rights and remedies;
- potentially adverse tax consequences; and
- difficulties in implementing restructuring actions on a timely basis.

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

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

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

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

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

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

Protecting the Company’s intellectual property is critical to its innovation efforts. The Company owns a number of patents, trade secrets, copyrights, trademarks, trade names and other forms of intellectual property in its products and services throughout the world. The Company also has exclusive and non-exclusive rights to intellectual property owned by others. The Company’s intellectual property may be challenged or infringed upon by third parties or the Company may be unable to maintain, renew or enter into new license agreements with third-party owners of intellectual property on reasonable terms. In addition, the global nature of the Company’s business increases the risk that the Company’s intellectual property may be subject to infringement or other unauthorized use by others. In some cases, the Company’s ability to protect its intellectual property rights by legal recourse or otherwise may be limited, particularly in countries where laws or enforcement practices are inadequate or undeveloped. Unauthorized use of the Company’s intellectual property rights or the Company's inability to preserve existing intellectual property rights could adversely impact the Company’s competitive position and results of operations.

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

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

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

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

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

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

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

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

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

ITEM 1B. Unresolved Staff Comments. None.

ITEM 1C. Executive Officers of the Registrant.

The Company’s executive officers as of August 15, 2014 were as follows:

Name	Position	Officer Since(1)	Age as of 8/15/2014
Donald E. Washkewicz	Chairman of the Board, Chief Executive Officer and President	1997	64
Jon P. Marten	Executive Vice President – Finance & Administration and Chief Financial Officer	2008	58
Lee C. Banks	Executive Vice President and Operating Officer	2001	51
Daniel S. Serbin	Executive Vice President – Human Resources	2005	60
Thomas L. Williams	Executive Vice President and Operating Officer	2005	55
Robert W. Bond	Vice President and President – Fluid Connectors Group	2000	56
Yoon "Michael" Chung	Vice President and President – Automation Group	2008	51
Jeffery A. Cullman	Vice President and President – Hydraulics Group	2006	59
John G. Dedinsky, Jr.	Vice President – Global Supply Chain and Procurement	2006	57
William G. Eline	Vice President – Chief Information Officer	2002	58
John R. Greco	Vice President and President – Instrumentation Group	2006	60
Pamela J. Huggins	Vice President and Treasurer	2003	60
Kurt A. Keller	Vice President and President – Asia Pacific Group	2009	56
Joseph R. Leonti	Vice President, General Counsel and Secretary	2014	42
M. Craig Maxwell	Vice President – Chief Technology and Innovation Officer	2003	56
Thomas A. Piraino, Jr.	Vice President	1998	65
Peter Popoff	Vice President and President – Filtration Group	2008	62
Andrew D. Ross	Vice President and President – Engineered Materials Group	2012	47
Roger S. Sherrard	Vice President and President – Aerospace Group	2003	48
Catherine A. Suever	Vice President and Controller	2010	55

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

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

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

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

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

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

Mr. Piraino has been a Vice President since July 1998. He was General Counsel and Secretary from July 1998 to July 2014.

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

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

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

ITEM 2. Properties. The Company's corporate headquarters is located in Cleveland, Ohio, and, at June 30, 2014, the Company had 323 manufacturing plants and 267 distribution centers and sales and administrative offices throughout the world, none of which were individually material to its operations. The facilities are situated in 40 states within the United States and in 49 other countries. The Company owns the majority of its manufacturing plants and distribution centers, and its leased properties primarily consist of sales and administrative offices. The number of facilities used by each of the Company's operating segments is summarized by type and geographic location in the tables below:

	Type of Facility		
	Manufacturing Plants	Distribution Centers	Sales and Administrative Offices
Industrial	299	107	140
Aerospace	24	4	16
Total	323	111	156

	Geographic Location			
	North America	Europe	Asia-Pacific	Latin America
Industrial	241	164	108	33
Aerospace	33	5	6	—
Total	274	169	114	33

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

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

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

On May 15, 2007, the European Commission issued its initial Request for Information to the Company and Parker ITR. On January 28, 2009, the European Commission announced the results of its investigation of the alleged cartel activities. As part of its decision, the European Commission found that Parker ITR infringed Article 81 of the European Community Treaty from April 1986 to May 2, 2007 and fined Parker ITR 25.61 million euros. The European Commission also determined that the Company was jointly and severally responsible for 8.32 million euros of the total fine which related to the period from January 2002, when the Company acquired Parker ITR, to May 2, 2007, when the cartel activities ceased. Parker ITR and the Company filed an appeal to the General Court of the European Union on April 10, 2009. On May 12, 2013, the court reversed in part the decision of the European Commission, reducing the original fine of 25.61 million euros to 6.40 million euros and holding that the Company and Parker ITR are jointly and severally liable for payment of the fine up to 6.30 million euros. The European Commission has appealed the ruling of the General Court of the European Union.

ITEM 4. Mine Safety Disclosures. Not applicable.

PART II

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

(a) ***Market for the Registrant's Common Equity.*** The Company's common stock is listed for trading on the New York Stock Exchange. Information regarding stock price and dividend information with respect to the Company's common stock, as set forth on page 13-43 of Exhibit 13 to this Annual Report on Form 10-K, is incorporated into this section by reference. As of July 31, 2014, the number of shareholders of record of the Company was 4,031.

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

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

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares Purchased		(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
April 1, 2014 through April 30, 2014	136,800		$ 122.12	136,800	12,592,296
May 1, 2014 through May 31, 2014	132,900		$ 124.18	132,900	12,459,396
June 1, 2014 through June 30, 2014	133,370	(2)	$ 126.78	132,382	12,327,014
Total:	403,070		$ 124.34	402,082	12,327,014

(1) On August 16, 1990, the Company publicly announced that its Board of Directors authorized the repurchase by the Company of up to 3 million shares of its common stock. From time to time thereafter, the Board of Directors has adjusted the overall maximum number of shares authorized for repurchase under this program and imposed an additional limitation on the number of shares authorized for repurchase in any single fiscal year. On January 24, 2013, and again on August 14, 2014, the Board of Directors approved an increase in the overall maximum number of shares authorized for repurchase under this program so that, beginning on such dates, the aggregate number of shares authorized for repurchase was 15 million shares. Such authorization is limited, in any single fiscal year, to the greater of 7.5 million shares or five percent of the shares outstanding as of the end of the prior fiscal year. There is no expiration date for this program.

(2) Includes 988 shares surrendered to the Company by an executive officer to satisfy tax withholding obligations on restricted stock issued under the Company's long term incentive plans.

ITEM 6. Selected Financial Data. The information set forth on page 13-46 of Exhibit 13 to this Annual Report on Form 10-K is incorporated into this section by reference.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations. The information set forth on pages 13-2 to 13-12 of Exhibit 13 to this Annual Report on Form 10-K is incorporated into this section by reference.

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

ITEM 8. Financial Statements and Supplementary Data. The information set forth on pages 13-13 to 13-43 of Exhibit 13 to this Annual Report on Form 10-K is incorporated into this section by reference.

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

ITEM 9A. Controls and Procedures. The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, of the effectiveness of the Company's disclosure controls and procedures as of June 30, 2014. Based on this evaluation, the Company's principal executive officer and principal financial officer concluded that, as of the end of fiscal year 2014, the Company's disclosure controls and procedures were effective.

Management's Report on Internal Control over Financial Reporting set forth on page 13-44 of Exhibit 13 to this Annual Report on Form 10-K is incorporated into this section by reference. The Report of Independent Registered Public Accounting Firm set forth on page 13-45 of Exhibit 13 to this Annual Report on Form 10-K is incorporated into this section by reference.

There was no change in the Company's internal control over financial reporting during the quarter ended June 30, 2014 that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. Other Information. None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance. Information required with respect to the Directors of the Company is set forth under the caption "Item I – Election of Directors" in the definitive Proxy Statement for the Company's 2014 Annual Meeting of Shareholders, to be held October 22, 2014 (the "2014 Proxy Statement"), and is incorporated herein by reference. Information with respect to the executive officers of the Company is included in Part I, Item 1C hereof under the caption "Executive Officers of the Registrant."

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

The information set forth under the captions "The Audit Committee" and "Report of the Audit Committee" in the 2014 Proxy Statement is incorporated herein by reference.

ITEM 11. Executive Compensation. The information set forth under the captions "Compensation Discussion and Analysis," "Compensation Committee Report," and "Compensation Tables" in the 2014 Proxy Statement is incorporated herein by reference.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters. The information set forth under the captions "Principal Shareholders" and "Equity Compensation Plan Information" in the 2014 Proxy Statement is incorporated herein by reference.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence. The information set forth under the captions "Review and Approval of Transactions with Related Persons" and "Director Independence" in the 2014 Proxy Statement is incorporated herein by reference.

ITEM 14. Principal Accountant Fees and Services. The information set forth under the captions "Audit Fees," "Audit-Related Fees," "Tax Fees," "All Other Fees" and "Audit Committee Pre-Approval Policies and Procedures" in the 2014 Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules.

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

1. Financial Statements and Schedule

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

2. Exhibits

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

SIGNATURES

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

PARKER-HANNIFIN CORPORATION

By: /s/ Jon P. Marten

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

August 22, 2014

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

Signature and Title

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

Date: August 22, 2014

/s/ Jon P. Marten

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

PARKER-HANNIFIN CORPORATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE

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

PARKER-HANNIFIN CORPORATION

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED JUNE 30, 2012, 2013 and 2014
(Dollars in Thousands)

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning Of Period	Additions Charged to Costs and Expenses	Other (Deductions)/ Additions (A)	Balance At End Of Period
Allowance for doubtful accounts:				
Year ended June 30, 2012	$ 10,472	$ 10,239	$ (10,193)	$ 10,518
Year ended June 30, 2013	$ 10,518	$ 8,769	$ (4,463)	$ 14,824
Year ended June 30, 2014	$ 14,824	$ 9,649	$ (8,433)	$ 16,040
Deferred tax asset valuation allowance:				
Year ended June 30, 2012	$ 192,904	$ 10,600	$ (27,425)	$ 176,079
Year ended June 30, 2013	$ 176,079	$ 97,334	$ —	$ 273,413
Year ended June 30, 2014	$ 273,413	$ 74,032	$ 1,392	$ 348,837

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

Exhibit Index

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

(10)(k)	Parker-Hannifin Corporation Amended and Restated 2009 Omnibus Stock Incentive Plan incorporated by reference to Appendix A to the Registrant's Definitive Proxy Statement filed with the Commission on September 24, 2012 (Commission File No. 1-4982).
(10)(l)	Parker-Hannifin Corporation Amended and Restated 2005 Performance Bonus Plan incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2010 (Commission File No. 1-4982).
(10)(m)	Parker-Hannifin Corporation 2010 Performance Bonus Plan incorporated by reference to Exhibit A to the Registrant's Definitive Proxy Statement filed with the Commission on September 27, 2010 (Commission File No. 1-4982).
(10)(n)	Form of 2007 Notice of Grant of Stock Options with Tandem Stock Appreciation Rights for executive officers incorporated by reference to Exhibit 10.3 to the Registrant's Report on Form 8-K filed with the Commission on August 22, 2006 (Commission File No. 1-4982).
(10)(o)	Form of 2008 Notice of Grant of Stock Options with Tandem Stock Appreciation Rights for executive officers incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 8-K/A filed with the Commission on September 5, 2007 (Commission File No. 1-4982).
(10)(p)	Form of 2009 Notice of Stock Options Award with Tandem Stock Appreciation Rights for executive officers incorporated by reference to Exhibit 10(d) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).
(10)(q)	Form of 2010 Notice of Stock Options with Tandem Stock Appreciation Rights for executive officers incorporated by reference to Exhibit 10(d) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2009 (Commission File No. 1-4982).
(10)(r)	Form of FY2011 Parker-Hannifin Corporation Stock Appreciation Rights Award Agreement for executive officers incorporated by reference to Exhibit 10.2 to the Registrant's Report on Form 8-K filed with the Commission on August 17, 2010 (Commission File No. 1-4982).
(10)(s)	FY2011 Parker-Hannifin Corporation Stock Appreciation Rights Terms and Conditions for executive officers incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 8-K filed with the Commission on August 17, 2010 (Commission File No. 1-4982).
(10)(t)	Form of Parker-Hannifin Corporation Stock Appreciation Rights Award Agreement for executive officers incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2011 (Commission File No. 1-4982).
(10)(u)	Parker-Hannifin Corporation Stock Appreciation Rights Terms and Conditions for executive officers incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2011(Commission File No. 1-4982).
(10)(v)	Parker-Hannifin Corporation Target Incentive Plan incorporated by reference to Exhibit 10(d) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2010 (Commission File No. 1-4982).
(10)(w)	Parker-Hannifin Corporation Target Incentive Plan Subject to Performance Bonus Plan incorporated by reference to Exhibit 10(e) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2010 (Commission File No. 1-4982).
(10)(x)	Parker-Hannifin Corporation Long-Term Incentive Performance Plan Under the Performance Bonus Plan incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended March 31, 2013 (Commission File No. 1-4982).
(10)(y)	Form of Parker-Hannifin Corporation Long-Term Incentive Performance Award Under the Performance Bonus Plan incorporated by reference to Exhibit 10.2 to the Registrant's Report on Form 8-K filed with the Commission on February 1, 2011 (Commission File No. 1-4982).
(10)(z)	Terms and Conditions of Restricted Stock Issued as a Payout Under the LTI Plan incorporated by reference to Exhibit 10(i) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2010 (Commission File No. 1-4982).
(10)(aa)	Form of Notice of RONA Bonus Award Under the Parker-Hannifin Corporation Performance Bonus Plan incorporated by reference to Exhibit 10(h) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2009 (Commission File No. 1-4982).
(10)(bb)	Parker-Hannifin Corporation RONA Plan Subject to Performance Bonus Plan incorporated by reference to Exhibit 10(f) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2010 (Commission File No. 1-4982).

(10)(cc) Parker-Hannifin Corporation Summary of RONA Bonus Awards in Lieu of Certain Executive Perquisites incorporated by reference to Exhibit 10(h) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).

(10)(dd) Parker-Hannifin Corporation Amended and Restated Savings Restoration Plan incorporated by reference to Exhibit 10(i) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).

(10)(ee) Parker-Hannifin Corporation Amended and Restated Pension Restoration Plan incorporated by reference to Exhibit 10(j) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).

(10)(ff) Amendment to Parker-Hannifin Corporation Amended and Restated Pension Restoration Plan, effective January 1, 2010, incorporated by reference to Exhibit 10(bb) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2010 (Commission File No. 1-4982).

(10)(gg) Amendment to Parker-Hannifin Corporation Amended and Restated Pension Restoration Plan, effective January 27, 2011, incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-Q for the quarterly period ended March 31, 2011 (Commission File No. 1-4982).

(10)(hh) Parker-Hannifin Corporation Amended and Restated Executive Deferral Plan incorporated by reference to Exhibit 10(k) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).

(10)(ii) Parker-Hannifin Corporation Volume Incentive Plan incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 8-K filed with the Commission on August 18, 2009 (Commission File No. 1-4982).

(10)(jj) Parker-Hannifin Corporation Claw-back Policy incorporated by reference to Exhibit 10.2 to the Registrant's Report on Form 8-K filed with the Commission on August 18, 2009 (Commission File No. 1-4982).

(10)(kk) Parker-Hannifin Corporation Non-Employee Directors Stock Option Plan incorporated by reference to Exhibit 10(w) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2001 (Commission File No. 1-4982).

(10)(ll) Parker-Hannifin Corporation Amended and Restated 2004 Non-Employee Directors' Stock Incentive Plan incorporated by reference to Exhibit 10(aa) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2009 (Commission File No. 1-4982).

(10)(mm) Form of Parker-Hannifin Corporation Non-Employee Directors' Restricted Stock Award Agreement incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 2011 (Commission File No. 1-4982).

(10)(nn) Parker-Hannifin Corporation Non-Employee Directors' Restricted Stock Award Terms and Conditions incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 2011 (Commission File No. 1-4982).

(10)(oo) Amended and Restated Deferred Compensation Plan for Directors of Parker-Hannifin Corporation incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-A for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).

(10)(pp) Summary of the Compensation of the Non-Employee Members of the Board of Directors, effective October 24, 2012, incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 2012 (Commission File No. 1-4982).

(11) Computation of Common Shares Outstanding and Earnings Per Share is incorporated by reference to Note 5 of the Notes to Consolidated Financial Statements on page 13-27 of Exhibit 13 hereto.*

(12) Computation of Ratio of Earnings to Fixed Charges as of June 30, 2014.*

(13) Excerpts from Annual Report to Shareholders for the fiscal year ended June 30, 2014 which are incorporated herein by reference thereto.*

(21) List of subsidiaries of the Registrant.*

(23) Consent of Independent Registered Public Accounting Firm.*

(24) Power of Attorney.*

(31)(a)	Certification of the Principal Executive Officer Pursuant to 17 CFR 240.13a-14(a), as Adopted Pursuant to §302 of the Sarbanes-Oxley Act of 2002.*
(31)(b)	Certification of the Principal Financial Officer Pursuant to 17 CFR 240.13a-14(a), as Adopted Pursuant to §302 of the Sarbanes-Oxley Act of 2002.*
(32)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to §906 of the Sarbanes-Oxley Act of 2002.*
101.INS	XBRL Instance Document.*
101.SCH	XBRL Taxonomy Extension Schema Document.*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.*

* Submitted electronically herewith.

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statement of Income for the years ended June 30, 2014, 2013 and 2012, (ii) Consolidated Statement of Comprehensive Income for the years ended June 30, 2014, 2013 and 2012, (iii) Consolidated Balance Sheet at June 30, 2014 and 2013, (iv) Consolidated Statement of Cash Flows for the years ended June 30, 2014, 2013 and 2012, (v) Consolidated Statement of Equity for the years ended June 30, 2014, 2013 and 2012, and (vi) Notes to Consolidated Financial Statements.

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

Exhibit (12) to Annual Report
on Form 10-K
for Fiscal Year Ended June 30, 2014
By Parker-Hannifin Corporation
Computation of Ratio of Earnings to Fixed Charges
(In thousands, except ratios)

	Fiscal Year Ended June 30,				
	2014	**2013**	**2012**	**2011**	**2010**
EARNINGS					
Income from continuing operations before income taxes and noncontrolling interests	$ 1,556,720	$ 1,311,001	$ 1,576,698	$ 1,413,721	$ 754,817
Adjustments:					
Interest on indebtedness, exclusive of interest capitalized	79,845	88,668	89,888	97,009	101,173
Amortization of deferred loan costs	2,721	2,884	2,902	2,695	2,426
Portion of rents representative of interest factor	43,983	44,493	41,515	39,499	41,194
(Income) loss of equity investees	(11,141)	(247)	1,237	2,592	6,757
Amortization of previously capitalized interest	190	193	196	226	259
Income as adjusted	$ 1,672,318	$ 1,446,992	$ 1,712,436	$ 1,555,742	$ 906,626
FIXED CHARGES					
Interest on indebtedness, exclusive of interest capitalized	$ 79,845	$ 88,668	$ 89,888	$ 97,009	$ 101,173
Amortization of deferred loan costs	2,721	2,884	2,902	2,695	2,426
Portion of rents representative of interest factor	43,983	44,493	41,515	39,499	41,194
Fixed charges	$ 126,549	$ 136,045	$ 134,305	$ 139,203	$ 144,793
RATIO OF EARNINGS TO FIXED CHARGES	13.21x	10.64x	12.75x	11.18x	6.26x

Exhibit (13) to Annual Report
On Form 10-K
for Fiscal Year Ended June 30, 2014
By Parker-Hannifin Corporation

Forward-Looking Statements

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

Among other factors which may affect future performance are:

- changes in business relationships with and purchases by or from major customers, suppliers or distributors, including delays or cancellations in shipments, disputes regarding contract terms or significant changes in financial condition, changes in contract cost and revenue estimates for new development programs, and changes in product mix;
- ability to identify acceptable strategic acquisition targets;
- uncertainties surrounding timing, successful completion or integration of acquisitions and similar transactions;
- the ability to successfully divest businesses planned for divestiture and realize the anticipated benefits of such divestitures;
- the determination to undertake business realignment activities and the expected costs thereof and, if undertaken, the ability to complete such activities and realize the anticipated cost savings from such activities;
- the ability to realize anticipated benefits of the consolidation of the Climate & Industrial Controls Group;
- threats associated with and efforts to combat terrorism;
- uncertainties surrounding the ultimate resolution of outstanding legal proceedings, including the outcome of any appeals;
- competitive market conditions and resulting effects on sales and pricing;
- increases in raw material costs that cannot be recovered in product pricing;
- the Company's ability to manage costs related to insurance and employee retirement and health care benefits; and
- global economic factors, including manufacturing activity, air travel trends, currency exchange rates, difficulties entering new markets and general economic conditions such as inflation, deflation, interest rates and credit availability.

The Company makes these statements as of the date of the filing of its Annual Report on Form 10-K for the year ended June 30, 2014, and undertakes no obligation to update them unless otherwise required by law.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

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

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

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

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

	June 30, 2014	March 31, 2014	June 30, 2013
United States	55.3	53.7	50.9
Eurozone countries	51.8	53.0	48.8
China	50.7	48.0	48.2
Brazil	48.7	50.6	50.4

Global aircraft miles flown increased six percent from the comparable 2013 level and global revenue passenger miles increased seven percent from the comparable 2013 level. The Company anticipates that U.S. Department of Defense spending with regards to appropriations, and operations and maintenance for the U.S. Government's fiscal year 2015 will increase by approximately one percent from the comparable fiscal 2014 level.

Housing starts in June 2014 were approximately eight percent higher than housing starts in June 2013 and were approximately six percent lower than housing starts in March 2014.

The Company has remained focused on maintaining its financial strength by adjusting its cost structure to reflect changing demand levels, maintaining a strong balance sheet and managing its cash. The Company continues to generate substantial cash flows from operations, has controlled capital spending and has proactively managed working capital. The Company has been able to borrow needed funds at affordable interest rates and had a debt to debt-shareholders' equity ratio of 25.9 percent at June 30, 2014 compared to 28.6 percent at March 31, 2014 and 33.0 percent at June 30, 2013. Net of cash and cash equivalents and marketable securities, the debt to debt-shareholders' equity ratio was 2.0 percent at June 30, 2014 compared to 7.1 percent at March 31, 2014 and 15.4 percent at June 30, 2013.

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

The Company believes it can meet its strategic objectives by:

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

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

The discussion below is structured to separately discuss each of the financial statements presented on pages 13-13 to 13-18. All year references are to fiscal years.

Discussion of Consolidated Statement of Income

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

(dollars in millions)	**2014**	2013	2012
Net sales	**$ 13,216**	$ 13,016	$ 13,146
Gross profit margin	**22.9%**	22.5%	24.2%
Selling, general and administrative expenses	**$ 1,634**	$ 1,555	$ 1,519
Selling, general and administrative expenses, as a percent of sales	**12.4%**	11.9%	11.6%
Goodwill and intangible asset impairment	**$ 189**	$ —	$ —
Interest expense	**83**	92	93
Other (income) expense, net	**(26)**	(18)	1
(Gain) on disposal of assets	**(409)**	(10)	(2)
Effective tax rate	**33.1%**	27.6%	26.7%
Net income attributable to common shareholders	**$ 1,041**	$ 948	$ 1,152

Net sales in 2014 were 1.5 percent higher than 2013. Acquisitions made in the last 12 months contributed approximately $74 million in sales in 2014 and the effect of currency rate changes decreased net sales in 2014 by approximately $22 million. Excluding the effect of acquisitions and currency rate changes, net sales in 2014 were 1.1 percent higher than 2013. The increase in sales in 2014 is primarily due to higher volume experienced in the Diversified Industrial International businesses partially offset by lower sales in the Aerospace Systems Segment.

Net sales in 2013 were 1.0 percent lower than 2012. Acquisitions made during 2013 contributed approximately $448 million in sales and the effect of currency rate changes decreased net sales in 2013 by approximately $140 million. Excluding the effect of acquisitions and currency rate changes, net sales in 2013 were 3.3 percent lower than 2012. The decrease in sales in 2013 is primarily due to lower volume experienced in the Diversified Industrial Segment.

Gross profit margin increased in 2014 primarily due to lower defined benefit costs, and a favorable product mix in the Diversified Industrial North American businesses, partially offset by higher business realignment charges in the Diversified Industrial International businesses and higher product support costs and an unfavorable product mix in the Aerospace Systems Segment. Gross profit margin decreased in 2013 primarily due to higher defined benefit costs, operating inefficiencies in the Diversified Industrial Segment and higher engineering development costs in the Aerospace Systems Segment. Pension cost included in cost of sales in 2014, 2013 and 2012 were $174.8 million, $205.7 million and $138.5 million, respectively. The lower pension cost in 2014 primarily resulted from a lower amount of actuarial losses, primarily related to domestic defined benefit plans. The higher pension cost in 2013 primarily resulted from a higher amount of actuarial losses, primarily related to the domestic defined benefit plans. Included in cost of sales in 2014, 2013 and 2012 were business realignment charges of $63.6 million, $8.4 million and $12.7 million, respectively.

Selling, general and administrative expenses increased 5.1 percent in 2014 and increased 2.3 percent in 2013. The increase in 2014 was primarily due to higher business realignment expenses and stock compensation expense, partially offset by lower expenses associated with the Company's various other incentive compensation programs. Stock compensation expense increased primarily as result of a higher stock price used in the calculation of the fair value of the stock awards at the date of grant. The increase in 2013 was primarily due to higher amortization expense and charitable contributions, partially offset by lower net expenses associated with the Company's incentive and deferred compensation programs. Pension cost included in selling, general and administrative expenses in 2014, 2013 and 2012 were $64.2 million, $78.5 million and $52.8 million, respectively. The lower pension cost in 2014 primarily resulted from a lower amount of actuarial losses, primarily related to domestic defined benefit plans. The higher pension cost in 2013 primarily resulted from a higher amount of actuarial losses, primarily related to the domestic defined benefit plans. Included in selling, general and administrative expenses in 2014, 2013 and 2012 were business realignment charges of $38.9 million, $3.9 million and $1.0 million, respectively.

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

Interest expense in 2014 decreased primarily due to a lower average interest rate in the debt portfolio, including lower average borrowing rates on commercial paper borrowings, more than offsetting the effect of higher weighted-average borrowings. Interest expense in 2013 decreased primarily due to a lower average interest rate in the debt portfolio during the latter part of 2013 than the debt portfolio during the latter half of 2012 more than offsetting the effect of higher weighted-average borrowings and interest rates on commercial paper borrowings.

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

(Gain) on disposal of assets in 2014 includes a gain of $412.6 million related to the deconsolidation of a subsidiary. (Gain) on disposal of assets in 2013 includes a net gain of $14.7 million resulting from business divestiture activity. (Gain) on disposal of assets in 2012 included $3.7 million of gains from asset sales.

Effective tax rate in 2014 was unfavorably impacted by discrete tax costs related to a non-deductible goodwill and intangible asset impairment charge, the deconsolidation of a subsidiary, and the expiration of the U.S. Research and Development credit. The effective tax rate in 2013 was higher primarily due to an unfavorable geographical mix of earnings. The effective tax rate in 2013 was favorably impacted by the enactment of the American Taxpayer Relief Act.

Discussion of Business Segment Information

The Business Segment information presents sales, operating income and assets on a basis that is consistent with the manner in which the Company's various businesses are managed for internal review and decision-making. As of July 1, 2013, the Company consolidated its Climate & Industrial Controls businesses into existing operating groups within the Industrial Segment. As a result of this consolidation and resulting change in management structure made in connection with the strategic divestiture of certain operations in the Climate & Industrial Controls Segment, the Company now has two reporting segments: Diversified Industrial (formerly referred to as Industrial) and Aerospace Systems (formerly referred to as Aerospace). All prior period results have been revised to reflect the new reporting segment structure.

Diversified Industrial Segment (dollars in millions)

	2014	2013	2012
Sales			
North America	**$ 5,694**	$ 5,638	$ 5,708
International	**5,288**	5,110	5,335
Operating income			
North America	**946**	909	960
International	**572**	602	752
Operating income as a percent of sales			
North America	**16.6%**	16.1%	16.8%
International	**10.8%**	11.8%	14.1%
Backlog	**$ 1,861**	$ 1,803	$ 1,974
Assets	**9,502**	9,388	8,696
Return on average assets	**16.1%**	16.7%	19.2%

Sales in 2014 for the Diversified Industrial North American operations increased 1.0 percent from 2013 compared to a 1.2 percent decrease from 2012 to 2013. Acquisitions completed within the last 12 months contributed approximately $53 million in sales in 2014. The effect of currency rate changes decreased 2014 net sales by approximately $26 million, reflecting the strengthening of the U.S. dollar against the Canadian dollar. Excluding acquisitions and the effect of currency rate changes, the change in sales in 2014 reflects higher demand from distributors as well as from end-users in the construction equipment and oil and gas markets, partially offset by lower end-user demand in the heavy-duty truck, farm and agriculture equipment, engine, and car and light truck markets. Excluding acquisitions, sales in 2013 decreased 4.1 percent reflecting lower demand from distributors as well as from end-users in most markets with the largest decline occurring in the construction equipment, oil and gas, mining, heavy-duty truck and machine tool markets.

Sales in the Diversified Industrial International operations increased 3.5 percent in 2014 compared to a decrease of 4.2 percent from 2012 to 2013. Acquisitions completed within the last 12 months contributed approximately $21 million in sales in 2014. The effect of currency rate changes did not have an overall impact on sales in 2014 as currency rate changes in Europe were offset by currency rate changes in the Asia Pacific region and Latin America. Excluding acquisitions and the effect of currency rate changes, sales in 2014 in the Diversified Industrial International operations increased 3.1 percent, primarily due to higher volume in all regions with 50 percent of the increase occurring in the Asia Pacific region and one-third of the increase occurring in Europe. Excluding acquisitions and the effect of currency rate changes, the sales decrease in 2013 was primarily due to lower volume across most markets in all regions with the largest decrease equally distributed between Europe and the Asia Pacific region.

The absence of sales from divested businesses was also a contributing factor to the sales fluctuation between 2013 and 2014 in both the Diversified Industrial North American and Diversified Industrial International businesses.

The increase in operating margins in 2014 in the Diversified Industrial North American operations was primarily due to the higher sales volume, a favorable product mix and lower raw material prices, partially offset by higher intangible asset amortization expense related to 2013 acquisitions. The decrease in operating margins in 2014 in the Diversified Industrial International operations was primarily due to higher business realignment charges and associated operating inefficiencies partially offset by the impact of the higher sales volume and a favorable product mix. The decrease in operating margins in 2013 in the Diversified Industrial North American operations was primarily due to an unfavorable product mix and operating inefficiencies resulting from the decrease in sales volume, partially offset by the favorable effect of lower raw material prices. The decrease in operating margins in 2013 in the Diversified Industrial International operations was primarily due to the lower sales volume, resulting in operating inefficiencies, as well as the impact of integration costs related to 2013 acquisitions.

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

(dollars in thousands)	2014	2013	2012
Diversified Industrial North America	**$ 2,304**	$ 2,661	$ 3,355
Diversified Industrial International	**99,220**	9,573	10,966

The business realignment charges consist primarily of severance costs resulting from plant closures as well as general reductions in work force. The majority of the the Diversified Industrial International business realignment charges were incurred in Europe. The Industrial North America business realignment charges for 2012 also included expenses associated with enhanced retirement benefits. The Company does not anticipate that cost savings realized from the work force reductions taken during 2014 in the Diversified Industrial North American businesses will have a material impact on future operating income and anticipates that cost savings realized from work force reduction measures taken in the Diversified Industrial International businesses will positively impact operating income by approximately nine percent in 2015. In 2015, the Company expects to continue to take actions necessary to structure appropriately the operations of the Diversified Industrial Segment. Such actions are expected to result in approximately $55 million in business realignment charges in 2015.

The Company anticipates Diversified Industrial North American sales for 2015 will increase between 3.0 percent and 7.0 percent from the 2014 level and Diversified Industrial International sales for 2015 will increase between 1.0 percent and 4.0 percent from the 2014 level. Diversified Industrial North American operating margins in 2015 are expected to range from 16.5 percent to 16.9 percent and Diversified Industrial International margins are expected to range from 14.7 percent to 15.7 percent.

The increase in total Diversified Industrial Segment backlog in 2014 was primarily due to order rates exceeding shipments in the Diversified Industrial North American businesses. The decline in total Diversified Industrial Segment backlog in 2013 was primarily due to lower order rates in both the Diversified Industrial North American and Diversified Industrial International businesses, partially offset by an increase in backlog from acquisitions. 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 increase in assets in 2014 was primarily due to the effect of currency fluctuations and an increase in accounts receivable, partially offset by decreases in goodwill, intangible assets and inventory. The increase in assets in 2013 was primarily due to acquisitions as well as increases in plant and equipment, net and cash and cash equivalents, partially offset by the effect of currency fluctuations as well as decreases in inventory and intangible assets.

Aerospace Systems Segment (dollars in millions)

	2014	2013	2012
Sales	**$ 2,235**	$ 2,268	$ 2,103
Operating income	**271**	280	290
Operating income as a percent of sales	**12.1%**	12.4%	13.8%
Backlog	**$ 1,994**	$ 1,936	$ 1,862
Assets	**1,359**	1,140	1,033
Return on average assets	**21.7%**	25.8%	28.6%

Sales in 2014 were lower than the 2013 level as higher volume in the commercial original equipment manufacturer (OEM) business was offset by the absence of sales from the deconsolidated subsidiary whose sales are now reported by the joint venture with GE Aviation as well as lower volume in the military OEM and aftermarket businesses and the commercial aftermarket business. The increase in net sales in 2013 was primarily due to higher volume in all businesses with the largest increase being experienced in the commercial and military OEM businesses.

The lower margin in 2014 was primarily due to an unfavorable product mix, the impact of the joint venture with GE Aviation, and higher product support costs. Margins in 2014 were favorably impacted by the finalization of contract negotiations related to certain programs. The lower margin in 2013 was primarily due to higher engineering development costs, including fuel cell development, more than offsetting the benefit of the higher sales volume.

The increase in backlog in 2014 was primarily due to order rates exceeding shipments in the commercial and military OEM businesses, partially offset by shipments exceeding order rates in the military and commercial aftermarket businesses as well as the absence of backlog of the deconsolidated subsidiary. The increase in backlog in 2013 was primarily due to higher commercial and military OEM orders and commercial aftermarket orders, partially offset by lower military aftermarket orders. 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 2015, sales are expected to increase between 2.0 percent and 3.0 percent from the 2014 level and operating margins are expected to range from 13.1 percent to 13.9 percent. A higher concentration of commercial OEM volume in future product mix and higher than expected new product development costs could result in lower margins.

The increase in assets in 2014 was primarily due to the investment in the joint venture with GE Aviation. The increase in assets in 2013 was primarily due to increases in accounts receivable, inventory and intangible assets.

Corporate assets increased 19.9 percent in 2014 compared to an increase of 39.7 percent from 2012 to 2013. The change in Corporate assets in 2014 and 2013 was primarily due to fluctuations in the amount of cash and cash equivalents and marketable securities. The change in 2013 was also due to a fluctuation in deferred taxes.

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

(dollars in millions)		**2014**		2013
Cash	**$**	**2,187**	$	1,781
Trade accounts receivable, net		**1,858**		1,841
Inventories		**1,372**		1,377
Investments and other assets		**1,019**		687
Intangible assets, net		**1,188**		1,290
Goodwill		**3,171**		3,224
Notes payable and long-term debt payable within one year		**817**		1,334
Shareholders' equity		**6,659**		5,738
Working capital	**$**	**2,819**	$	2,011
Current ratio		**1.9**		1.6

Cash (comprised of cash and cash equivalents and marketable securities) includes $2,126 million and $1,655 million held by the Company's foreign subsidiaries at June 30, 2014 and June 30, 2013, respectively. Generally, cash and cash equivalents and marketable securities held by foreign subsidiaries are not readily available for use in the United States without adverse tax consequences. The Company's principal sources of liquidity are its cash flows provided by operating activities, commercial paper borrowings or borrowings directly from its line of credit. The Company does not believe the level of its non-U.S. cash position will have an adverse effect on working capital needs, planned growth, repayment of maturing debt, benefit plan funding, dividend payments or share repurchases.

Trade accounts receivable, net are receivables due from customers for sales of product. Days sales outstanding relating to trade receivables for the Company was 48 days in 2014 and 49 days in 2013. The Company believes that its receivables are collectible and appropriate allowances for doubtful accounts have been recorded.

Inventories decreased $6 million (which includes an increase of $22 million from the effect of foreign currency translation and a decrease of $34 million related to the deconsolidation of a subsidiary) primarily due to a decrease in inventory levels in the Aerospace Systems Segment partially offset by an increase in inventory levels in the Diversified Industrial International businesses. Days supply of inventory on hand was 61 days in 2014 and 62 days in 2013.

Investments and other assets at June 30, 2014 includes the fair value of the Company's equity investment in the joint venture with GE Aviation. See Note 2 to the Consolidated Financial Statements for further discussion.

Intangible assets, net and Goodwill decreased from the 2013 amounts primarily due to impairment charges of approximately $44 million and $140 million, respectively, recognized in the second quarter of fiscal 2014. See Note 7 to the Consolidated Financial Statements for further discussion.

Notes payable and long-term debt payable within one year decreased primarily due to a lower amount of commercial paper borrowings outstanding at the end of 2014. The Company from time to time will utilize short-term intercompany loans to repay commercial paper borrowings. At times, the short-term intercompany loans are outstanding at the end of a fiscal quarter.

Shareholders' equity activity during 2014 included a decrease of $200 million related to share repurchases, an increase of $91 million related to pensions and postretirement benefits, and an increase of $193 million related to foreign currency translation adjustments.

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

A summary of cash flows follows:

(dollars in millions)	**2014**	**2013**	**2012**
Cash provided by (used in):			
Operating activities	**$ 1,388**	$ 1,191	$ 1,530
Investing activities	**(646)**	(810)	(376)
Financing activities	**(958)**	576	(824)
Effect of exchange rates	**48**	(14)	(150)
Net (decrease) increase in cash and cash equivalents	**$ (168)**	$ 943	$ 181

Cash Flows From Operating Activities in 2014 benefited from a $294 million increase in cash provided by working capital items partially offset by a $184 million decrease in net income after consideration of non-cash items, including a $413 million gain on the deconsolidation of a subsidiary and a $189 million impairment charge. Refer to Note 2 and Note 7 to the Consolidated Financial Statements for further discussion of the gain on deconsolidation and impairment charge, respectively. During 2014, the Company also made a $75 million voluntary cash contribution to the Company's domestic qualified defined benefit plan. Cash flow from operating activities decreased from 2012 primarily due to a decrease in net income as well as $226 million of voluntary cash contributions made to the Company's domestic qualified defined benefit pension plan in 2013.

Cash Flows Used In Investing Activities decreased from 2013 primarily due to a lower level of acquisition activity and the proceeds from the sale of a 50 percent equity interest in a subsidiary related to the joint venture with GE Aviation (refer to Note 2 to the Consolidated Financial Statements for further discussion), partially offset by purchases of marketable securities and other investments. Cash flows used in investing activities increased from 2012 primarily due to an increase in acquisition activity and capital expenditures, partially offset by net proceeds from business divestitures.

Cash Flows Used In Financing Activities increased from 2013 primarily due to a lower level of borrowings required to support acquisition activity. The Company repurchased 1.7 million common shares for $200 million during 2014 as compared to the repurchase of approximately 3.0 million common shares for $257 million in 2013 and 6.4 million common shares for $455 million in 2012. Cash flows provided by financing activities in 2013 included a higher level of commercial paper borrowings due to the increase in acquisition activity. In both 2013 and 2012, the Company purchased the outstanding shares not previously owned by the Company in majority-owned subsidiaries. Cash flows used in financing activities in 2012 included a borrowing and a repayment, each for Japanese Yen (JPY) 6 billion (approximately $73 million), under the terms of separate credit facilities.

Dividends have been paid for 256 consecutive quarters, including a yearly increase in dividends for the last 58 fiscal years. The current annual dividend rate is $1.92.

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

Debt to Debt-Shareholders' Equity Ratio (dollars in millions)	2014	2013
Debt	**$ 2,325**	$ 2,830
Debt & Shareholders' Equity	**8,984**	8,568
Ratio	**25.9%**	33.0%

As of June 30, 2014, the Company had a line of credit totaling $2,000 million through a multi-currency revolving credit agreement with a group of banks, of which $1,184 million was available at June 30, 2014. The credit agreement expires in October 2017; however, the Company has the right to request a one-year extension of the expiration date on an annual basis, which request may result in changes to the current terms and conditions of the credit agreement. Advances from the credit agreement can be used for general corporate purposes, including acquisitions, and for the refinancing of existing indebtedness. The revolving credit agreement requires the payment of an annual facility fee, the amount of which would increase in the event the Company's credit ratings are lowered. Although a lowering of the Company's credit ratings would likely increase the cost of future debt, it would not limit the Company's ability to use the credit agreement nor would it accelerate the repayment of any outstanding borrowings.

The Company is currently authorized to sell up to $1,850 million of short-term commercial paper notes. As of June 30, 2014, $816 million of commercial paper notes were outstanding and the largest amount of commercial paper notes outstanding during the last quarter of 2014 was $1,079 million.

The Company's credit agreements and indentures governing certain debt agreements contain various covenants, the violation of which would limit or preclude the use of the applicable agreements for future borrowings, or might accelerate the maturity of the related outstanding borrowings covered by the applicable agreements. Based on the Company's rating level at June 30, 2014, the most restrictive financial covenant contained in the credit agreements and the indentures provides that the ratio of secured debt to net tangible assets be less than 10 percent. However, the Company currently does not have secured debt in its debt portfolio. The Company is in compliance with all covenants and expects to remain in compliance during the term of the credit agreements and indentures.

Contractual Obligations - The total amount of gross unrecognized tax benefits, including interest, for uncertain tax positions was $173.0 million at June 30, 2014. Payment of these obligations would result from settlements with worldwide taxing authorities. Due to the difficulty in determining the timing of the settlements, these obligations are not included in the following summary of the Company's fixed contractual obligations. References to Notes are to the Notes to the Consolidated Financial Statements.

(dollars in millions)	Payments due by period				
Contractual obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt (Note 9)	$ 1,508	$ —	$ 333	$ 550	$ 625
Interest on long-term debt	659	55	91	74	439
Operating leases (Note 9)	291	91	101	37	62
Retirement benefits (Note 10)	118	69	12	12	25
Total	$ 2,576	$ 215	$ 537	$ 673	$ 1,151

Quantitative and Qualitative Disclosures About Market Risk

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

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

The Company's debt portfolio contains variable rate debt, inherently exposing the Company to interest rate risk. The Company's objective is to maintain a 60/40 mix between fixed rate and variable rate debt thereby limiting its exposure to changes in near-term interest rates. A 100 basis point increase in near-term interest rates would increase annual interest expense on variable rate debt existing at June 30, 2014 by approximately $12 million.

Off-Balance Sheet Arrangements

The Company does not have off-balance sheet arrangements.

Critical Accounting Policies

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

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

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

The Company continually monitors its reporting units for impairment indicators and updates assumptions used in the most recent calculation of the fair value of a reporting unit as appropriate. During fiscal 2014, the Company made a decision to restructure and change the strategic direction of its Worldwide Energy Products Division (EPD). The Company calculated the fair value of EPD using assumptions reflecting the Company's current strategic direction for this reporting unit, the results of which indicated that the carrying value of EPD exceeded its fair value. As a result, the Company estimated the implied fair value of EPD's goodwill, which resulted in a non-cash impairment charge of $140.3 million. The fair value of EPD was calculated using both a discounted cash flow analysis and estimated fair market values of comparable businesses. The results of the Company's fiscal 2014 annual goodwill impairment test performed as of December 31, 2013 indicated that no additional goodwill impairment existed.

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

Long-lived assets held for use, which primarily includes finite-lived intangible assets and plant and equipment, are evaluated for impairment whenever events or circumstances indicate that the undiscounted net cash flows to be generated by their use over their expected useful lives and eventual disposition are less than their carrying value. The long-term nature of these assets requires the estimation of their cash inflows and outflows several years into the future and only takes into consideration technological advances known at the time of the impairment test. During fiscal 2014, in connection with the goodwill impairment review discussed above, the Company determined certain intangible assets of EPD, primarily trademarks and customer lists, and plant and equipment were impaired resulting in a non-cash impairment charge of $48.6 million. The fair value of EPD's intangible assets and plant and equipment were determined using the income approach for each asset. There were no events or circumstances that indicated that the carrying value of the Company's remaining long-lived assets held for use were not recoverable.

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

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

Assumptions are determined based on Company data and appropriate market indicators, and are evaluated each year as of the plans' measurement date. Changes in the assumptions to reflect actual experience as well as the amortization of actuarial gains and losses could result in a material change in the annual net periodic expense and benefit obligations reported in the financial statements. For the Company's domestic defined benefit plans, a 50 basis point change in the assumed long-term rate of return on plan assets is estimated to have an $11 million effect on pension expense and a 50 basis point decrease in the discount rate is estimated to increase pension expense by $18 million. As of June 30, 2014, $1,016 million of past years' net actuarial losses related to the Company's domestic qualified defined benefit plans are subject to amortization in the future. These losses will generally be amortized over approximately eight years and will negatively affect earnings in the future. Actuarial gains experienced in future years will help reduce the effect of the actuarial loss amortization.

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

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

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

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

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (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, 2016. The Company has not yet determined the effect that ASU 2014-09 will have on its results of operations, statement of financial position, or financial statement disclosures.

Consolidated Statement of Income

(Dollars in thousands, except per share amounts)	For the years ended June 30, 2014	2013	2012
Net Sales	**$ 13,215,971**	$ 13,015,704	$ 13,145,942
Cost of sales	**10,188,227**	10,086,675	9,958,337
Gross profit	**3,027,744**	2,929,029	3,187,605
Selling, general and administrative expenses	**1,633,992**	1,554,973	1,519,316
Goodwill and intangible asset impairment (Note 7)	**188,870**	—	—
Interest expense	**82,566**	91,552	92,790
Other (income) expense, net	**(25,513)**	(18,198)	1,295
(Gain) on disposal of assets (Note 2)	**(408,891)**	(10,299)	(2,494)
Income before income taxes	**1,556,720**	1,311,001	1,576,698
Income taxes (Note 4)	**515,302**	362,217	421,206
Net Income	**1,041,418**	948,784	1,155,492
Less: Noncontrolling interest in subsidiaries' earnings	**370**	357	3,669
Net Income Attributable to Common Shareholders	**$ 1,041,048**	$ 948,427	$ 1,151,823
Earnings per Share Attributable to Common Shareholders (Note 5)			
Basic earnings per share	**$ 6.98**	$ 6.36	$ 7.62
Diluted earnings per share	**$ 6.87**	$ 6.26	$ 7.45

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

Consolidated Statement of Comprehensive Income

	For the years ended June 30,		
(Dollars in thousands)	**2014**	**2013**	**2012**
Net Income	**$ 1,041,418**	$ 948,784	$ 1,155,492
Less: Noncontrolling interests in subsidiaries' earnings	**370**	357	3,669
Net income attributable to common shareholders	**1,041,048**	948,427	1,151,823
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustment (net of tax of $4,692, $1,239 and $(11,530) in 2014, 2013 and 2012)	**192,925**	(18,974)	(392,742)
Retirement benefits plan activity (net of tax of $(54,473), $(195,884) and $330,984 in 2014, 2013 and 2012)	**91,182**	325,066	(597,979)
Realized loss (net of tax of $(101), $(101) and $(102) in 2014, 2013 and 2012)	**205**	204	204
Other comprehensive income (loss)	**284,312**	306,296	(990,517)
Less: Other comprehensive (loss) for noncontrolling interests	**(23)**	(1,771)	(25,607)
Other comprehensive income (loss) attributable to common shareholders	**284,335**	308,067	(964,910)
Total Comprehensive Income Attributable to Common Shareholders	**$ 1,325,383**	$ 1,256,494	$ 186,913

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

Business Segment Information
By Industry

(Dollars in thousands)	2014	2013	2012
Net Sales:			
Diversified Industrial:			
North America	**$ 5,693,527**	$ 5,637,657	$ 5,708,057
International	**5,287,916**	5,110,332	5,335,138
Aerospace Systems	**2,234,528**	2,267,715	2,102,747
	$ 13,215,971	$ 13,015,704	$ 13,145,942
Segment Operating Income:			
Diversified Industrial:			
North America	**$ 946,493**	$ 908,719	$ 960,252
International	**572,476**	602,480	752,155
Aerospace Systems	**271,238**	280,286	290,135
Total segment operating income	**1,790,207**	1,791,485	2,002,542
Corporate administration	**181,926**	185,767	193,367
Income before interest expense and other	**1,608,281**	1,605,718	1,809,175
Interest expense	**82,566**	91,552	92,790
Other (income) expense	**(31,005)**	203,165	139,687
Income before income taxes	**$ 1,556,720**	$ 1,311,001	$ 1,576,698
Assets:			
Diversified Industrial	**$ 9,501,837**	$ 9,388,027	$ 8,696,094
Aerospace Systems (a)	**1,359,130**	1,139,967	1,033,449
Corporate (b)	**2,413,395**	2,012,904	1,440,739
	$ 13,274,362	$ 12,540,898	$ 11,170,282
Property Additions (c):			
Diversified Industrial	**$ 189,832**	$ 312,392	$ 219,872
Aerospace Systems	**23,261**	20,838	19,651
Corporate	**3,247**	7,105	8,223
	$ 216,340	$ 340,335	$ 247,746
Depreciation:			
Diversified Industrial	**$ 187,347**	$ 187,014	$ 182,853
Aerospace Systems	**19,193**	19,498	19,395
Corporate	**8,425**	7,210	8,260
	$ 214,965	$ 213,722	$ 210,508

(Dollars in thousands)	2014	2013	2012
By Geographic Area (d)			
Net Sales:			
North America	**$ 7,853,603**	$ 7,844,552	$ 7,830,517
International	**5,362,368**	5,171,152	5,315,425
	$ 13,215,971	$ 13,015,704	$ 13,145,942
Long-Lived Assets:			
North America	**$ 861,300**	$ 871,958	$ 867,159
International	**962,994**	936,282	852,809
	$ 1,824,294	$ 1,808,240	$ 1,719,968

As of July 1, 2013, the Company consolidated its Climate & Industrial Controls businesses into existing operating groups within the Industrial Segment. As a result of this consolidation and the resulting change in management structure made in connection with the strategic divestiture of certain operations in the Climate & Industrials Control Segment, the Company now has two reporting segments: Diversified Industrial (formerly referred to as Industrial) and Aerospace Systems (formerly referred to as Aerospace). All prior period results have been revised to reflect the new reporting segment structure.

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

(a) Includes investments in joint-venture companies in which ownership is 50 percent or less and in which the Company does not have operating control (2014 - $263,246).

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

(c) Includes the value of net plant and equipment at the date of acquisition of acquired companies (2013 - $74,439; 2012 - $28,929).

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

Consolidated Balance Sheet

(Dollars in thousands) June 30,	2014	2013
Assets		
Current Assets		
Cash and cash equivalents (Note 1)	**$ 1,613,555**	$ 1,781,412
Marketable securities (Note 1)	**573,701**	—
Trade accounts receivable, net (Note 1)	**1,858,176**	1,840,820
Non-trade and notes receivable (Note 1)	**388,437**	221,925
Inventories (Note 6)	**1,371,681**	1,377,405
Prepaid expenses	**129,837**	182,669
Deferred income taxes (Notes 1 and 4)	**136,193**	126,955
Total Current Assets	**6,071,580**	5,531,186
Plant and equipment (Note 1)	**5,152,591**	4,999,301
Less accumulated depreciation	**3,328,297**	3,191,061
	1,824,294	1,808,240
Investments and other assets (Note 1)	**1,018,781**	687,458
Intangible assets, net (Notes 1 and 7)	**1,188,282**	1,290,499
Goodwill (Notes 1 and 7)	**3,171,425**	3,223,515
Total Assets	**$ 13,274,362**	$ 12,540,898
Liabilities and Equity		
Current Liabilities		
Notes payable and long-term debt payable within one year (Notes 8 and 9)	**$ 816,622**	$ 1,333,826
Accounts payable, trade	**1,252,040**	1,156,002
Accrued payrolls and other compensation	**453,321**	426,996
Accrued domestic and foreign taxes	**223,611**	136,079
Other accrued liabilities	**507,202**	467,300
Total Current Liabilities	**3,252,796**	3,520,203
Long-term debt (Note 9)	**1,508,142**	1,495,960
Pensions and other postretirement benefits (Note 10)	**1,346,224**	1,372,437
Deferred income taxes (Notes 1 and 4)	**94,819**	102,920
Other liabilities	**409,573**	307,897
Total Liabilities	**6,611,554**	6,799,417
Equity (Note 11)		
Shareholders' Equity		
Serial preferred stock, $.50 par value, authorized 3,000,000 shares; none issued		
Common stock, $.50 par value, authorized 600,000,000 shares; issued 181,046,128 shares in 2014 and 2013	**90,523**	90,523
Additional capital	**595,498**	608,752
Retained earnings	**9,174,189**	8,421,270
Accumulated other comprehensive (loss)	**(823,498)**	(1,107,833)
Treasury shares at cost: 32,143,315 in 2014 and 31,757,604 in 2013	**(2,377,284)**	(2,274,286)
Total Shareholders' Equity	**6,659,428**	5,738,426
Noncontrolling interests	**3,380**	3,055
Total Equity	**6,662,808**	5,741,481
Total Liabilities and Equity	**$ 13,274,362**	$ 12,540,898

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

Consolidated Statement of Cash Flows

(Dollars in thousands)	For the years ended June 30, 2014	2013	2012
Cash Flows From Operating Activities			
Net income	**$ 1,041,418**	$ 948,784	$ 1,155,492
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**214,965**	213,722	210,508
Amortization	**121,737**	121,902	111,421
Goodwill and intangible asset impairment	**188,870**	—	—
Stock incentive plan compensation	**103,161**	84,996	80,935
Deferred income taxes	**(74,139)**	(1,368)	(56,452)
Foreign currency transaction loss	**5,398**	19,497	4,300
Loss (gain) on disposal of assets	**2,997**	2,746	(2,494)
Gain on sale of businesses	**—**	(14,637)	—
Net gain on deconsolidation	**(412,612)**	—	—
Changes in assets and liabilities, net of effects from acquisitions:			
Accounts receivable	**(99,144)**	(21,206)	(91,091)
Inventories	**(3,816)**	98,518	(28,333)
Prepaid expenses	**58,117**	(47,451)	(26,981)
Other assets	**(79,158)**	(16,007)	(6,578)
Accounts payable, trade	**92,927**	(66,082)	59,692
Accrued payrolls and other compensation	**20,840**	(45,771)	16,003
Accrued domestic and foreign taxes	**86,745**	(17,054)	(70,302)
Other accrued liabilities	**(23,480)**	(62,728)	33,512
Pensions and other postretirement benefits	**99,569**	(16,691)	123,944
Other liabilities	**43,498**	9,765	16,809
Net cash provided by operating activities	**1,387,893**	1,190,935	1,530,385
Cash Flows From Investing Activities			
Acquisitions (less cash acquired of $1,780 in 2014, $33,932 in 2013 and $19,161 in 2012)	**(17,593)**	(621,144)	(156,256)
Capital expenditures	**(216,340)**	(265,896)	(218,817)
Proceeds from disposal of assets	**14,368**	25,047	20,404
Proceeds from sale of businesses	**—**	73,515	—
Net proceeds from deconsolidation	**202,498**	—	—
Purchase of marketable securities and other investments	**(624,880)**	—	—
Other	**(4,454)**	(21,367)	(21,099)
Net cash used in investing activities	**(646,401)**	(809,845)	(375,768)
Cash Flows From Financing Activities			
Proceeds from exercise of stock options	**8,013**	32,204	10,599
Payments for common shares	**(204,043)**	(258,007)	(456,969)
Tax benefit from stock incentive plan compensation	**33,732**	66,030	16,107
Acquisition of noncontrolling interests	**—**	(1,091)	(147,441)
(Payments for) proceeds from notes payable, net	**(515,387)**	1,319,524	(1,961)
Proceeds from long-term borrowings	**748**	3,768	73,556
Payments for long-term borrowings	**(2,934)**	(331,245)	(76,757)
Dividends paid	**(278,244)**	(255,009)	(240,654)
Net cash (used in) provided by financing activities	**(958,115)**	576,174	(823,520)
Effect of exchange rate changes on cash	**48,766**	(14,169)	(150,246)
Net (decrease) increase in cash and cash equivalents	**(167,857)**	943,095	180,851
Cash and cash equivalents at beginning of year	**1,781,412**	838,317	657,466
Cash and cash equivalents at end of year	**$ 1,613,555**	$ 1,781,412	$ 838,317
Supplemental Data:			
Cash paid during the year for:			
Interest	**$ 77,144**	$ 88,084	$ 91,677
Income taxes	**472,369**	311,988	494,378

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

Consolidated Statement of Equity

(Dollars in thousands)	Common Stock	Additional Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Treasury Shares	Noncontrolling Interests	Total
Balance June 30, 2011	**$ 90,523**	**$ 668,332**	**$ 6,891,407**	**$ (450,990)**	**$ (1,815,418)**	**$ 104,482**	**$ 5,488,336**
Net income			1,151,823			3,669	1,155,492
Other comprehensive (loss)				(964,910)		(25,607)	(990,517)
Dividends paid			(233,168)			(7,486)	(240,654)
Stock incentive plan activity		45,532	(22,887)		65,266		87,911
Acquisition activity		(73,615)				(65,843)	(139,458)
Shares purchased at cost					(455,380)		(455,380)
Balance June 30, 2012	**$ 90,523**	**$ 640,249**	**$ 7,787,175**	**$ (1,415,900)**	**$ (2,205,532)**	**$ 9,215**	**$ 4,905,730**
Net income			948,427			357	948,784
Other comprehensive income (loss)				308,067		(1,771)	306,296
Dividends paid			(254,283)			(726)	(255,009)
Stock incentive plan activity		(34,678)	(60,049)		188,423		93,696
Acquisition activity		3,181				(4,020)	(839)
Shares purchased at cost					(257,177)		(257,177)
Balance June 30, 2013	**$ 90,523**	**$ 608,752**	**$ 8,421,270**	**$ (1,107,833)**	**$ (2,274,286)**	**$ 3,055**	**$ 5,741,481**
Net income			**1,041,048**			**370**	**1,041,418**
Other comprehensive income (loss)				**284,335**		**(23)**	**284,312**
Dividends paid			**(278,222)**			**(22)**	**(278,244)**
Stock incentive plan activity		**(13,254)**	**(9,907)**		**97,002**		**73,841**
Shares purchased at cost					**(200,000)**		**(200,000)**
Balance June 30, 2014	**$ 90,523**	**$ 595,498**	**$ 9,174,189**	**$ (823,498)**	**$ (2,377,284)**	**$ 3,380**	**$ 6,662,808**

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

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share amounts)

1. Significant Accounting Policies

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

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

The Diversified Industrial Segment is an aggregation of several business units, which manufacture motion-control and fluid power system components for builders and users of various types of manufacturing, packaging, processing, transportation, agricultural, construction, and military vehicles and equipment. Diversified Industrial Segment products are marketed primarily through field sales employees and independent distributors. The Diversified Industrial North American operations have manufacturing plants and distribution networks throughout the United States, Canada and Mexico and primarily service North America. The Diversified Industrial International operations provide Parker products and services to 47 countries throughout Europe, Asia Pacific, Latin America, the Middle East and Africa.

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

See the table of Business Segment Information “By Industry” and “By Geographic Area” on pages 13-15 and 13-16 for further disclosure of business segment information.

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

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

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

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

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

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

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

Marketable Securities - Consist of short-term highly liquid investments, with stated maturities of greater than three months from the date of purchase, carried at cost plus accrued interest.

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 $16,040 and $14,824 at June 30, 2014 and June 30, 2013, respectively.

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

June 30,	2014	2013
Notes receivable	$ **117,400**	$ 111,531
Reverse repurchase agreements	**54,772**	—
Accounts receivable, other	**216,265**	110,394
Total	$ **388,437**	$ 221,925

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

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

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

June 30,	2014	2013
Land and land improvements	$ **326,008**	$ 316,360
Buildings and building equipment	**1,535,634**	1,431,358
Machinery and equipment	**3,210,172**	3,131,077
Construction in progress	**80,777**	120,506
Total	$ **5,152,591**	$ 4,999,301

Investments and Other Assets - Investments in joint-venture companies in which ownership is 50 percent or less and in which the Company does not have operating control are stated at cost plus the Company's equity in undistributed earnings and amounted to $324,610 and $61,117 at June 30, 2014 and June 30, 2013, respectively. The Company's share of earnings from these investments were immaterial to the Company's results of operations.

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

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

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

Product Warranty - In the ordinary course of business the Company warrants its products against defect in design, materials and workmanship over various time periods. The warranty accrual at June 30, 2014 and 2013 is immaterial to the financial position of the Company and the change in the accrual during 2014, 2013 and 2012 was immaterial to the Company's results of operations and cash flows.

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

Subsequent Events - The Company has evaluated subsequent events that have occurred through the date of filing of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2014. No subsequent events occurred that required adjustment to or disclosure in these financial statements.

Recent Accounting Pronouncements - In May 2014, the Financial Accounting Standards Board issued Accounting (FASB) Standards Update (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, 2016. The Company has not yet determined the effect that ASU 2014-09 will have on its results of operations, statement of financial position, or financial statement disclosures.

2. Deconsolidation of Subsidiary, Acquisitions and Divestitures

Deconsolidation of Subsidiary - During 2014, the Company and GE Aviation, a non-related party, finalized a joint venture in which the Company sold a 50 percent equity interest in one of its wholly-owned subsidiaries. The sale of the 50 percent equity interest in the wholly-owned subsidiary resulted in a loss of control of the subsidiary, and therefore it was deconsolidated from the Company's financial statements during the second quarter of fiscal 2014. The Company's equity interest in the joint venture with GE Aviation at June 30, 2014 of $263,246 is accounted for using the equity method of accounting. A significant portion of the underlying net assets of the joint venture are related to goodwill.

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

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

During 2013, the Company completed eight acquisitions whose aggregate sales for their most recent fiscal year prior to acquisition were approximately $484 million. Total purchase price for the eight acquisitions was approximately $621 million in cash and $114 million in assumed debt.

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

The results of operations for all acquisitions are included as of the respective dates of acquisition. The initial purchase price allocation and subsequent purchase price adjustments for acquisitions in 2014, 2013 and 2012 are presented below. Some of the 2014 acquisitions are still subject to purchase price adjustments.

	2014	2013	2012
Assets:			
Accounts receivable	**$ 954**	$ 91,668	$ 24,833
Inventories	**2,184**	93,915	29,102
Prepaid expenses	**57**	4,672	1,541
Deferred income taxes	**189**	(1,713)	5,679
Plant and equipment	**11,211**	74,439	28,929
Intangible and other assets	**5,646**	280,001	59,576
Goodwill	**3,195**	317,879	68,144
	23,436	860,861	217,804
Liabilities and equity:			
Notes payable	**—**	11,920	1,887
Accounts payable, trade	**915**	46,596	7,189
Accrued payrolls and other compensation	**263**	12,099	3,672
Accrued domestic and foreign taxes	**1**	7,073	2,882
Other accrued liabilities	**3,864**	16,805	5,984
Long-term debt	**—**	102,122	4,365
Pensions and other postretirement benefits	**—**	2,125	11,396
Deferred income taxes	**—**	39,214	24,062
Other liabilities	**800**	689	111
Noncontrolling interests	**—**	1,074	—
	5,843	239,717	61,548
Net assets acquired	**$ 17,593**	$ 621,144	$ 156,256

Divestitures - During 2013, the Company completed several divestitures, the primary ones being the automotive businesses of its Mobile Climate Systems division and its Turkey refrigeration components business. Under the segment structure effective July 1, 2013, both of these businesses would have been part of the Diversified Industrial Segment and had combined revenues of approximately $158 million for fiscal 2012. The Company recorded a net pre-tax gain during 2013 of approximately $18 million related to these divestitures. The gain is reflected in the (gain) on disposal of assets caption in the Consolidated Statement of Income.

3. Charges Related to Business Realignment

To structure its businesses in light of current and anticipated customer demand, the Company incurred business realignment charges in 2014, 2013 and 2012.

Business realignment charges by business segment are as follows:

	2014	2013	2012
Diversified Industrial	**$ 101,524**	$ 12,234	$ 14,321
Aerospace Systems	**925**	—	—

Work force reductions by business segment are as follows:

	2014	2013	2012
Diversified Industrial	**1,581**	725	521
Aerospace Systems	**44**	—	—

The charges primarily consist of severance costs related to plant closures as well as general work force reductions implemented by various operating units throughout the world, with the majority of charges relating to realignment activities in Europe. In addition, $1,331 of fixed asset write-downs were recognized in connection with plant closures in the Diversified Industrial Segment, and are reflected in the other (income) expense caption in the Business Segment information for 2014. During 2013, $1,918 of severance costs for 98 people were recognized in connection with the Company's divestiture of its Turkey refrigeration components business and is reflected in the other (income) expense caption in the Business Segment Information. The business realignment charges in 2012 also included charges related to enhanced retirement benefits. The Company believes the realignment actions taken will positively impact future results of operations, but will have no material effect on liquidity and sources and uses of capital.

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

	2014	2013	2012
Cost of sales	**$ 63,575**	$ 8,354	$ 12,669
Selling, general and administrative expenses	**38,874**	3,880	1,020
(Gain) on disposal of assets	**1,331**	1,918	632

As of June 30, 2014, approximately $31 million in severance payments have been made relating to charges incurred during 2014. The majority of the remaining severance payments of approximately $62 million are expected to be paid by June 30, 2015 and are reflected within the other accrued liabilities caption in the Consolidated Balance Sheet. All required severance payments have been made relating to charges incurred in 2013 and 2012. Additional charges may be recognized in future periods related to the realignment actions described above, the timing and amount of which are not known at this time.

4. Income Taxes

Income before income taxes was derived from the following sources:

	2014	2013	2012
United States	**$ 1,115,010**	$ 653,622	$ 810,150
Foreign	**441,710**	657,379	766,548
	$ 1,556,720	$ 1,311,001	$ 1,576,698

Income taxes include the following:

	2014	2013	2012
Federal			
Current	**$ 377,404**	$ 167,350	$ 255,991
Deferred	**(45,643)**	26,523	(48,252)
Foreign			
Current	**168,177**	176,739	191,167
Deferred	**(28,016)**	(28,472)	(29)
State and local			
Current	**43,860**	19,496	30,500
Deferred	**(480)**	581	(8,171)
	$ 515,302	$ 362,217	$ 421,206

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

	2014	2013	2012
Statutory Federal income tax rate	**35.0 %**	35.0 %	35.0 %
State and local income taxes	**1.8**	1.0	0.9
Goodwill and intangible asset impairment	**4.5**	—	—
Tax related to international activities	**(5.6)**	(5.8)	(5.8)
Cash surrender value of life insurance	**(0.9)**	(0.7)	0.1
Federal manufacturing deduction	**(1.0)**	(1.0)	(1.6)
Research tax credit	**(0.3)**	(1.1)	(0.4)
Other	**(0.4)**	0.2	(1.5)
Effective income tax rate	**33.1 %**	27.6 %	26.7 %

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

	2014	2013
Retirement benefits	**$ 550,034**	$ 535,260
Other liabilities and reserves	**128,848**	113,257
Long-term contracts	**46,006**	26,714
Stock-based incentive compensation	**64,267**	59,274
Loss carryforwards	**340,676**	286,180
Unrealized currency exchange gains and losses	**25,182**	14,639
Inventory	**18,668**	15,570
Foreign tax credit carryforward	**51,875**	25,195
Depreciation and amortization	**(571,107)**	(527,860)
Valuation allowance	**(348,837)**	(273,413)
Net deferred tax asset	**$ 305,612**	$ 274,816

Change in net deferred tax asset:		
Provision for deferred tax	**$ 74,139**	$ 1,368
Items of other comprehensive (loss)	**(49,882)**	(194,746)
Acquisitions and other	**6,539**	(81,067)
Total change in net deferred tax	**$ 30,796**	$ (274,445)

As of June 30, 2014, the Company has recorded deferred tax assets of $340,676 resulting from $1,212,459 in loss carryforwards. A valuation allowance of $323,358 related to the loss carryforwards has been established due to the uncertainty of realizing certain deferred tax assets. Of this valuation allowance, $296,598 relates to non-operating entities whose loss carryforward utilization is considered to be remote. Some of the loss carryforwards can be carried forward indefinitely; others can be carried forward from three to 20 years. In addition, a valuation allowance of $25,479 related to future deductible items has been established due to the uncertainty of their realization. These future deductible items are recorded in the other liabilities and reserves line in the table above.

Provision has not been made for additional U.S. or foreign taxes on undistributed earnings of certain international operations as those earnings will continue to be reinvested. It is not practicable to estimate the additional taxes, including applicable foreign withholding taxes, that might be payable on the eventual remittance of such earnings. Accumulated undistributed earnings reinvested in international operations amounted to approximately $2,800,000 at June 30, 2014.

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

	2014	2013	2012
Balance July 1	**$ 107,440**	$ 109,735	$ 81,156
Additions for tax positions related to current year	**7,752**	10,285	66,500
Additions for tax positions of prior years	**55,136**	10,719	11,047
Reductions for tax positions of prior years	**(1,359)**	(20,683)	(23,456)
Reductions for settlements	**(1,856)**	(4,266)	(23,434)
Reductions for expiration of statute of limitations	**(5,005)**	(437)	(1,636)
Effect of foreign currency translation	**2,705**	2,087	(442)
Balance June 30	**$ 164,813**	$ 107,440	$ 109,735

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was $71,898, $60,876 and $61,601 as of June 30, 2014, 2013 and 2012, respectively. If recognized, a significant portion of the gross unrecognized tax benefits as of June 30, 2014 would be offset against an asset currently recorded in the Consolidated Balance Sheet. The accrued interest related to the gross unrecognized tax benefits, excluded from the amounts above, was $8,198, $5,184 and $3,676 as of June 30, 2014, 2013 and 2012, respectively.

The Company and its subsidiaries file income tax returns in the United States and in various foreign jurisdictions. In the normal course of business, the Company's tax returns are subject to examination by taxing authorities throughout the world. The Company is no longer subject to examinations of its federal income tax returns by the United States Internal Revenue Service for fiscal years through 2012. All significant state, local and foreign tax returns have been examined for fiscal years through 2006. The Company does not anticipate that, within the next twelve months, the total amount of unrecognized tax benefits will significantly change due to the settlement of examinations and the expiration of statute of limitations.

5. Earnings Per Share

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

	2014	2013	2012
Numerator:			
Net income attributable to common shareholders	**$ 1,041,048**	$ 948,427	$ 1,151,823
Denominator:			
Basic - weighted-average common shares	**149,099,448**	149,218,257	151,222,033
Increase in weighted-average common shares from dilutive effect of stock-based awards	**2,344,655**	2,369,774	3,442,477
Diluted - weighted-average common shares, assuming exercise of stock-based awards	**151,444,103**	151,588,031	154,664,510
Basic earnings per share	**$ 6.98**	$ 6.36	$ 7.62
Diluted earnings per share	**$ 6.87**	$ 6.26	$ 7.45

For 2014, 2013 and 2012, 1.2 million, 1.3 million, and 0.7 million common shares, respectively, subject to stock-based awards were excluded from the computation of diluted earnings per share because the effect of their exercise would be anti-dilutive.

6. Inventories

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

Inventories valued on the LIFO cost method were approximately 30 percent of total inventories in 2014 and 29 percent of total inventories in 2013. The current cost of these inventories exceeds their valuation determined on the LIFO basis by $208,291 in 2014 and $207,277 in 2013. Progress payments of $61,958 in 2014 and $42,446 in 2013 are netted against inventories.

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

June 30,	2014	2013
Finished products	**$ 532,968**	$ 531,897
Work in process	**732,294**	733,025
Raw materials	**106,419**	112,483
Total	**$ 1,371,681**	$ 1,377,405

7. Goodwill and Intangible Assets

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

	Diversified Industrial Segment	Aerospace Systems Segment	Total
Balance June 30, 2012	$ 2,827,182	$ 98,674	$ 2,925,856
Acquisitions	316,857	—	316,857
Divestitures	(20,105)	—	(20,105)
Foreign currency translation and other	1,241	(334)	907
Balance June 30, 2013	$ 3,125,175	$ 98,340	$ 3,223,515
Acquisitions	**3,195**	**—**	**3,195**
Impairment	**(140,334)**	**—**	**(140,334)**
Foreign currency translation and other	**84,688**	**361**	**85,049**
Balance June 30, 2014	**$ 3,072,724**	**$ 98,701**	**$ 3,171,425**

Acquisitions represent the original goodwill allocation, purchase price adjustments, and final adjustments to the purchase price allocation for the acquisitions during the measurement period subsequent to the applicable acquisition dates. The Company's previously reported results of operations and financial position would not be materially different had the goodwill adjustments recorded during 2014 and 2013 been reflected in the same reporting period that the initial purchase price allocations for those acquisitions were made.

Divestitures represent goodwill associated with businesses divested during 2013 as more fully discussed in Note 2 to the Consolidated Financial Statements.

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

The Company's annual impairment tests performed in 2014, 2013, and 2012 resulted in no impairment loss being recognized.

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

	2014		2013	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents	**$ 160,030**	**$ 86,708**	$ 141,160	$ 75,175
Trademarks	**391,268**	**174,114**	386,619	148,319
Customer lists and other	**1,481,560**	**583,754**	1,468,243	482,029
Total	**$ 2,032,858**	**$ 844,576**	$ 1,996,022	$ 705,523

During 2014, the Company acquired intangible assets, either individually or as part of a group of assets, with an initial purchase price allocation and weighted-average life as follows:

	Purchase Price Allocation	Weighted-Average Life
Patents	$ 15,727	10 years
Trademarks	160	5 years
Customer lists and other	6,686	11 years
Total	$ 22,573	10 years

Total intangible amortization expense in 2014, 2013 and 2012 was $118,782, $118,516 and $107,086, respectively. Estimated intangible amortization expense for the five years ending June 30, 2015 through 2019 is $113,785, $109,360, $105,222, $99,406 and $92,579, respectively.

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

8. Financing Arrangements

The Company has a line of credit totaling $2,000,000 through a multi-currency revolving credit agreement with a group of banks, $1,183,900 of which was available at June 30, 2014. The credit agreement expires in October 2017; however, the Company has the right to request a one-year extension of the expiration date on an annual basis, which request may result in changes to the current terms and conditions of the credit agreement. Advances from the credit agreement can be used for general corporate purposes, including acquisitions, and for the refinancing of existing indebtedness. The credit agreement requires the payment of an annual facility fee, the amount of which would increase in the event the Company's credit ratings are lowered. Although a lowering of the Company's credit ratings would likely increase the cost of future debt, it would not limit the Company's ability to use the credit agreement nor would it accelerate the repayment of any outstanding borrowings.

The Company is currently authorized to sell up to $1,850,000 of short-term commercial paper notes. At June 30, 2014 and 2013, $816,100 and $1,331,445 of commercial paper notes were outstanding, respectively.

In addition to commercial paper notes, notes payable includes short-term lines of credit and borrowings from foreign banks. At June 30, 2014, the Company had $69,949 in lines of credit from various foreign banks, $69,924 of which was available at June 30, 2014. Most of these agreements are renewed annually. The weighted-average interest rate on notes payable during 2014 and 2013 was 0.2 percent and 0.3 percent, respectively.

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

The Company's credit agreements and indentures governing certain debt agreements contain various covenants, the violation of which would limit or preclude the use of the applicable agreements for future borrowings, or might accelerate the maturity of the related outstanding borrowings covered by the applicable agreements. At the Company's present rating level, the most restrictive covenant contained in the credit agreements and the indentures provides that the ratio of secured debt to net tangible assets be less than 10 percent. As of June 30, 2014, the Company does not have any secured debt outstanding. The Company is in compliance with all covenants.

9. Debt

June 30,	2014	2013
Domestic:		
Fixed rate medium-term notes 3.50% to 6.55%, due 2018-2038	**$ 1,175,000**	$ 1,175,000
Foreign:		
Bank loans, including revolving credit 1% to 11.75%, due 2015	**322**	2,045
Euro bonds 4.125%, due 2016	**273,860**	260,200
Japanese Yen credit facility JPY Libor plus 55 bps, due 2017	**59,220**	60,540
Other long-term debt, including capitalized leases	**236**	556
Total long-term debt	**1,508,638**	1,498,341
Less long-term debt payable within one year	**496**	2,381
Long-term debt, net	**$ 1,508,142**	$ 1,495,960

Principal amounts of long-term debt payable in the five years ending June 30, 2015 through 2019 are $496, $273,891, $59,236, $450,014 and $100,000, respectively.

Lease Commitments - Future minimum rental commitments as of June 30, 2014, under non-cancelable operating leases, which expire at various dates, are as follows: 2015-$91,435; 2016-$60,672; 2017-$40,591; 2018-$22,126; 2019-$14,967 and after 2019-$61,810.

Rental expense in 2014, 2013 and 2012 was $131,948, $133,478 and $124,546, respectively.

10. Retirement Benefits

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

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

	2014	2013	2012
Benefit cost			
Service cost	**$ 99,929**	$ 107,519	$ 84,663
Interest cost	**190,999**	174,152	185,550
Expected return on plan assets	**(226,884)**	(211,694)	(201,845)
Amortization of prior service cost	**14,644**	14,472	14,016
Amortization of unrecognized actuarial loss	**159,584**	200,849	105,788
Amortization of initial net obligation (asset)	**19**	22	(60)
Net periodic benefit cost	**$ 238,291**	$ 285,320	$ 188,112

	2014	2013
Change in benefit obligation		
Benefit obligation at beginning of year	**$ 4,382,563**	$ 4,506,521
Service cost	**99,929**	107,519
Interest cost	**190,999**	174,152
Actuarial loss (gain)	**277,098**	(241,674)
Benefits paid	**(286,066)**	(157,838)
Plan amendments	**(3,503)**	11,236
Acquisitions	**—**	1,283
Foreign currency translation and other	**88,427**	(18,636)
Benefit obligation at end of year	**$ 4,749,447**	$ 4,382,563
Change in plan assets		
Fair value of plan assets at beginning of year	**$ 3,096,616**	$ 2,700,050
Actual gain on plan assets	**469,984**	278,862
Employer contributions	**146,237**	291,018
Benefits paid	**(286,066)**	(157,838)
Acquisitions	**—**	285
Foreign currency translation and other	**72,503**	(15,761)
Fair value of plan assets at end of year	**$ 3,499,274**	$ 3,096,616
Funded status	**$ (1,250,173)**	$ (1,285,947)
Amounts recognized on the Consolidated Balance Sheet		
Other accrued liabilities	**$ (11,333)**	$ (20,643)
Pensions and other postretirement benefits	**(1,238,840)**	(1,265,304)
Net amount recognized	**$ (1,250,173)**	$ (1,285,947)
Amounts recognized in Accumulated Other Comprehensive (Loss)		
Net actuarial loss	**$ 1,434,645**	$ 1,537,549
Prior service cost	**37,137**	54,630
Transition obligation	**143**	166
Net amount recognized	**$ 1,471,925**	$ 1,592,345

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

During 2014, the Company offered a lump-sum distribution to certain participants in one of its U.S. defined benefit plans. Included in benefits paid in 2014 is $110,000 related to participants who elected to receive a lump-sum distribution. No settlement charge was required to be recognized.

The estimated amount of net actuarial loss, prior service cost and transition obligation that will be amortized from accumulated other comprehensive (loss) into net periodic benefit pension cost in 2015 is $158,471, $7,668 and $19, respectively.

The accumulated benefit obligation for all defined benefit plans was $4,258,743 and $3,944,921 at June 30, 2014 and 2013, respectively. The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were $4,691,350, $4,206,557 and $3,443,515, respectively, at June 30, 2014, and $4,351,955, $3,920,218 and $3,070,157, respectively, at June 30, 2013. The projected benefit obligation and fair value of plan assets for pension plans with projected benefit obligations in excess of plan assets were $4,709,493 and $3,459,097, respectively, at June 30, 2014, and $4,381,914 and $3,095,942, respectively, at June 30, 2013.

The Company expects to make cash contributions of approximately $63 million to its defined benefit pension plans in 2015, the majority of which relates to non-U.S. defined benefit plans. Estimated future benefit payments in the five years ending June 30, 2015 through 2019 are $189,307, $235,993, $219,266, $225,421 and $251,678, respectively and $1,391,819 in the aggregate for the five years ending June 30, 2020 through June 30, 2024.

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

	2014	2013	2012
U.S. defined benefit plans			
Discount rate	**4.52%**	3.91%	5.45%
Average increase in compensation	**5.13%**	5.21%	5.21%
Expected return on plan assets	**8.0%**	8.0%	8.0%
Non-U.S. defined benefit plans			
Discount rate	**1.5 to 4.59%**	1.75 to 4.7%	2.0 to 5.87%
Average increase in compensation	**2.0 to 6.0%**	2.0 to 6.0%	2.0 to 5.0%
Expected return on plan assets	**1.0 to 6.25%**	1.0 to 6.4%	1.0 to 7.5%

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

	2014	2013
U.S. defined benefit plans		
Discount rate	**4.05%**	4.52%
Average increase in compensation	**5.12%**	5.13%
Non-U.S. defined benefit plans		
Discount rate	**0.9 to 4.2%**	1.5 to 4.59%
Average increase in compensation	**2.0 to 5.0%**	2.0 to 6.0%

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

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

	2014	2013
Equity securities	**42%**	57%
Debt securities	**48%**	30%
Other	**10%**	13%
	100%	100%

The weighted-average target asset allocation as of June 30, 2014 is 41 percent equity securities, 47 percent debt securities and 12 percent other investments. The investment strategy for the Company's worldwide defined benefit pension plan assets focuses on achieving prudent actuarial funding ratios while maintaining acceptable levels of risk in order to provide adequate liquidity to meet immediate and future benefit requirements. This strategy requires investment portfolios that are broadly diversified across various asset classes and external investment managers. Assets held in the U.S. defined benefit plans account for approximately 72 percent of the Company's total defined benefit plan assets. The Company's overall investment strategy with respect to the Company's U.S. defined benefit plans is to opportunistically migrate from its traditional mix between growth seeking assets (primarily consisting of global public equities in developed and emerging countries and hedge fund of fund strategies) and income generating assets (primarily consisting of high quality bonds, both domestic and global, emerging market bonds, high yield bonds and Treasury Inflation Protected Securities) to an allocation more heavily weighted toward income generating assets. Over time, long duration fixed income assets are being added to the portfolio. These securities are highly correlated with the Company's pension liabilities and will serve to hedge a portion of the Company's interest rate risk.

The fair values of pension plan assets at June 30, 2014 and at June 30, 2013, by asset class, are as follows.

	Total	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	**$ 46,297**	**$ 45,976**	**$ 321**	**$ —**
Equity securities				
U.S. based companies	**346,145**	**346,145**	**—**	**—**
Non-U.S. based companies	**220,911**	**220,911**	**—**	**—**
Fixed income securities				
Corporate bonds	**234,719**	**101,227**	**133,492**	**—**
Government issued securities	**161,131**	**101,083**	**60,048**	**—**
Mutual funds				
Equity funds	**192,293**	**191,301**	**992**	**—**
Fixed income funds	**223,662**	**189,375**	**34,287**	**—**
Common/Collective trusts				
Equity funds	**695,195**	**85,461**	**609,734**	**—**
Fixed income funds	**1,069,207**	**48,649**	**1,020,558**	**—**
Limited Partnerships	**289,013**	**777**	**288,236**	**—**
Miscellaneous	**20,701**	**—**	**20,701**	**—**
Total at June 30, 2014	**$ 3,499,274**	**$ 1,330,905**	**$ 2,168,369**	**$ —**

	Total	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 65,170	$ 64,208	$ 962	$ —
Equity securities				
U.S. based companies	366,692	366,692	—	—
Non-U.S. based companies	223,764	223,764	—	—
Fixed income securities				
Corporate bonds	191,266	80,959	110,307	—
Government issued securities	108,212	57,278	50,934	—
Mutual funds				
Equity funds	334,370	333,695	675	—
Fixed income funds	57,109	32,926	24,183	—
Common/Collective trusts				
Equity funds	826,654	2,743	823,911	—
Fixed income funds	587,023	2,979	584,044	—
Limited Partnerships	302,913	—	302,913	—
Miscellaneous	33,443	772	32,671	—
Total at June 30, 2013	$ 3,096,616	$ 1,166,016	$ 1,930,600	$ —

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

Equity securities are valued at the closing price reported on the active market on which the individual securities are traded. U.S. based companies include Company stock with a fair value of $167,157 as of June 30, 2014 and $126,834 as of June 30, 2013.

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

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

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

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

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

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

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

	2014	**2013**	**2012**
Shares held by ESOP	**8,944,697**	9,686,238	10,216,738
Company contributions to ESOP	**$ 63,441**	$ 61,067	$ 58,067

In addition to shares within the ESOP, as of June 30, 2014, employees have elected to invest in 2,510,535 shares of common stock within a company stock fund of the savings and investment 401(k) plan.

The Company has a retirement income account (RIA) within the employee savings plan. The Company makes a contribution to the participant's RIA each year, the amount of which is based on the participant's age and years of service. Participants do not contribute to the RIA. The Company recognized $25,247, $22,046 and $19,372 in expense related to the RIA in 2014, 2013 and 2012, respectively.

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

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

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

	2014	2013	2012
Benefit cost			
Service cost	**$ 623**	$ 825	$ 728
Interest cost	**2,971**	2,826	3,482
Net amortization and deferral	**884**	1,279	480
Net periodic benefit cost	**$ 4,478**	$ 4,930	$ 4,690

	2014	2013
Change in benefit obligation		
Benefit obligation at beginning of year	**$ 75,544**	$ 83,654
Service cost	**623**	825
Interest cost	**2,971**	2,826
Actuarial loss (gain)	**1,963**	(6,752)
Benefits paid	**(4,894)**	(5,009)
Benefit obligation at end of year	**$ 76,207**	$ 75,544
Funded status	**$ (76,207)**	$ (75,544)
Amounts recognized on the Consolidated Balance Sheet		
Other accrued liabilities	**$ (5,874)**	$ (6,068)
Pensions and other postretirement benefits	**(70,333)**	(69,476)
Net amount recognized	**$ (76,207)**	$ (75,544)
Amounts recognized in Accumulated Other Comprehensive (Loss)		
Net actuarial loss	**$ 14,074**	$ 13,115
Prior service (credit)	**(797)**	(920)
Net amount recognized	**$ 13,277**	$ 12,195

The presentation of the amounts recognized on the Consolidated Balance Sheet and in accumulated other comprehensive (loss) is on a debit (credit) basis and is before the effect of income taxes. The amount of net actuarial loss and prior service (credit) that will be amortized from accumulated other comprehensive (loss) into net periodic postretirement cost in 2015 is $1,141 and $(121), respectively.

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

	2014	2013	2012
Discount rate	**4.1%**	3.62%	5.0%
Current medical cost trend rate	**7.75%**	8.0%	8.0%
Ultimate medical cost trend rate	**5.0%**	5.0%	5.0%
Medical cost trend rate decreases to ultimate in year	**2021**	2019	2019

The discount rate assumption used to measure the benefit obligation was 3.74 percent in 2014 and 4.1 percent in 2013.

Estimated future benefit payments for other postretirement benefits in the five years ending June 30, 2015 through 2019 are $5,903, $5,991, $6,076, $6,044 and $5,672, respectively, and $24,941 in the aggregate for the five years ending June 30, 2020 through June 30, 2024.

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

	1% Increase	1% Decrease
Effect on total of service and interest cost components	**$ 83**	**$ (72)**
Effect on postretirement benefit obligation	**2,011**	**(1,753)**

Other - The Company has established nonqualified deferred compensation programs, which permit officers, directors and certain management employees annually to elect to defer a portion of their compensation, on a pre-tax basis, until their retirement. The retirement benefit to be provided is based on the amount of compensation deferred, Company matching contributions, and earnings on the deferrals. During 2014, 2013 and 2012, the Company recorded expense relating to deferred compensation of $24,549, $19,182 and $4,499, respectively.

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

11. Equity

As of July 1, 2013, the Company adopted the provisions of FASB Accounting Standards Update No. 2013-02, "Reporting Amounts Reclassified Out of Accumulated Other Comprehensive Income." As a result of this adoption, the Company has presented the significant items reclassified to net income in their entirety during 2014 in the table below.

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

	Foreign Currency Translation Adjustment	Retirement Benefit Plans	Other	Total
Balance June 30, 2013	$ (68,328)	$ (1,039,072)	$ (433)	$ (1,107,833)
Other comprehensive income before reclassifications	**192,948**	**(20,636)**	**—**	**172,312**
Amounts reclassified from accumulated other comprehensive (loss)	**—**	**111,818**	**205**	**112,023**
Balance June 30, 2014	**$ 124,620**	**$ (947,890)**	**$ (228)**	**$ (823,498)**

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

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

Share Repurchases - The Company has a program to repurchase its common shares. On August 14, 2014, the Board of Directors of the Company approved an increase in the overall maximum number of shares authorized for repurchase under the program so that, beginning on such date, the aggregate number of shares authorized for repurchase was 15 million. Subject to this limitation, the Company is authorized to repurchase, in any single fiscal year, an amount of common shares equal to the greater of 7.5 million shares or five percent of the shares outstanding as of the end of the prior fiscal year. Repurchases are funded primarily from operating cash flows and commercial paper borrowings, and the shares are initially held as treasury stock. The number of common shares repurchased at the average purchase price follows:

	2014	2013	2012
Shares repurchased	**1,741,143**	3,006,005	6,395,866
Average price per share	**$ 114.87**	$ 85.55	$ 71.20

12. Stock Incentive Plans

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

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

The fair value of each stock option and SAR award granted in 2014, 2013 and 2012 was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	2014	2013	2012
Risk-free interest rate	**1.55%**	0.8%	0.9%
Expected life of award	**5.1 yrs**	4.9 yrs	5.2 yrs
Expected dividend yield of stock	**1.9%**	1.7%	1.6%
Expected volatility of stock	**39.1%**	39.0%	37.3%
Weighted-average fair value	**$ 32.57**	$ 24.76	$ 20.30

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

Stock option and SAR activity during 2014 is as follows (aggregate intrinsic value in millions):

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding June 30, 2013	9,435,173	$ 63.48		
Granted	**1,478,731**	**107.53**		
Exercised	**(2,664,061)**	**56.43**		
Canceled	**(41,144)**	**69.36**		
Outstanding June 30, 2014	**8,208,699**	**$ 72.87**	**5.3 years**	**$ 434.0**
Exercisable June 30, 2014	**5,723,728**	**$ 63.10**	**4.1 years**	**$ 358.5**

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

	Number of Shares	Weighted-Average Grant Date Fair Value
Nonvested June 30, 2013	2,933,202	$ 22.91
Granted	**1,478,731**	**32.57**
Vested	**(1,885,703)**	**22.47**
Canceled	**(41,259)**	**29.47**
Nonvested June 30, 2014	**2,484,971**	**$ 28.89**

At June 30, 2014, $20,602 of expense with respect to nonvested stock option and SAR awards has yet to be recognized and will be amortized into expense over a weighted-average period of approximately 17 months. The total fair value of shares vested during 2014, 2013 and 2012 was $42,363, $29,777 and $37,885, respectively.

Information related to stock options and SAR awards exercised during 2014, 2013 and 2012 is as follows:

	2014	2013	2012
Net cash proceeds	**$ 8,013**	$ 32,204	$ 10,599
Intrinsic value	**155,903**	208,426	57,567
Income tax benefit	**37,993**	47,659	14,008

During 2014, 2013 and 2012, the Company recognized stock-based compensation expense of $49,998, $33,018 and $26,585, respectively, relating to stock option and SAR awards. The Company derives a tax deduction measured by the excess of the market value over the grant price at the date stock-based awards are exercised. The related tax benefit is credited to additional capital as the Company is currently in a windfall tax benefit position.

Shares surrendered upon exercise of stock options and SARs: 2014 - 775,163; 2013 - 1,947,148; 2012 - 321,266.

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

The fair value of each RSU award granted in 2014, 2013 and 2012 was based on the fair market value of the Company's common stock on the date of grant. A summary of the status and changes of shares subject to RSU awards and the related average price per share follows:

	Number of Shares	Weighted-Average Grant Date Fair Value
Nonvested June 30, 2013	466,241	$ 73.55
Granted	**282,565**	**106.15**
Vested	**(259,307)**	**69.44**
Canceled	**(17,969)**	**93.42**
Nonvested June 30, 2014	**471,530**	**$ 94.59**

During 2014, 2013 and 2012, the Company recognized stock-based compensation expense of $21,475, $17,852 and $12,393 respectively, relating to RSU awards. At June 30, 2014, $18,615 of expense with respect to nonvested RSU awards has yet to be recognized and will be amortized into expense over a weighted-average period of approximately 21 months. The total fair value of RSU awards vested during 2014, 2013 and 2012 was $18,007, $12,488 and $8,642, respectively. The Company recognized a tax benefit of $2,509, $976 and $1,673 relating to the issuance of common stock for RSU awards that vested during 2014, 2013 and 2012, respectively.

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

Stock issued for LTIP	2014	2013	2012
LTIP 3-year plan	**2011-12-13**	2010-11-12	2009-10-11
Number of shares issued	**298,813**	792,428	243,266
Average share value on date of issuance	**$ 126.17**	$ 83.64	$ 69.10
Total value	**$ 37,701**	$ 66,278	$ 16,810

Under the Company's 2012-13-14 LTIP, a payout of unrestricted stock will be issued in April 2015.

The fair value of each LTIP award granted in 2014, 2013 and 2012 was based on the fair market value of the Company's common stock on the date of grant. A summary of the status and changes of shares relating to the LTIP and the related average price per share follows:

	Number of Shares	Weighted-Average Grant Date Fair Value
Nonvested June 30, 2013	1,001,393	$ 83.59
Granted	**305,247**	**113.07**
Vested	**(375,176)**	**79.86**
Canceled	**(11,368)**	**89.18**
Nonvested June 30, 2014	**920,096**	**$ 94.83**

During 2014, 2013 and 2012, the Company recorded stock-based compensation expense of $31,688, $34,127 and $41,886, respectively, relating to the LTIP.

Shares surrendered in connection with the LTIP: 2014 - 140,406; 2013 - 311,110; 2012 - 76,427.

In 2014, 2013 and 2012, 12,353, 14,580 and 15,010 restricted shares, respectively, were issued to certain non-employee members of the Board of Directors. Transferability of these shares is restricted for one to three years following issuance. These shares vest ratably, on an annual basis, over the term of office of the director. The fair value of the restricted shares issued in 2014, 2013, and 2012 was based on the fair market value of the Company's common stock on the date of grant. During 2014, 2013 and 2012, the Company recognized expense of $1,304, $1,137, and $1,200, respectively, related to restricted shares.

During 2014, 2013 and 2012, the Company recognized a tax (cost) benefit of $(6,770), $17,395, and $426, respectively, relating to the LTIP and restricted shares issued to non-employee members of the Board of Directors.

At June 30, 2014, the Company had approximately 14 million common shares reserved for issuance in connection with its stock incentive plans.

13. Shareholders' Protection Rights Agreement

On January 25, 2007, the Board of Directors of the Company declared a dividend of one Shareholders' Right for each common share outstanding on February 17, 2007 in relation to the Company's Shareholders Protection Rights Agreement. As of June 30, 2014, 148,902,813 common shares were reserved for issuance under this Agreement. Under certain conditions involving acquisition of, or an offer for, 15 percent or more of the Company's common shares, all holders of Shareholders' Rights would be entitled to purchase one common share at an exercise price currently set at $160. In addition, in certain circumstances, all holders of Shareholders' Rights (other than the acquiring entity) would be entitled to purchase a number of common shares equal to twice the exercise price, or at the option of the Board of Directors, to exchange each Shareholders' Right for one common share. The Shareholders' Rights remain in existence until February 17, 2017, unless extended by the Board of Directors or earlier redeemed (at one cent per Shareholders' Right), exercised or exchanged under the terms of the agreement. In the event of an unfriendly business combination attempt, the Shareholders' Rights will cause substantial dilution to the person attempting the business combination. The Shareholders' Rights should not interfere with any merger or other business combination that is in the best interest of the Company and its shareholders since the Shareholders' Rights may be redeemed.

14. Research and Development

Research and development costs amounted to $410,132 in 2014, $406,613 in 2013 and $365,703 in 2012. These amounts include both costs incurred by the Company related to independent research and development initiatives as well as costs incurred in connection with research and development contracts. Costs incurred in connection with research and development contracts amounted to $55,916 in 2014, $58,916 in 2013 and $43,658 in 2012. These costs are included in the total research and development cost for each of the respective years.

15. Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, marketable securities and other short-term investments, long-term investments, and accounts receivable 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, marketable securities and other short-term investments, accounts receivable, accounts payable, trade and notes payable approximate fair value. The carrying value of long-term debt (excluding capital leases) and estimated fair value of long-term debt (excluding capital leases) at June 30 are as follows:

		2014		2013
Carrying value of long-term debt (excluding capital leases)	$	**1,508,420**	$	1,498,025
Estimated fair value of long-term debt (excluding capital leases)		**1,708,723**		1,654,886

The fair value of long-term debt was estimated using discounted cash flow analyses based on the Company's current incremental borrowing rate for similar types of borrowing arrangements.

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

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

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

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

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

	Balance Sheet Caption		2014		2013
Net investment hedges					
Cross-currency swap contracts	Other liabilities	$	**45,790**	$	22,438
Cash flow hedges					
Costless collar contracts	Non-trade and notes receivable		**3,508**		1,422
Forward exchange contracts	Non-trade and notes receivable		**(41)**		41
Costless collar contracts	Other accrued liabilities		**378**		953

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

The fair values at June 30, 2014 and 2013 are classified within Level 2 of the fair value hierarchy. There are no other financial assets or liabilities that are marked to market on a recurring basis. Fair values are transferred between levels of the fair value hierarchy when facts and circumstances indicate that a change in the method of estimating the fair value of a financial asset or financial liability is warranted.

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

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

		2014		2013		2012
Forward exchange contracts	**$**	**(81)**	$	(1,821)	$	(4,156)
Costless collar contracts		**7,052**		502		5,111

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

		2014		2013
Cross-currency swap contracts	**$**	**(14,426)**	$	(12,622)
Foreign denominated debt		**7,611**		4,743

There was no ineffectiveness of the cross-currency swap contracts or foreign denominated debt, nor were any portion of these financial instruments excluded from the effectiveness testing, during 2014, 2013 and 2012.

16. Contingencies

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

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

As of June 30, 2014, the Company had an accrual of $13,625 for environmental matters, which are probable and reasonably estimable. The accrual is recorded based upon the best estimate of costs to be incurred in light of the progress made in determining the magnitude of remediation costs, the timing and extent of remedial actions required by governmental authorities and the amount of the Company's liability in proportion to other responsible parties.

The Company's estimated total liability for environmental matters ranges from a minimum of $13.6 million to a maximum of $82.7 million. The largest range for any one site is approximately $14.6 million. The actual costs to be incurred by the Company will be dependent on final determination of contamination and required remedial action, negotiations with governmental authorities with respect to cleanup levels, changes in regulatory requirements, innovations in investigatory and remedial technologies, effectiveness of remedial technologies employed, the ability of other responsible parties to pay, and any insurance or other third-party recoveries.

17. **Quarterly Information** (Unaudited)

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

2013	**1st**	**2nd**	**3rd**	**4th**	**Total**
Net sales	$ 3,214,935	$ 3,065,495	$ 3,307,041	$ 3,428,233	$ 13,015,704
Gross profit	737,488	643,523	737,852	810,166	2,929,029
Net income attributable to common shareholders	239,741	180,962	256,560	271,164	948,427
Diluted earnings per share	1.57	1.19	1.68	1.78	6.26

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

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

(In dollars)		**1st**	**2nd**	**3rd**	**4th**	**Fiscal Year**
2014	High	**$ 110.21**	**$ 129.77**	**$ 129.40**	**$ 130.44**	**$ 130.44**
	Low	**94.81**	**103.36**	**108.66**	**118.46**	**94.81**
	Dividends	**0.45**	**0.45**	**0.48**	**0.48**	**1.86**
2013	High	$ 87.71	$ 87.04	$ 98.15	$ 101.88	$ 101.88
	Low	70.42	75.80	86.51	84.50	70.42
	Dividends	0.41	0.41	0.43	0.45	1.70
2012	High	$ 92.01	$ 85.84	$ 91.47	$ 89.45	$ 92.01
	Low	60.36	59.26	76.92	71.90	59.26
	Dividends	0.37	0.37	0.39	0.41	1.54

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

Management's Report On Internal Control Over Financial Reporting

Our management, including the principal executive officer and the principal financial officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)). We assessed the effectiveness of our internal control over financial reporting as of June 30, 2014. In making this assessment, we used the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission in “Internal Control-Integrated Framework (1992).” We concluded that based on our assessment, the Company's internal control over financial reporting was effective as of June 30, 2014.

Deloitte & Touche LLP, the independent registered public accounting firm that audited the Company's consolidated financial statements, has issued an attestation report on the Company's internal control over financial reporting as of June 30, 2014, which is included herein.

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Parker-Hannifin Corporation and subsidiaries (the "Company") as of June 30, 2014 and 2013, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended June 30, 2014. Our audits have also included the financial statement schedule listed in the Index at Item 15(a)(1). We also have audited the Company's internal control over financial reporting as of June 30, 2014, based on criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and financial statement schedule and an opinion on the Company's internal control over financial reporting based on our audits.

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

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Parker-Hannifin Corporation and subsidiaries as of June 30, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2014, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2014, based on the criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ DELOITTE & TOUCHE LLP

Cleveland, Ohio
August 22, 2014

Five-Year Financial Summary

(Amounts in thousands, except per share information)	2014	2013	2012	2011	2010
Net sales	$ 13,215,971	$ 13,015,704	$ 13,145,942	$ 12,345,870	$ 9,993,166
Cost of sales	10,188,227	10,086,675	9,958,337	9,387,457	7,847,067
Selling, general and administrative expenses	1,633,992	1,554,973	1,519,316	1,467,773	1,277,080
Goodwill and intangible asset impairment	188,870	—	—	—	—
Interest expense	82,566	91,552	92,790	99,704	103,599
Income taxes	515,302	362,217	421,206	356,751	198,452
Net income attributable to common shareholders	1,041,048	948,427	1,151,823	1,049,130	554,065
Basic earnings per share	6.98	6.36	7.62	6.51	3.44
Diluted earnings per share	$ 6.87	$ 6.26	$ 7.45	$ 6.37	$ 3.40
Average number of shares outstanding - Basic	149,099	149,218	151,222	161,126	160,910
Average number of shares outstanding - Diluted	151,444	151,588	154,665	164,798	162,902
Cash dividends per share	$ 1.86	$ 1.70	$ 1.54	$ 1.25	$ 1.01
Net income attributable to common shareholders as a percent of net sales	7.9%	7.3%	8.8%	8.5%	5.5%
Return on average assets	8.1%	8.0%	10.4%	10.1%	5.6%
Return on average shareholders' equity	16.8%	17.8%	22.4%	21.5%	12.8%
Book value per share	$ 44.72	$ 38.44	$ 32.72	$ 34.71	$ 27.09
Working capital	$ 2,818,784	$ 2,010,983	$ 2,012,101	$ 1,914,213	$ 1,383,905
Ratio of current assets to current liabilities	1.9	1.6	1.8	1.8	1.6
Plant and equipment, net	$ 1,824,294	$ 1,808,240	$ 1,719,968	$ 1,797,179	$ 1,697,881
Total assets	13,274,362	12,540,898	11,170,282	10,886,805	9,910,382
Long-term debt	1,508,142	1,495,960	1,503,946	1,691,086	1,413,634
Shareholders' equity	$ 6,659,428	$ 5,738,426	$ 4,896,515	$ 5,383,854	$ 4,367,965
Debt to debt-shareholders' equity percent	25.9%	33.0%	26.1%	24.7%	28.9%
Depreciation	$ 214,965	$ 213,722	$ 210,508	$ 229,238	$ 245,295
Capital expenditures	$ 216,340	$ 265,896	$ 218,817	$ 207,294	$ 129,222
Number of employees	57,447	58,151	59,331	58,409	54,794
Number of shares outstanding at year-end	148,903	149,289	149,631	155,091	161,256

Exhibit (21)* to Annual Report
on Form 10-K
for Fiscal Year Ended June 30, 2014
by Parker-Hannifin Corporation

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

Name of Subsidiary	**State/Country of Incorporation**
UNITED STATES	
Alkid Corporation	California
Brown's Manufacturing, LLC	Colorado
Oil Air Holdings Inc.	Delaware
Olaer Inc.	Delaware
Olaer USA, Inc.	Texas
Parker Hannifin ACD Europe LLC	Delaware
Parker Hannifin MFA LLC	Delaware
Parker Hannifin Partner B LLC	Delaware
Parker Intangibles LLC	Delaware
Parker Italy (PH Espana Holding) LLC	Delaware
Parker Italy Holding LLC	Delaware
Parker Olaer Holding LLC	Delaware
Parker Royalty Partnership	Ohio
Parker Shelf LLC	Delaware
Parker-Hannifin International Corp.	Delaware
PG Square LLC	Ohio
Sterling-Velcon Filters Corp.	Delaware
Taiyo America, Inc.	Illinois
Twin Filter N.A., Inc.	Delaware
Velcon Filters, LLC	Delaware
Velcon Management Inc.	Delaware
Velcon Twin, LLC	Delaware
Winco Enterprises Inc.	California
INTERNATIONAL	
Parker Hannifin Argentina S.A.I.C.	Argentina
Olaer Australia Pty Ltd	Australia
Parker Hannifin (Australia) Pty. Limited	Australia
Parker Hannifin Australia Assets Pty Limited	Australia
Parker Hannifin Australia Holding Pty Limited	Australia
Twin Filter Australia Pty Ltd	Australia
Olaer Austria GmbH	Austria
Parker Hannifin Ges.m.b.H.	Austria
Parker Hannifin Manufacturing Austria GmbH	Austria
Parker Hannifin Manufacturing Holding Austria GmbH	Austria
Parker Hannifin BeLux SPRL	Belgium
Parker Hannifin Manufacturing Belgium BVBA	Belgium

Name of Subsidiary	State/Country of Incorporation
Parker Hannifin Manufacturing Holding Belgium SPRL	Belgium
SA Olaer Benelux NV	Belgium
Parker Hannifin (Bermuda) Ltd.	Bermuda
Parker Hannifin BerLux Ltd.	Bermuda
Parker Hannifin Partner I GP	Bermuda
Parker Hannifin Partner II GP	Bermuda
Legris do Brasil Ltda.	Brazil
Olaer do Brasil Sistemas Hidraulicos Ltda.	Brazil
Parker Adesivos e Selantes Químicos Indústria e Comércio Ltda.	Brazil
Parker Hannifin Indústria e Comércio Ltda.	Brazil
Twin Filter do Brasil Farbricacao de Elementos Filtrantes Ltda	Brazil
Twin Filter South America Ltda	Brazil
Parker Canada Holding Co.	Canada
Parker Canada Investment Co.	Canada
Parker Hannifin Canada	Canada
Parker Ontario Holding Inc.	Canada
Velcon Canada Inc	Canada
Ingenieria y Servicios Metalcrom Ltda.	Chile
Parker Hannifin Corporation Chile Ltda	Chile
ISR Shengyang Rubber Products Co., Ltd.	China
Oiltech Hydraulic Manufacturing (Suzhou) Co., Ltd	China
Parker Hannifin Electronic Materials (Shenzhen) Co., Ltd	China
Parker Hannifin Filtration Products and Systems (Shanghai) Co., Ltd.	China
Parker Hannifin Fluid Connectors (Qingdao) Co., Ltd.	China
Parker Hannifin Fluid Power Systems & Components (Shanghai) Co., Ltd.	China
Parker Hannifin Hydraulics (Shanghai) Co., Ltd.	China
Parker Hannifin Hydraulics (Tianjin) Co., Ltd	China
Parker Hannifin Management (Shanghai) Co Ltd	China
Parker Hannifin Motion & Control (Shanghai) Co. Ltd.	China
Parker Hannifin Motion & Control (Wuxi) Company Ltd	China
Parker Hannifin Refrigeration and Air Conditioning (Wuxi) Co., Ltd.	China
Parker ISR Fluid Connectors (Shenyang) Co. Ltd.	China
PGI China	China
Rayco (Wuxi) Technologies Co., Ltd.	China
Shanghai Parker Hannifin Fluid Connectors Co., Ltd	China
Taiyo Parker Fluidpower (Shanghai) Co., Ltd.	China
Taiyo System (Tianjin) Co., Ltd.	China
Olaer CZ, s.r.o.	Czech Republic
Parker Hannifin Czech Republic s.r.o.	Czech Republic
Parker Hannifin Industrial s.r.o.	Czech Republic
Parker Hannifin Manufacturing Holding Czech Republic s.r.o.	Czech Republic
Parker-Hannifin s.r.o.	Czech Republic
Parker Hannifin Danmark ApS	Denmark
Parker Hannifin Manufacturing Denmark ApS	Denmark
Parker Hannifin Manufacturing Holding Denmark ApS	Denmark

Name of Subsidiary	State/Country of Incorporation
Olaer OY	Finland
Parker Hannifin Manufacturing Finland Oy	Finland
Parker Hannifin Oy	Finland
Avifil SAS	France
Inrid SA	France
Olaer Industries SA	France
Parker Hannifin France Finance SAS	France
Parker Hannifin France Holding SAS	France
Parker Hannifin France SAS	France
Parker Hannifin Manufacturing France SAS	France
Parker Hannifin Gebaeudeverwaltung eins GmbH & Co. KG	Germany
Parker Hannifin Gebaeudeverwaltung zwei GmbH & Co. KG	Germany
Parker Hannifin GmbH	Germany
Parker Hannifin Holding GmbH	Germany
Parker Hannifin Manufacturing Germany GmbH & Co. KG	Germany
Parker Hannifin Real Estate Holding GmbH	Germany
Parker Hannifin Verwaltungs-GmbH	Germany
Twin Filter GmbH & Co. KG	Germany
Twin Filter Verwaltungs GmbH	Germany
Warner Lewis GmbH	Germany
Parker Hannifin (Gibraltar) Holding Limited	Gibraltar
Parker Hannifin (Gibraltar) Lux Finco Limited	Gibraltar
Parker Hannifin (Gibraltar) Properties Limited	Gibraltar
Parker Hannifin Hong Kong, Ltd.	Hong Kong
Olaer Schweiz AG Kulfoldi Vallakozas Vallalkozas Magyarorszagi Fioltelepe	Hungary
Parker Hannifin Hungary LLC	Hungary
Parker International Capital Management Hungary Limited Liability Company	Hungary
Domnick Hunter India Pvt Ltd.	India
Legris Holding India Private Ltd.	India
Legris India Private Ltd. (1)	India
Olaer Hydraulics (India) Pvt. Ltd (2)	India
Parker Hannifin India Private Ltd.	India
PT Parker Hannifin Indonesia	Indonesia
PT Domnick Hunter Indonesia	Indonesia
Acadia International Insurance Limited	Ireland
Parker Sales (Ireland) Limited	Ireland
Snap-Tite (Ireland) Limited	Ireland
Olaer Italiana SpA	Italy
Parker Hannifin Italy srl	Italy
Parker Hannifin Manufacturing Holding Italy srl	Italy
Parker Hannifin Manufacturing srl	Italy
Parker Marine Hose Products srl	Italy
Kuroda Pneumatics Ltd.	Japan
Parker Hannifin Japan Holdings GK	Japan
Parker Hannifin Japan Ltd.	Japan

Name of Subsidiary	State/Country of Incorporation
Taiyo Techno, Ltd.	Japan
Taiyo, Ltd.	Japan
Parker Hannifin Connectors Ltd.	Korea
Parker Korea Ltd.	Korea
Parker Mobile Control Division Asia Co., Ltd.	Korea
Parker Hannifin (Luxembourg) S.a.r.l.	Luxembourg
Parker Hannifin Bermuda Luxembourg S.C.S.	Luxembourg
Parker Hannifin Europe S.a.r.l.	Luxembourg
Parker Hannifin Global Capital Management S.a.r.l	Luxembourg
Parker Hannifin Holding EMEA S.a.r.l.	Luxembourg
Parker Hannifin Lux FinCo S.a.r.l.	Luxembourg
Parker Hannifin Luxembourg Acquisitions S.a.r.l.	Luxembourg
Parker Hannifin Luxembourg Finance S.à r.l.	Luxembourg
Parker Hannifin Luxembourg Investments 1 S.a.r.l.	Luxembourg
Parker Hannifin Partnership S.C.S.	Luxembourg
Parker Hannifin S.a.r.l.	Luxembourg
Parker Hannifin Chomerics (M) Sdn. Bhd.	Malaysia
Parker Hannifin Industrial (M) Sdn Bhd	Malaysia
Parker Hannifin Malaysia Sdn. Bhd	Malaysia
Arosellos, S.A. de C.V.	Mexico
Parker Baja Servicios, S.A. de C.V.	Mexico
Parker Brownsville Servicios, S.A. de C.V.	Mexico
Parker Hannifin de Mexico, S.A. de C.V.	Mexico
Parker Hannifin Holding, S. de R.L. de C.V.	Mexico
Parker Industrial, S. de R.L. de C.V.	Mexico
Parker Seal de Mexico, S.A.	Mexico
Parker Servicios de México, S.A. de C.V.	Mexico
Parker Sistemas de Automatización, S. de R.L. de C.V.	Mexico
GSF Beheer B.V.	Netherlands
GSF Europe B.V.	Netherlands
GSF Kunststoffen B.V.	Netherlands
Olaer Benelux BV	Netherlands
Parker Hannifin B.V.	Netherlands
Parker Hannifin Manufacturing Netherlands (Filtration and Separation) B.V.	Netherlands
Parker Hannifin Manufacturing Netherlands (Filtration) B.V.	Netherlands
Parker Hannifin Manufacturing Netherlands (Hose) B.V.	Netherlands
Parker Hannifin Manufacturing Netherlands (Pneumatic) B.V.	Netherlands
Parker Hannifin Manufacturing Netherlands (Polyflex) B.V.	Netherlands
Parker Hannifin Netherlands Holdings 2 B.V.	Netherlands
Parker Hannifin Netherlands Holdings B.V.	Netherlands
Parker Hannifin VAS Netherlands B.V.	Netherlands
Snap-Tite Europe B.V.	Netherlands
TPF Beheer B.V.	Netherlands
Twin Fibra B.V.	Netherlands
Twin Filter B.V.	Netherlands

Name of Subsidiary	State/Country of Incorporation
Twin Process Filtration B.V.	Netherlands
Velcon Twin Cooperatief U.A.	Netherlands
Parker Hannifin (N.Z.) Limited	New Zealand
Olaer AS	Norway
Parker Hannifin AS	Norway
Parker Hannifin (Norway) Holdings AS	Norway
Parker Hannifin VAS Norway AS	Norway
Parker Maritime AS	Norway
Parker Scanrope AS	Norway
Parker Hannifin ESSC Sp z.o.o.	Poland
Parker Hannifin Manufacturing Holding Poland Sp. z o.o.	Poland
Parker Hannifin Manufacturing Poland Sp z.o.o.	Poland
Parker Hannifin Sales Poland Sp z.o.o.	Poland
Parker Hannifin Portugal Unipessoal Lda	Portugal
Parker Hannifin LLC	Russia
PGI RussCo	Russia
Parker Hannifin Singapore Private Limited	Singapore
PGI Singapore Pte. Ltd.	Singapore
Rayco Technologies Pte. Ltd.	Singapore
Legris South Africa Pty. Ltd	South Africa
Parker-Hannifin (Africa) (Pty) Ltd	South Africa
Olaer Iberica SAU	Spain
Parker Hannifin España S.L.	Spain
Parker Hannifin Industries and Assets Holding S.L.	Spain
Parker Hannifin Manufacturing Holding Spain S.L.	Spain
Parker Hannifin Manufacturing Spain S.L.	Spain
Olaer Aktiebolag	Sweden
Olaer Scandinavia Aktiebolag	Sweden
Parker Hannifin Aktiebolag	Sweden
Parker Hannifin Manufacturing Sweden AB	Sweden
Parker Hannifin Cartera Industrial S.L., Bilboa (Espagne), succursale de Carouge	Switzerland
Parker Hannifin Manufacturing Switzerland SA	Switzerland
Parker Origa Holding GmbH	Switzerland
Parker Hannifin Taiwan Ltd.	Taiwan
Parker Hannifin (Thailand) Co. Ltd.	Thailand
Parker Hareket ve Kontrol Sistemleri Tic. Ltd. Şti.	Turkey
Parker İklim Kontrol Sistemleri San. ve Tic. A.Ş.	Turkey
Parker Middle East FZE	United Arab Emirates
Alenco (Holdings) Limited	United Kingdom
Domnick Hunter Group Limited	United Kingdom
Kittiwake Developments Limited	United Kingdom
Kittiwake Holroyd Limited	United Kingdom
Kittiwake Procal Limited	United Kingdom
Olaer Fawcett Christie Limited	United Kingdom
Olaer Group Limited	United Kingdom

Name of Subsidiary	State/Country of Incorporation
Olaer Holdings Limited	United Kingdom
Olaer International Limited	United Kingdom
Olaer Limited	United Kingdom
Parker Hannifin (GB) Limited	United Kingdom
Parker Hannifin (Holdings) Limited	United Kingdom
Parker Hannifin 2007 LLP	United Kingdom
Parker Hannifin Limited	United Kingdom
Parker Hannifin Manufacturing (UK) Limited	United Kingdom
Parker Hannifin Manufacturing Limited	United Kingdom
Parker Hannifin de Venezuela, S.A.	Venezuela
Parker Hannifin Vietnam Company Limited	Vietnam

(1) The Company owns 74% of such subsidiary's equity capital.
(2) The Company owns 67% of such subsidiary's equity capital.

All of the foregoing subsidiaries are included in the Company's consolidated financial statements. In addition to the foregoing, the Company owns 26 inactive companies.

Exhibit (23) to Annual Report
On Form 10-K
for Fiscal Year Ended June 30, 2014
By Parker-Hannifin Corporation

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-186741 on Form S-3 and Registration Statement Nos. 333-103181, 333-107691, 333-117761, 333-126957, 333-186733, 333-186734 and 333-192909 on Form S-8 of our report dated August 22, 2014, relating to the financial statements and the financial statement schedule of Parker-Hannifin Corporation and subsidiaries (the “Company”), and the effectiveness of the Company’s internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended June 30, 2014.

/s/ DELOITTE & TOUCHE LLP
Cleveland, OH
August 22, 2014

Exhibit 24

Securities and Exchange Commission
Washington, D.C. 20549

Re: Parker-Hannifin Corporation

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

Gentlemen:

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

Authorized Representatives
Donald E. Washkewicz
Jon P. Marten
Joseph R. Leonti

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

	Date		Date
/s/ D.E. Washkewicz	8/14/2014	/s/Kevin A. Lobo	8/14/2014
Donald E. Washkewicz, Chairman of the Board, Chief Executive Officer and President(Principal Executive Officer)		Kevin A. Lobo, Director	
/s/ Jon P. Marten	8/14/2014	/s/K.P. Müller	8/14/2014
Jon P. Marten, Executive Vice President – Finance & Administration and Chief Financial Officer (Principal Financial Officer)		Klaus-Peter Müller, Director	
/s/ Catherine A. Suever	8/14/2014	/s/Candy M. Obourn	8/14/2014
Catherine A. Suever, Vice President and Controller(Principal Accounting Officer)		Candy M. Obourn, Director	
/s/Robert G. Bohn	8/14/2014	/s/Joseph Scaminace	8/14/2014
Robert G. Bohn, Director		Joseph Scaminace, Director	
/s/L.S. Harty	8/14/2014	/s/Wolfgang R. Schmitt	8/14/2014
Linda S. Harty, Director		Wolfgang R. Schmitt, Director	
/s/W.E. Kassling	8/14/2014	/s/Åke Svensson	8/14/2014
William E. Kassling, Director		Åke Svensson, Director	
/s/R.J. Kohlhepp	8/14/2014	/s/James L. Wainscott	8/14/2014
Robert J. Kohlhepp, Director		James L. Wainscott, Director	

Exhibit 31(a)

CERTIFICATIONS

I, Donald E. Washkewicz, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 22, 2014

/s/ Donald E. Washkewicz

Donald E. Washkewicz
Chief Executive Officer

Exhibit 31(b)

CERTIFICATIONS

I, Jon P. Marten, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 22, 2014

/s/ Jon P. Marten

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

Exhibit 32

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Annual Report on Form 10-K of Parker-Hannifin Corporation (the "Company") for the fiscal year ended June 30, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, that, to such officer's knowledge:

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

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

Dated: August 22, 2014

/s/ Donald E. Washkewicz

Name: Donald E. Washkewicz
Title: Chief Executive Officer

/s/ Jon P. Marten

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