

PARKER HANNIFIN CORP
Form 10-K
August 26, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended June 30, 2011

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

Commission File No. 1-4982

PARKER-HANNIFIN CORPORATION

(Exact name of registrant as specified in its charter)

Ohio (State or other jurisdiction of Incorporation or Organization)	34-0451060 (I.R.S. Employer Identification No.)
6035 Parkland Boulevard, Cleveland, Ohio (Address of Principal Executive Offices)	44124-4141 (Zip Code)
Registrant's telephone number, including area code (216) 896-3000	

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

Title of Each Class	Name of Each Exchange on which Registered
Common Shares, \$.50 par value	New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act: None	

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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

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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, 2010, excluding, for purpose of this computation only, stock holdings of the Registrant's Directors and Officers: \$13,856,268,971.

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

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents are incorporated by reference:

- (1) Annual Report to Shareholders of the Company for the fiscal year ended June 30, 2011 is incorporated by reference into Parts I and II hereof.
- (2) Definitive Proxy Statement for the Company's 2011 Annual Meeting of Shareholders to be held on October 26, 2011 is incorporated by reference into Part III hereof.

PARKER-HANNIFIN CORPORATION

FORM 10-K

Fiscal Year Ended June 30, 2011

PART I

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

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

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

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

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

Markets

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

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

Automation

Alternative energy

Primary metals

Group:

Converting and packaging

Robotics

Factory automation

Safety and security

Food production machinery

Semiconductor and electronics

Life sciences and medical

Transportation and mobile

Material handling

Paper machinery

Filtration

Food and beverage

Oil and gas

Group:

Industrial machinery

Power generation

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

Hydraulics

Aerial lift

Marine

Group:

Agriculture

Mining

Construction machinery

Oil and gas

Forestry

Power generation

Industrial machinery

Renewable energy

Machine tool

Truck hydraulics

Material handling

Factory automation

Instrumentation

Chemical and refining

Microelectronics

Group:

Food and beverage

Oil and gas

Medical and dental

Power generation

Seal Group:

Aerospace

Information technology

Chemical processing

Life sciences

Consumer

Military

Energy

Semiconductor

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Oil and gas

Telecommunications

Fluid power

Transportation

General industrial

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

Commercial transports

Missiles

Engines

Power generation

General and business aviation

Regional transports

Helicopters

Unmanned aerial vehicles

Launch vehicles

Aftermarket services

Military aircraft

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

Agriculture

Oil and gas

Air conditioning

Life sciences

Appliances

Precision cooling

Food and beverage

Process

Industrial and commercial refrigeration

Supermarkets

Industrial machinery

Transportation

- 3 -

Principal Products and Methods of Distribution

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

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

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

Pneumatic products:

Air preparation units

Pneumatic accessories

Pneumatic actuators and grippers

Pneumatic valves and controls

Structural extrusions

Vacuum generators, cups and sensors

Electromechanical products:

AC/DC drives and systems

Electric actuators, gantry robots and slides

Human-machine interfaces

Manifolds

Rotary actuators

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Stepper motors, servo motors, drives and controls

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

Analytical gas generators

Nitrogen, hydrogen and zero air generators

Compressed air and gas filters and dryers

Process, chemical, water and microfiltration filters

Condition monitoring devices

Water desalinization and purification

Engine air, fuel and oil filtration and systems

Hydraulic, lubrication and coolant filters

- 4 -

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

Connectors for low pressure fluid conveyance

PTFE hose and tubing

Deep sea umbilicals

Quick couplings

Diagnostic equipment

Check valves

Hose couplings

Rubber and thermoplastic hose

Industrial hose

High pressure tube fittings and adapters

Mooring systems and power cables

Low pressure tubing and fittings

Piping systems

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

Accumulators

Hydraulic valves and controls

Cartridge valves

Hydrostatic steering units

Human machine interfaces

Integrated hydraulic circuits

Hydraulic transmissions

Power take-off equipment

Hydraulic cylinders

Power units

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Hydraulic motors and pumps

Rotary actuators

Hydraulic systems

Sensors

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

Analytical sample conditioning products and systems

Process control fittings, valves, regulators and manifold valves

Chemical injection fittings and valves

Process control double block and bleeds

Fluoropolymer chemical delivery fittings, valves and pumps

Permanent no-weld tube fittings

High-purity gas delivery fittings, valves, regulators and digital flow controllers

Precision industrial regulators and flow controllers

Seal Group: static and dynamic sealing devices, including:

Industrial mass flow meters/controllers

Dynamic seals

Homogeneous and inserted elastomeric shapes

Elastomeric o-rings

Medical devices

Electromagnetic interference shielding

Medical seals and instruments

Extruded and precision-cut fabricated elastomeric seals

Metal and plastic retained composite seals

High-temperature metal seals

Thermal management products

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

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

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

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

Engine-driven pumps

Thrust-reverser systems

Motor pumps

Utility actuators

Power transfer units

Accumulators

Hydraulic power packs

Electronic controllers and software

Reservoirs

Integration packages

Filtration manifolds

Automatic bleed valves

Selector valves

Electrohydraulic servo valves

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

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

Fuel tank inerting systems

Center of gravity controls

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Refuel, transfer, and pressurization controls

Engine fuel injection atomization nozzles, manifolds and augmentor controls

In-flight refueling systems

Electronic monitoring computers and controllers

Fuel pumps and valves

Lightning-safe flame arresters, fuel caps, and adapters

Fuel measurement and management systems

Water and waste subsystems

Fuel and pneumatic filtration

Fluid conveyance equipment

- 6 -

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

Rubber, metal, and PTFE hose assemblies

Rigid tube assemblies

Couplings, quick disconnects, fittings, joints, and unions

Valves and regulators

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

Pneumatic subsystems

Electronic control and monitoring computers

Low-pressure pneumatic controls

Motor-driven and hydraulic pumps

Engine starter systems

Fuel and pneumatic filtration

Fuel valves and manifolds

Fluid conveyance systems and engine build units

Oil and lubrication pumps and equipment

Thrust reverser actuation

Heat management

Engine bleed control and anti-ice systems

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

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

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

Accumulators

Hose and fittings

CQcontrols

Pressure regulating valves

Electronic controllers

Refrigerant distributors

Filter driers

Safety relief valves

Hand shut-off valves

Solenoid valves

Heat exchangers

Thermostatic expansion valves

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

Competition

The Company's business operates in highly competitive markets and industries. The Company offers its products over numerous, varied markets through its 142 divisions operating in 47 countries and

consequently has hundreds of competitors when viewed across its various markets and product offerings. The Company's competitors include U.S. and non-U.S. companies. These competitors and the degree of competition vary widely by product lines, end markets, geographic scope and/or geographic locations. Although each of the Company's segments has numerous competitors, given the Company's market and product breadth, no single competitor competes with the Company with respect to all products manufactured and sold by the Company.

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

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

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

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

decentralized operating structure that allows each division to focus on its customers and respond quickly at the local level;

systems solution capabilities that use the Company's core technologies from a variety of its segments;

global presence; and

a strong global distribution network.

Research and Product Development

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

Total research and development costs relating to the development of new products and services and the improvement of existing products and services amounted to \$359.5 million in fiscal year 2011, \$316.2 million in fiscal year 2010, and \$338.9 million in fiscal year 2009. These amounts include costs incurred by the Company related to independent research and development initiatives as well as costs incurred in connection with research and development contracts. Costs incurred in connection with research and development contracts and included in the total research and development costs reported above for each of the respective fiscal years 2011, 2010 and 2009 were \$61.3 million, \$40.3 million, and \$50.7 million, respectively.

Patents, Trademarks, Licenses

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

Backlog and Seasonal Nature of Business

The Company's backlog by business segment for the past two fiscal years, as set forth on pages 13-5 to 13-7 of Exhibit 13 to this Annual Report on Form 10-K, is incorporated into this section by reference. The Company's backlog was \$3.8 billion at June 30, 2011 and was \$3.1 billion at June 30, 2010. Approximately 86% of the Company's backlog at June 30, 2011 is scheduled for delivery in the succeeding twelve months. The Company's business is generally not seasonal in nature.

Environmental Regulation

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

As of June 30, 2011, the Company is involved in environmental remediation at various United States and non-U.S. manufacturing facilities presently or formerly operated by the Company and has been named as a potentially responsible party, along with other companies, at off-site waste disposal facilities and regional sites.

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

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

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

Energy Matters and Sources and Availability of Raw Materials

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

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

Employees

The Company employed approximately 58,400 persons as of June 30, 2011, of whom approximately 30,940 were employed by foreign subsidiaries.

Business Segment Information

The Company's net sales, segment operating income and assets by business segment and net sales and long-lived assets by geographic area for the past three fiscal years, as set forth on pages 13-16 to 13-17 of Exhibit 13 to this Annual Report on Form 10-K, are incorporated into this section by reference.

Acquisitions

During fiscal year 2011, the Company completed three acquisitions as set forth on pages 13-23 to 13-24 of Exhibit 13 to this Annual Report on Form 10-K, which is incorporated into this section by reference.

ITEM 1A. Risk Factors.

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

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

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

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

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

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

The Company may be subject to product liability risks.

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

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

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

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

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

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

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

changes in business relationships with and purchases by or from major customers, suppliers or distributors, including delays or cancellations in shipments, disputes regarding contract terms or significant changes in financial condition, and changes in contract cost and revenue estimates for new development programs;

changes in product mix;

changes in the market acceptance of the Company's products;

increased competition in the markets the Company serves;

declines in the general level of industrial production; or

declines in the availability, or increases in the prices, of raw materials.

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

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

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

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

The Company may be subject to risks relating to acquisitions.

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

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

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

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

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

fluctuations in currency exchange rates;

limitations on ownership and on repatriation of earnings;

transportation delays and interruptions;

political, social and economic instability and disruptions;

government embargoes or trade restrictions;

the imposition of duties and tariffs and other trade barriers;

import and export controls;

labor unrest and current and changing regulatory environments;

the potential for nationalization of enterprises;

difficulties in staffing and managing multi-national operations;

limitations on the Company's ability to enforce legal rights and remedies;

potentially adverse tax consequences; and

difficulties in implementing restructuring actions on a timely basis.

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

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

The Company is subject to income taxes in the United States and various non-U.S. jurisdictions. Domestic and international tax liabilities are subject to the allocation of income among various tax jurisdictions. The Company's effective tax rate could be affected by changes in the mix among earnings in countries with differing statutory tax rates, changes in the valuation allowance of deferred tax assets or changes in tax laws.

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The amount of income taxes paid is subject to ongoing audits by United States federal, state and local tax authorities and by non-U.S. tax authorities. If these audits result in assessments different from amounts reserved, future financial results may include unfavorable adjustments to the Company's tax liabilities, which could have a material adverse effect on the Company's results of operations.

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

- 14 -

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

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

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

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

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

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

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

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

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

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

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

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

ITEM 1B. Unresolved Staff Comments. None.

ITEM 1C. Executive Officers of the Registrant.

The Company's Executive Officers are as follows:

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

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

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

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

Mr. Marten has been Executive Vice President Finance & Administration and Chief Financial Officer since November 2010. He was Vice President and Controller from August 2008 to December 2010; Assistant Controller from July 2007 to August 2008 and Vice President and Controller of the Aerospace Group from October 2004 to July 2007.

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

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

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

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

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

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

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

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

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

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

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

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

Ms. Suever has been Vice President and Controller since December 2010. She was Vice President and Controller of the Climate & Industrial Controls Group from November 2008 to December 2010; Assistant Treasurer from July 2007 to November 2008; and Director of Finance and Investor Relations Support from May 2006 to July 2007.

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

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

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

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

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

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

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

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

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

ITEM 4. (Removed and Reserved).

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

- (a) **Market for the Registrant's Common Equity.** The Company's common stock is listed for trading on the New York Stock Exchange. Information regarding stock price and dividend information with respect to the Company's common stock, as set forth on page 13-43 of Exhibit 13 to this Annual Report on Form 10-K, is incorporated into this section by reference. As of July 29, 2011, the number of shareholders of record of the Company was 4,333.
- (b) **Use of Proceeds.** Not Applicable.
- (c) **Purchases of Equity Securities by the Issuer and Affiliated Purchasers.**

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

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

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

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations. The information set forth on pages 13-2 to 13-14 of Exhibit 13 to this Annual Report on Form 10-K is incorporated into this section by reference.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk. The information set forth on page 13-11 of Exhibit 13 to this Annual Report on Form 10-K is incorporated into this section by reference.

ITEM 8. Financial Statements and Supplementary Data. The information set forth on pages 13-15 to 13-43 of Exhibit 13 to this Annual Report on Form 10-K is incorporated into this section by reference.

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

ITEM 9A. Controls and Procedures. The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, of the effectiveness of the Company's disclosure controls and procedures as of June 30, 2011. Based on this evaluation, the Company's principal executive officer and principal financial officer concluded that, as of the end of fiscal year 2011, the Company's disclosure controls and procedures were effective.

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

There was no change in the Company's internal control over financial reporting during the quarter ended June 30, 2011 that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. Other Information. None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance. Information required with respect to the Directors of the Company is set forth under the caption "Item I Election of Directors" in the definitive Proxy Statement for the Company's 2011 Annual Meeting of Shareholders to be held October 26, 2011 (the "2011 Proxy Statement") and is incorporated herein by reference. Information with respect to the executive officers of the Company is included in Part I, Item 1C hereof under the caption "Executive Officers of the Registrant".

The information set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the 2011 Proxy Statement is incorporated herein by reference.

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

The information set forth under the captions "The Audit Committee" and "Report of the Audit Committee" in the 2011 Proxy Statement is incorporated herein by reference.

ITEM 11. Executive Compensation. The information set forth under the captions "Compensation Discussion and Analysis," "Compensation Committee Report," and "Compensation Tables" in the 2011 Proxy Statement is incorporated herein by reference.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters. The information set forth under the caption "Principal Shareholders" in the 2011 Proxy Statement is incorporated herein by reference.

Equity Compensation Plan Information. The following table sets forth certain information regarding the Company's equity compensation plans as of June 30, 2011, unless otherwise indicated.

Plan Category	Column (a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	Column (b) Weighted-average exercise price of outstanding options, warrants and rights	Column (c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	15,075,452(1)	\$ 52.71	8,880,837(2)
Equity compensation plans not approved by security holders(3)	26,253	\$ 41.57	0
Total	15,101,705	\$ 52.79	8,880,837

- (1) Includes 243,266 shares, which consists of the actual payouts of restricted stock under the FY2009-10-11 LTIP Awards (which payout was made after June 30, 2011) and the maximum future payouts of common stock that may be issued under the FY2010-11-12, CY2010-11-12 and CY2011-12-13 LTIP Awards. For the FY2010-11-12 and CY2010-11-12 LTIP Awards, payouts will be determined by comparing our results during the three-year performance period to the performance of a group of our peers during their three most recent fiscal years for the following weighted performance measures: (a) revenue growth (20% weight); (b) growth in fully-diluted earnings per share from continuing operations (40% weight); and (c) average return on invested capital from continuing operations (40% weight). For the CY2011-12-13 LTIP Awards, payouts will be determined based on the Company achieving an average return on average equity of 4% or an average free cash flow margin of 4%. If these performance measures are achieved, the participants will be eligible to receive the maximum payout of 200%. The Human Resources and Compensation Committee will then compare the Company's performance to that of a group of our peers and, if appropriate, apply its discretion to reduce the final payouts based on any performance measures that the Committee determines to be appropriate. Also includes 62,166 phantom shares held in an account pursuant to the Stock Option Deferral Plan (which plan has not been approved by shareholders). The phantom shares resulted from exercises of stock options granted under the 1990

Employees Stock Option Plan, which was approved by the shareholders. No further deferral elections may be made under the Stock Option Deferral Plan.

- (2) The maximum number of shares of our common stock that may be issued under the 2009 Omnibus Stock Incentive Plan is 5.5 million. The maximum number of securities that may be issued under the 2003 Stock Incentive Plan is equal to the sum of (i) 13.5 million; plus (ii) the amount of any shares that are not delivered to an employee by reason of (A) the expiration, termination, cancellation or forfeiture of an award under the 1993 Stock Incentive Program; and (B) the tendering or withholding of shares to satisfy all or a portion of the exercise price or tax withholding obligations relating to shares issued or distributed under an award under the 1993 Stock Incentive Program. The maximum number of shares that may be issued under the 2003 Stock Incentive Plan as restricted stock is limited to 7.5 million shares. The maximum number of shares that may be issued under the 2004 Non-Employee Directors Stock Incentive Plan is 375,000. The maximum number of shares that may be issued under the Non-Employee Directors Stock Plan, as amended and restated, is 345,000, all of which are granted as common stock, subject to such conditions or restrictions as the Human Resources and Compensation Committee may determine.
- (3) The 1996 Non-Employee Directors Stock Option Plan provides for the issuance of up to 562,500 shares of our common stock pursuant to stock options granted to our Directors who are not current or retired employees. Each option was granted at an exercise price equal to 100% of the fair market value of our common stock on the date the options were granted. Grants have a ten-year term and vest 50% following one year of continued service and the remaining 50% following the second year of continued service from the date granted. No further options will be granted under the 1996 Non-Employee Directors Stock Option Plan

ITEM 13. Certain Relationships and Related Transactions, and Director Independence. The information set forth under the captions Certain Relationships and Related Transactions , Review and Approval of Transactions with Related Persons , and Director Independence in the 2011 Proxy Statement is incorporated herein by reference.

ITEM 14. Principal Accountant Fees and Services. The information set forth under the captions Audit Fees, Audit-Related Fees, Tax Fees, All Other Fees and Audit Committee Pre-Approval Policies and Procedures in the 2011 Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules.

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

1. **Financial Statements and Schedule**

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

2. **Exhibits**

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

SIGNATURES

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

PARKER-HANNIFIN CORPORATION

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

August 26, 2011

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

Signature and Title

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

Date: August 26, 2011

/s/ Jon P. Marten
Jon P. Marten, Executive Vice President

Finance & Administration and Chief Financial

Officer (Principal Financial Officer and

Attorney-in-Fact)

PARKER-HANNIFIN CORPORATION

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE

	Form 10-K Annual Report (Page)	Reference Excerpt from Exhibit 13 (Page)
Data incorporated by reference from Exhibit 13:		
Management's Report on Internal Control over Financial Reporting		13 - 44
Report of Independent Registered Public Accounting Firm		13 - 45
Consolidated Statement of Income for the years ended June 30, 2011, 2010 and 2009		13 - 15
Consolidated Balance Sheet at June 30, 2011 and 2010		13 - 18
Consolidated Statement of Cash Flows for the years ended June 30, 2011, 2010 and 2009		13 - 19
Consolidated Statement of Equity for the years ended June 30, 2011, 2010 and 2009		13 - 20
Notes to Consolidated Financial Statements		13 - 21 to 13 - 43

Schedule:

II - Valuation and Qualifying Accounts F-2
 Individual financial statements and related applicable schedules for the Registrant (separately) have been omitted because the Registrant is primarily an operating company and its subsidiaries are considered to be wholly-owned.

PARKER-HANNIFIN CORPORATION

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

FOR THE YEARS ENDED JUNE 30, 2009, 2010 and 2011

(Dollars in Thousands)

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning Of Period	Additions Charged to Costs and Expenses	Other (Deductions)/ Additions (A)	Balance At End Of Period
<u>Allowance for doubtful accounts:</u>				
Year ended June 30, 2009	\$ 16,843	\$		