

ENGINEERING YOUR SUCCESS.

Annual Report 2013



On the cover, Michael Gore, a T10 complete paraplegic, stands tall in the Parker Indego® which gives him the independence to do something he was told by the medical community that he would never do again – walk. Parker is pursuing a new growth platform in human motion and control as a natural extension of our vision to be the global leader in motion and control technologies. Indego® presents a compelling first step in a broader opportunity to create a meaningful and positive impact on the lives of individuals with limited mobility.

This year’s annual report focuses on innovations that have helped our customers solve problems. The difference made in the lives of our customers is representative of the broader change we hope to effect in the world around us.

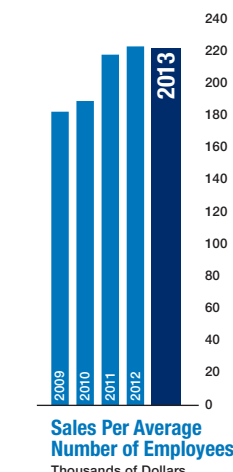
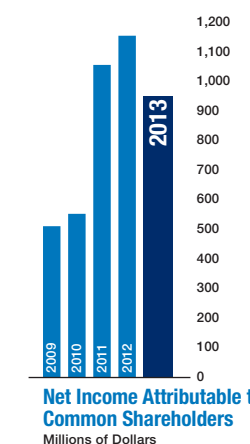
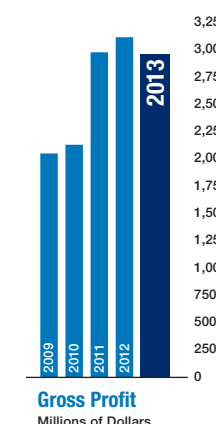
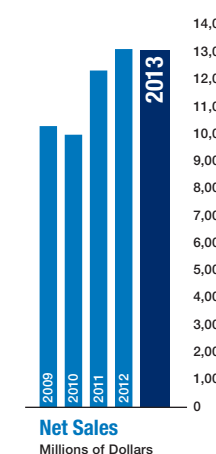


It is our dedication to solving some of the world’s greatest engineering challenges, and our commitment to partner with our customers in search of unique and promising advancements, that drives Parker people forward and secures our future growth.

The Year In Review

For The Years Ended June 30,
(dollars in thousands, except per share data)

Operating Data	2013	2012	2011
Net sales	\$ 13,015,704	\$ 13,145,942	\$ 12,345,870
Gross profit.....	2,929,029	3,187,605	2,958,413
Net income attributable to common shareholders.....	948,427	1,151,823	1,049,130
Net cash provided by operating activities	1,190,935	1,530,385	1,166,933
Net cash (used in) investing activities	(809,845)	(375,768)	(244,938)
Net cash provided by (used in) financing activities.....	576,174	(823,520)	(915,778)
Per Share Data			
Diluted earnings.....	\$ 6.26	\$ 7.45	\$ 6.37
Dividends.....	1.70	1.54	1.25
Book value.....	38.44	32.72	34.71
Ratios			
Return on sales.....	7.3 %	8.8 %	8.5 %
Return on average assets.....	8.0	10.4	10.1
Return on average shareholders’ equity	17.8	22.4	21.5
Debt to debt-shareholders’ equity	33.0	26.1	24.7
Other			
Number of employees	58,151	59,331	58,409



Letter to Shareholders



Don E. Washkewicz, Chairman, Chief Executive Officer and President

In this year's annual report, we highlight some of the many examples of what Parker is really all about - helping our customers address real world engineering challenges that benefit everyday people. Dating back to Art Parker's original product 95 years ago - a revolutionary pneumatic braking system that improved safety on trucks - the inventive spirit illustrated throughout these pages remains a distinct competitive advantage for Parker. The breadth of our proven technology offerings means that, today, there is much more opportunity for Parker to solve some of the world's greatest engineering challenges.

A Fundamentally Stronger Business

Fiscal year 2013 reflected ongoing softness in the global macroeconomic environment, particularly in markets outside North America. In the face of this challenge, Parker adapted quickly to the uncertainty that confronted us. We delivered strong financial performance in less-than-ideal market conditions and continued to advance our long-term growth initiatives.

- Total sales were \$13.0 billion. A 3% contribution from acquisitions was offset by lower organic sales, currency rate changes and two divestitures of non-core businesses.
- Total segment operating margins were 13.8% representing strong performance despite soft economic conditions.

- Net income for the year was \$948.8 million, or \$6.26 per diluted share. Earnings were impacted primarily by lower volume, acquisition and integration related costs and higher engineering development expenses in the Aerospace segment.
- Net cash provided by operating activities remained strong and reached \$1.2 billion. Before a discretionary contribution to our pension plan, net cash provided by operating activities was 10.9% of sales, which is the 12th consecutive year that we generated operating cash flow as a percentage of sales greater than 10%. Free cash flow⁽¹⁾ of \$1.1 billion, before discretionary pension contributions, exceeded net income for the 12th year in a row.
- In fiscal year 2013, we strengthened our portfolio by acquiring eight companies totaling just under \$500 million in annualized sales and completed divestitures within the Climate and Industrial Controls (CIC) segment totaling more than \$150 million in annualized sales.
- A strong balance sheet and healthy free cash flows also allowed us the flexibility to raise our dividend by 10% during the year. This represents the 57th consecutive fiscal year that we have increased our annual dividend. Our payout has doubled in the past five years.
- We repurchased \$257 million worth of our own shares in fiscal year 2013 reaffirming our confidence in Parker as a stable long-term investment.

Reflecting on fiscal year 2013, the global Parker team responded quickly to the challenges presented to them while staying focused on executing the Win Strategy. Having demonstrated the resilience of our business, we embark on the new fiscal year a stronger company.

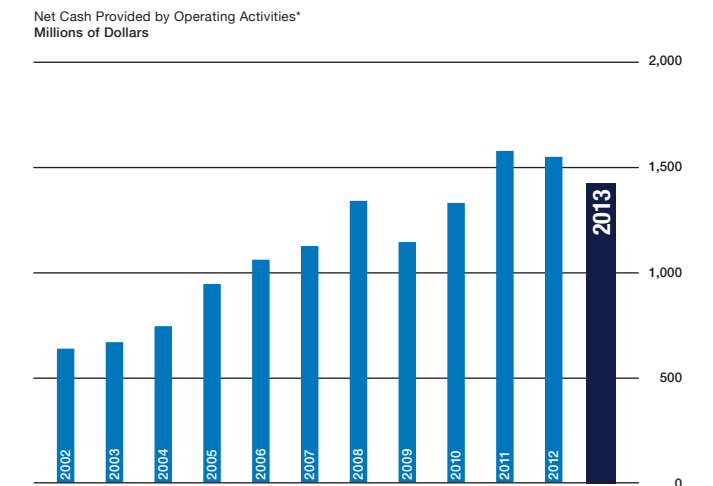
Focused on Profitable Growth

We continue to balance resources and focus on long-term profitable growth. Our goal is to generate 12% sales growth over the economic cycle with 4% from acquisitions and 8% from organic growth. We are also targeting 15% segment operating margin, which we now believe can be achieved by the end of fiscal year 2015.

Margin expansion is expected to come from three primary sources. In fiscal year 2014, we estimate spending approximately \$100 million to right-size our global operations, reflecting what we believe will be a modest global growth environment. We expect the significant savings from these actions to begin accruing in fiscal year 2014 and thereafter. Within our aerospace business, we will have lower up front development costs associated with the large number of new program wins that we have secured in previous years as those projects begin to be commercialized. Additionally, our innovation pipeline continues to drive not only higher levels of organic growth but also higher levels of profit margin as many of these new projects carry a higher-than-average margin for Parker.

During the year the acquisitions we made helped us strengthen our portfolio, gain access to new markets, increase our aftermarket exposure and increase our presence in key growth markets. We completed our previously announced acquisition of the Olaer Group in the U.K., expanding Parker's presence in important geographic areas and offering expertise in hydraulic accumulator and cooling systems. The acquisition of the filtration business of John Fowler and the hose and fittings business of PIX Transmissions Ltd. helped us expand in India. We acquired U.K.-based Kittiwake Developments Ltd., bringing us the ability to offer condition monitoring technology in targeted growth markets. Our acquisitions of Velcon Filters, LLC and

Twelve Consecutive Years of Greater Than 10% Cash Flow as a Percent of Sales



⁽¹⁾ Before discretionary pension contributions.
⁽¹⁾ Free cash flow of \$1.1 billion is calculated as net cash provided by operating activities of \$1.2 billion minus capital expenditures of \$0.3 billion plus discretionary pension contributions of \$0.2 billion.

Sea Recovery also strengthened our filtration offering. The acquisition of PGI International strengthened Parker's position in the oil and gas and general instrumentation markets.

We further realigned our portfolio with the divestiture of the automotive air conditioning portion of our Mobile Climate Systems Division to ContiTech AG. Subsequently, we consolidated the CIC group into other operating groups within the company to better leverage the natural synergies among them and foster greater focus, efficiencies and opportunities for growth. Additionally, Parker Aerospace entered into an agreement with GE Aviation to form a joint venture, Advanced Atomization Technologies, LLC, to enhance the development and manufacture of commercial aircraft engine fuel nozzles.

As is evident from the examples in this report, innovation continues to play the preeminent role in our growth strategy and is expected to account for half of our organic growth rate target. We set a high bar for new product contributions by using a disciplined new product development process that we call Winovation. New products must meet strict definitional criteria as new-to-the-world, new-to-the-market. Our measure of success is then established as the incremental portfolio value from these new products, which is targeted at 4% sales growth each year.

We are making this new product development success happen by creating synergies across all of our operating groups. Teams are collaborating with greater frequency and efficiency, often using combinations of components and systems to develop fresh approaches to solving customer challenges. We are targeting key growth areas such as food, water, energy, transportation, environment, infrastructure, defense and life sciences. While these initiatives may not spark significant annual sales alone, their cumulative impact can add up to sizeable revenues. Today, we have more than 1,800 products in our Winovation pipeline.

In fiscal year 2013, we also expanded our technology capabilities by signing an exclusive licensing agreement with Vanderbilt University to further develop their exoskeleton technology, which allows individuals with severe spinal cord injury to walk and enhances rehabilitation for people who have suffered a stroke. Branded under the name Indego®, Parker is



Cleveland State University opened the Parker Hannifin Human Motion and Control lab in August 2013. The lab, established with a \$1.5 million pledge from Parker, contains state-of-the-art treadmills, motion sensors and 3D imaging equipment. The lab will be used to research and develop new technology for prostheses and powered orthoses.

continuing to refine the key advantages of this exciting technology and plans to commercialize it in 2015. Indego is just the beginning of what is an exciting new growth platform for Parker in human motion and control technologies. During the year, we also established an endowed professorship at Cleveland State University and opened the Parker Hannifin Human Motion and Control Lab under the direction of renowned expert, Dr. Antonie van den Bogert. The lab will be used to further our understanding of human motion, informing the development of next generation assistive motion technologies.

Continued innovation across all of our technologies is creating new opportunities for Parker in developing complete systems that are ready to use in a customer application in contrast to a historical focus on components. From developments in filtration systems that furnish clean water to fuel cell systems that may one day provide clean, efficient, grid-free power to homes, Parker continues to focus on systems that solve some of the world's greatest engineering challenges. This shift helps reduce the number of suppliers our customers have to source from and ensures the highest quality system built solely with Parker components, providing unparalleled value for the customer and generating higher returns for our shareholders. System sales now represent approximately 25% of our total sales.

The distribution side of Parker's business cannot be matched by any competitor and is nearly impossible to replicate. In fiscal year 2013, we continued to expand this advantage by adding more than 400 new

distributor authorizations. Early in the fiscal year, we reached a milestone by celebrating the opening of the 2,000th ParkerStore in France, one of 214 new ParkerStore retail locations. Our distribution business is so connected to customers that about half of our industrial revenues come from maintenance, repair and overhaul (MRO) sales through distributors. As a critical aspect of our growth plans, we will continue to support this vital channel to market.

We continue to expand geographically as a way to better balance our sales across regions and take advantage of key markets that are expected to grow faster than global GDP. In fiscal year 2013, we celebrated the opening of our newest facility in Chennai, India. A \$20 million investment, this 266,000 square foot factory will improve our ability to respond to increasing demand for engineering solutions in India. Chennai is among six green-field manufacturing sites that are either completed or in progress across emerging markets in the Asia Pacific region within the past two years.

While 12% sales growth may appear to be an aggressive goal, we are pursuing multiple paths to achieve it. Our continued focus on the Win Strategy and strong operational execution, as we take advantage of these opportunities for growth, will give us the ability to drive even higher levels of profitability.

Excited for the Future

Fiscal year 2013 proved to us that Parker has transformed into a fundamentally stronger business under the development of the Win Strategy. To better highlight this transformation, we will be changing our segment reporting beginning in fiscal year 2014 to two segments, Diversified Industrial (which will continue to include supplemental sales and profitability data for North America and International) and Aerospace Systems. Also, we will be providing supplemental information, including sales, on three global technology platforms within the Diversified Industrial Segment called Motion Systems, Flow and Process Control, and Filtration and Engineered Materials. This supplemental information will showcase the breadth of the technologies that we leverage in unique ways to meet our customers' needs and broaden awareness of our competitive strengths.

As we continue to advance the Win Strategy throughout our operations, we are confident that even higher levels of performance will ensue. Importantly, when we look to the horizon, we see a great number of opportunities to grow our business into a \$20 billion enterprise within five years. I am extremely confident in the future ahead.

I offer my sincere thanks to all of our employees globally for their continued dedication to our goals and for their steadfast commitment to the Win Strategy and to you, my fellow shareholders, for your continued confidence in Parker. I am excited to see what the future will bring. From enabling the paralyzed to walk and creating cleaner skies to healing the sick, read on to see how Parker's motion and control technologies are serving a more meaningful purpose in today's world than even Art Parker may have envisioned.

Don E. Washkewicz, Chairman, Chief Executive Officer and President
August 2013



The Win Strategy is the principle focus for how the company runs its daily operations.



Indego® Exoskeleton

Millions of individuals experience the unique, daily challenges of living with limited mobility. Parker has licensed a powered exoskeleton called Indego that holds great promise for providing a new level of independence enabling users to stand and walk on all surfaces and access areas not accessible by a wheelchair.

Indego is designed for institutional and personal settings for both rehabilitation or daily use. The system can be scaled to fit users of different sizes and also incorporates a proven therapy technique called functional electrical stimulation. Indego's technology offers remarkably intuitive, smooth operation, replicating a natural gait for maximum effectiveness as a therapeutic tool. Indego is unique in its ability to provide all of the power and support required to walk, or adjust the amount of robotic assistance for users who have limited muscle control in their legs.

Indego uses the latest sensor, motor and battery technologies with superior cooperative controls, a slim profile and a modular design that is nearly 50% lighter than competing devices. The system is ideal for persons with complete and incomplete spinal cord injuries, multiple sclerosis, traumatic brain injury and other neurological conditions or for those who have suffered a stroke.

Parker is targeting 2015 for the commercial launch of Indego. Future enhancements will enable remote monitoring of the system's performance and extend to applications beyond medical needs.



Parker has licensed the exoskeleton technology developed at Vanderbilt University and is currently engaged with the Shepherd Center to further develop and test the system. Indego® has not been submitted for FDA approval and is not currently available for sale. Continued development and testing is anticipated to result in FDA approval to market and sell the device for clinical rehabilitation and personal mobility.

Fast-Fill Compressed Natural Gas Fuel Dispenser

As fuel costs continue to rise and vehicle emissions standards grow increasingly stringent, many are turning to natural gas as an alternative to gasoline or diesel. Natural gas provides comparable amounts of power and acceleration while producing lower levels of emissions and particulates, all at a significantly lower cost.

When it comes to filling the tank, the transition to a vehicle powered by natural gas feels seamless to a driver refueling with a Parker CNG dispenser. The unit is capable of refilling an empty tank in roughly three minutes and displays traditional metrics such as the fuel quantity and cost, in addition to natural gas-specific measures of flow rate and pressure, offering a familiar and convenient user experience.

Designed with safety as a top priority, the Parker CNG dispenser uses a series of protective sensors, breakaway couplings and hose disconnects to eliminate the risk of mechanical or user malfunctions. The system is held to the highest standard of quality to prevent leakage, minimize downtime and provide consistent and reliable service.

Each day thousands of drivers across India refuel using the Parker CNG dispenser, and sales will be extended to fuel stations throughout Asia and in other regions as the demand for natural gas vehicles continues to grow.

The Parker CNG dispenser is a model example of Parker's ability to leverage its premium components and engineering expertise to develop a complete system and to respond to global trends with localized solutions.





Negative Pressure Wound Therapy

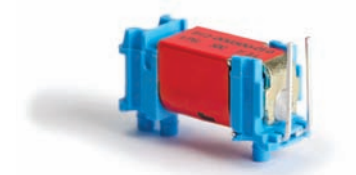
Extensive research and development has significantly advanced medical technology related to wound care. Traditional methods, comprised mostly of gauze-based dressings, merely cover a wound and rely on the passage of time to facilitate the natural healing process. Many medical facilities, committed to providing patients with the best care techniques available, are using negative pressure wound therapy (NPWT) for advanced wound care and treatment.

As an alternative to traditional wound care, the technology aids the process by providing a moist healing environment, removing wound fluids and infectious materials, physically drawing the edges of the wound together and increasing blood flow and circulation to the wound site.

Parker's miniature diaphragm pump with a brushless slotless motor is used within NPWT devices to pull a vacuum on the wound site and the wound bed. The vacuum pulls exudate from the wound site and physically draws the wound together, promoting blood flow, thus expediting the healing process. The motor provides low revolution control and allows for quick vacuum corrections to the wound bed to minimize patient discomfort, is very quiet and offers low degrees of vibration; creating a device that provides patients with a unique and reassuring healing experience.

Leveraging over 10 years of experience in the industry, Parker has established itself as the preferred pneumatic supplier to the NPWT market, leading the design and development of customizable motor, pump and digital valve offerings.

While more than 500,000 patients in the United States benefit from NPWT each year, there are still considerable steps to be taken to allow the impact of this technology to reach its full potential. Parker is partnering with its customers to expand the bounds of wound care technology by creating devices that are smaller and more powerful, while working to make them more portable and disposable, aspiring to a solution which will be accessible on a global level.



Multi-Function Fuel Cell System

A substantially cleaner, more efficient airplane is attractive to everyone from airlines and pilots to airport employees and passengers. Such advancements present a unique challenge in an industry where passenger safety and aircraft reliability are paramount, and changes to aircraft design are implemented only after careful consideration and extensive testing.

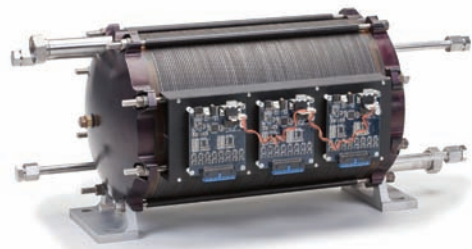
Parker has partnered with Airbus to take on this challenge, working to develop a multi-function fuel cell system which will replace the small engine located near the rear of the aircraft known as the auxiliary power unit.

The fuel cell is planned to provide the power to start the main aircraft engines and generate enough electricity to operate accessories such as pre-flight air conditioning and power the electric motor-driven wheels used to taxi, instead of using thrust from the main engines.

The fuel cell generates electrical power by combining hydrogen stored on the plane and oxygen pulled from the atmosphere. One byproduct of this process is oxygen-depleted air, critical for inerting the aircraft's fuel tanks to eliminate the possibility of combustion. Another byproduct is clean water, used for engine injection, potable water and restrooms, increasing efficiency by reducing the amount of water stored in aircraft tanks.

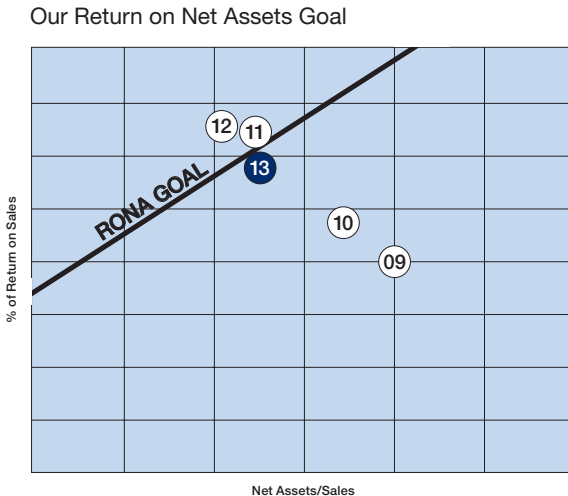
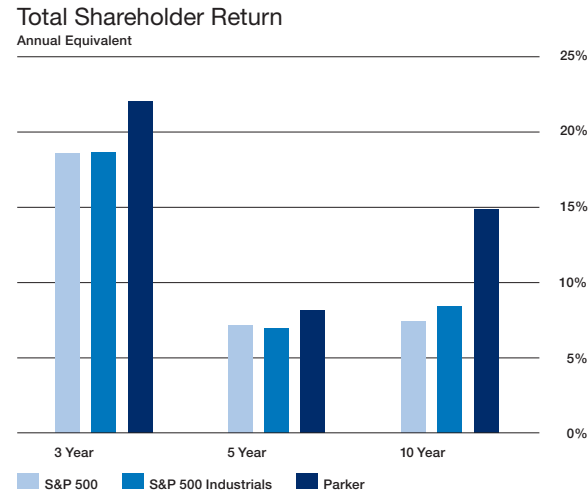
A demonstration flight using the system, which is anticipated to significantly reduce an aircraft's fuel consumption and emissions, is expected mid-decade.

By applying years of expertise in aerospace technology, Parker was able to look beyond the individual components of an aircraft and focus on the technology roadmap of the future, providing an innovative solution to increase the efficiency and sustainability of the world's airline fleet.



Financial Success

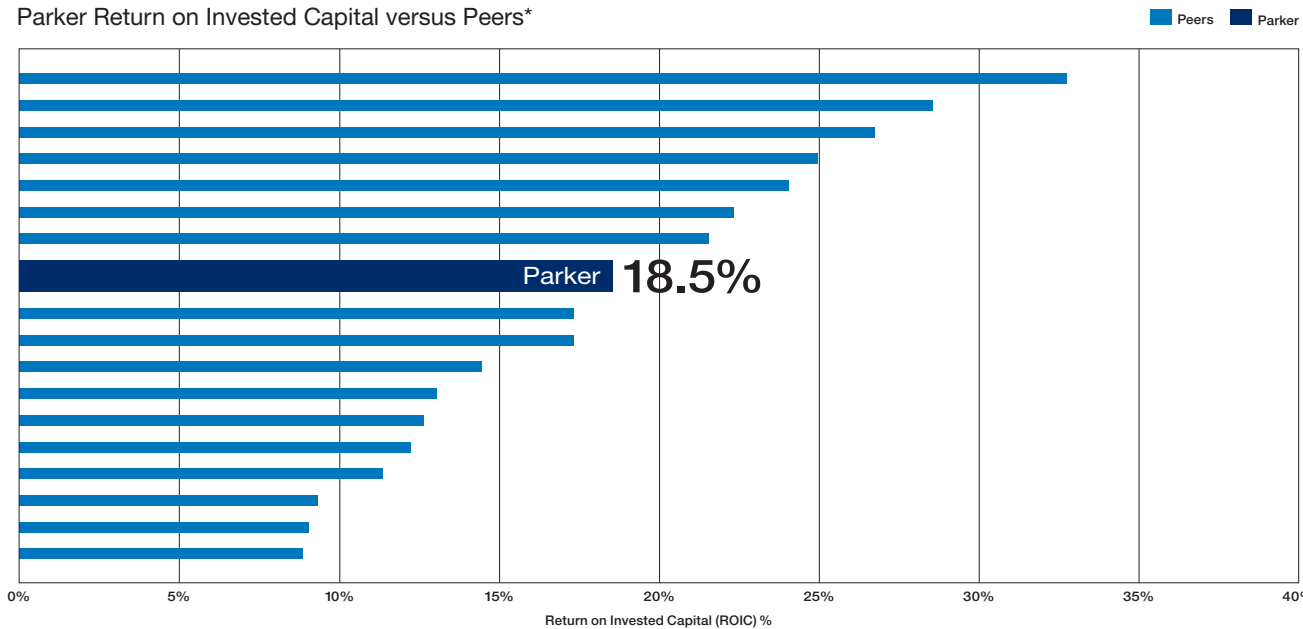
Parker's Win Strategy has driven the company's financial performance to a higher level. As our employees continue to execute the Win Strategy, we will continue to operate from a position of financial strength, enabling us to invest in new opportunities to grow our business and provide strong returns to our shareholders.



The total return calculation reflects share price appreciation and dividend payments and assumes reinvestment of dividends. The return provided is an annual equivalent percentage return reflecting the effect of compounding as of June 30, 2013.

Return on Net Assets (RONA) is a common metric used throughout the company, providing a standard for how efficiently and productively each operating unit employs the average dollar invested in assets. To reach Parker's internally established benchmark, the RONA Goal line, operations must successfully balance investments in assets with profitable sales growth. Since the launch of the Win Strategy, Parker has steadily moved toward the goal, reaching the line in 2005 and eclipsing it in 2006, 2007, 2008, 2011 and 2012. The impact of the global recession in 2009 and 2010 and challenging macroeconomic conditions in 2013 pushed this performance measure below the line.

Parker Return on Invested Capital versus Peers*

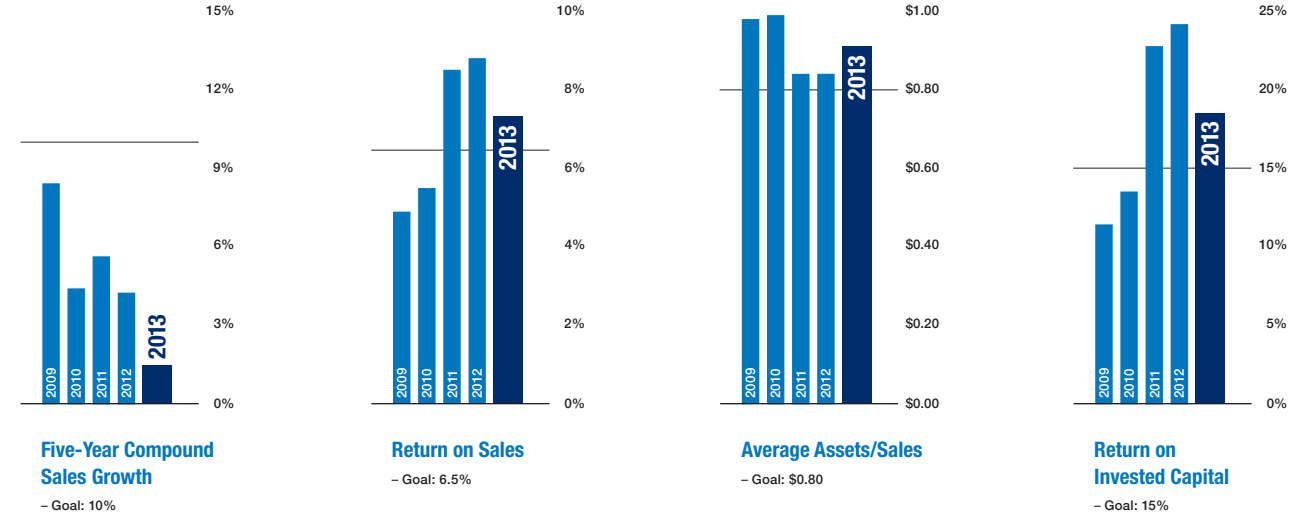


*Return on Invested Capital = [Net Income Attributable to Common Shareholders + Interest Expense + Income Taxes] / [Average Total Debt + Average Shareholders' Equity]. Parker's ROIC peers include (identified by stock symbol) CAT, CMI, DE, DHR, DOV, EMR, ETN, FLS, HON, IR, ITT, ITW, JCI, PLL, ROK, SPW and TXT. Peer data is trailing twelve months as of June 30, 2013.

Financial Review

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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, 2013	March 31, 2013	June 30, 2012
United States	50.9	51.3	49.7
Eurozone countries	48.8	46.8	45.1
China	48.2	51.6	48.2

Global aircraft miles flown increased one percent from the comparable 2012 level and global revenue passenger miles increased two percent from the comparable 2012 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 2014 will decrease by one percent from the comparable fiscal 2013 level.

Housing starts in June 2013 were approximately 10 percent higher than housing starts in June 2012 and were approximately 19 percent lower than housing starts in March 2013.

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 33.0 percent at June 30, 2013 compared to 35.9 percent at March 31, 2013 and 26.1 percent at June 30, 2012. Net of cash and cash equivalents, the debt to debt-shareholders' equity ratio was 15.4 percent at June 30, 2013 compared to 19.9 percent at March 31, 2013 and 15.4 percent at June 30, 2012.

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;
- 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.

During fiscal 2013, the Company completed eight acquisitions whose aggregate sales for their most recent fiscal year prior to acquisition were \$484 million. Acquisitions will continue to be considered from time to time to the extent there is a strong strategic fit, while at the same time maintaining the Company's strong financial position.

During fiscal 2013, the Company divested the automotive businesses of the Mobile Climate Systems division and the Turkey refrigeration components business. Both of the divested businesses were part of the Climate & Industrial Controls Segment. The Company recognized a net pre-tax gain of approximately \$18 million related to these divestitures. 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 22 to 25. 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)	2013	2012	2011
Net sales	\$13,016	\$13,146	\$12,346
Gross profit margin	22.5%	24.2%	24.0%
Selling, general and administrative expenses	\$ 1,555	\$ 1,519	\$ 1,468
Selling, general and administrative expenses, as a percent of sales	11.9%	11.6%	11.9%
Interest expense	\$ 92	\$ 93	\$ 100
Other (income) expense, net	(18)	1	(15)
(Gain) on disposal of assets	(10)	(2)	(8)
Effective tax rate	27.6%	26.7%	25.2%
Net income attributable to common shareholders	\$ 948	\$ 1,152	\$ 1,049

NET SALES in 2013 were 1.0 percent lower than 2012. Acquisitions made in the last 12 months contributed approximately \$448 million in sales in 2013 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 Industrial Segment.

Net sales in 2012 were 6.5 percent higher than 2011. The increase in sales in 2012 primarily reflects higher volume in the Industrial and Aerospace Segments. Acquisitions contributed approximately \$72 million in sales in 2012. The effect of currency rate changes decreased net sales in 2012 by approximately \$102 million.

GROSS PROFIT MARGIN decreased in 2013 primarily due to higher defined benefit costs in all segments, operating inefficiencies in the Industrial Segment and higher engineering development costs in the Aerospace Segment. Gross profit margin was higher in 2012 primarily due to the higher sales volume in the Industrial North American businesses and the Aerospace Segment. Included in gross profit in 2013, 2012 and 2011 were business realignment charges of \$8.4 million, \$12.7 million and \$15.3 million, respectively.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES increased 2.3 percent in 2013 and increased 3.5 percent in 2012. 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. The increase in 2012 was primarily due to the higher sales volume as well as higher expenses associated with the Company's incentive and deferred compensation programs.

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. Interest expense in 2012 decreased primarily due to lower average debt outstanding as well as lower weighted-average interest rates on commercial paper borrowings.

OTHER (INCOME) EXPENSE, NET in 2012 included \$8.3 million in expense related to historical tax credits. Other (income) expense, net in 2011 included \$10.9 million of income related to insurance recoveries.

(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. (Gain) on disposal of assets in 2011 included income of \$3.8 million related to insurance recoveries for expenses incurred related to a previously divested business, \$3.8 million of expense related to asset writedowns and \$7.5 million of gains from asset sales.

EFFECTIVE TAX RATE in 2013 and 2012 was higher primarily due to an unfavorable geographical mix of earnings. Effective tax rate in 2013 was favorably impacted by the enactment of the American Taxpayer Relief Act on January 2, 2013. Effective tax rate in 2012 was favorably impacted by the settlement of tax audits.

Discussion of Business Segment Information

The Business Segment information presents sales, operating income and assets on a basis that is consistent with the manner in which the Company's various businesses are managed for internal review and decision-making. See Note 1 to the Consolidated Financial Statements for a description of the Company's reportable business segments and a discussion of the recent consolidation of the Company's reportable business segments, effective for fiscal periods after June 30, 2013.

INDUSTRIAL SEGMENT

(dollars in millions)	2013	2012	2011
Sales			
North America	\$5,051	\$5,041	\$4,517
International	4,868	5,034	4,917
Operating income			
North America	845	895	746
International	584	733	754
Operating income as a percent of sales			
North America	16.7%	17.8%	16.5%
International	12.0%	14.6%	15.3%
Backlog	\$1,693	\$1,814	\$1,907
Assets	8,780	7,991	8,414
Return on average assets	17.0%	19.8%	19.1%

Sales in 2013 for the Industrial North American operations increased slightly from 2012 compared to an increase of 11.6 percent from 2011 to 2012. Acquisitions completed within the last 12 months contributed approximately \$217 million in net sales in 2013. Excluding acquisitions, sales in 2013 decreased 4.1 percent from 2012 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. The increase in sales in 2012 reflects higher demand from distributors and higher end-user demand in a number of markets, particularly in the heavy-duty truck, construction equipment, farm and agriculture equipment, oil and gas and machine tools markets.

Sales in the Industrial International operations decreased 3.3 percent in 2013 following an increase of 2.4 percent from 2011 to 2012. Acquisitions completed within the last 12 months contributed approximately \$231 million in net sales in 2013, most of which related to Europe. The effect of currency rate fluctuations decreased 2013 net sales by approximately \$137 million, half of which related to Europe, a quarter of which related to the Asia Pacific region and a quarter of which related to Latin America. Excluding acquisitions and the effect of currency rate changes, sales in the Industrial International operations decreased 5.2 percent from 2012, 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 sales increase in 2012 is primarily due to higher volume experienced in Europe.

The decrease in operating margins in 2013 in the Industrial North American operations is 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 Industrial International operations is primarily due to the lower sales volume, resulting in operating inefficiencies, as well as the impact of integration costs related to 2013 acquisitions. Operating margins in 2012 in the Industrial North American operations were higher than the prior year primarily due to the higher sales volume, resulting in manufacturing efficiencies. Industrial International operating margins in 2012 were lower than the prior year primarily due to operating inefficiencies resulting from the decline in the rate of sales growth between 2011 and 2012, especially in Europe and the Asia Pacific region, as well as an unfavorable product mix.

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

(dollars in thousands)	2013	2012	2011
Industrial North America	\$2,342	\$3,355	\$ 4,223
Industrial International	8,973	9,711	11,204

The business realignment charges consist primarily of severance costs resulting from plant closures as well as general reductions in work force. The Industrial North America business realignment charges for 2012 also include expenses associated with enhanced retirement benefits. The Company does not anticipate that cost savings realized from the work force reductions taken during 2013 will have a material impact on future operating margins. In 2014, the Company expects to take actions necessary to structure appropriately the operations of the Industrial Segment. Such actions are expected to result in approximately \$95 million in business realignment charges in 2014.

The Company anticipates Industrial North American sales for 2014 will range between being flat to increasing 5.0 percent from the 2013 level and Industrial International sales for 2014 will range between being flat to increasing 4.8 percent from the 2013 level. Industrial North American operating margins in 2014 are expected to range from 16.5 percent to 17.1 percent and Industrial International margins are expected to range from 10.3 percent to 10.7 percent. The change in sales and operating margins between 2013 and 2014 include the businesses of the Climate & Industrial Controls Segment, which has been consolidated into the Industrial Segment effective July 1, 2013.

The decline in total Industrial Segment backlog in 2013 is primarily due to lower order rates in both the Industrial North American and Industrial International businesses partially offset by an increase in backlog from acquisitions. The decline in total Industrial Segment backlog in 2012 is primarily due to lower order rates in the Industrial International businesses, especially in Europe and the Asia Pacific region, more than offsetting higher order rates in the Industrial North American businesses.

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, net. The decrease in assets in 2012 was primarily due to the effect of currency fluctuations as well as decreases in cash and cash equivalents, inventory, intangible assets, net and deferred taxes partially offset by an increase in accounts receivable, net.

AEROSPACE SEGMENT

(dollars in millions)	2013	2012	2011
Sales	\$2,268	\$2,103	\$1,922
Operating income	280	290	247
Operating income as a percent of sales	12.4%	13.8%	12.9%
Backlog	\$1,936	\$1,862	\$1,702
Assets	1,140	1,033	995
Return on average assets	25.8%	28.6%	25.9%

Sales in 2013 increased 7.8 percent compared to an increase of 9.4 percent from 2011 to 2012. The increase in net sales in 2013 is primarily due to higher volume in all businesses with the largest increase being experienced in the commercial and military original equipment manufacturer (OEM) businesses. The increase in net sales in 2012 is primarily due to higher volume in both the commercial and military OEM and aftermarket businesses.

The lower margin in 2013 is primarily due to higher engineering development costs, including fuel cell development, more than offsetting the benefit of the higher sales volume. The higher margin in 2012 is primarily due to the higher sales volume, particularly in the higher margin commercial aftermarket business, partially offset by higher engineering development costs.

The increase in backlog in 2013 is primarily due to higher commercial and military OEM orders and commercial aftermarket orders partially offset by lower military aftermarket orders. The increase in backlog in 2012 is primarily due to higher order rates in the military OEM businesses.

For 2014, sales are expected to range from being flat to increasing 4.0 percent from the 2013 level and operating margins are expected to range from 12.4 percent to 13.4 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 change in sales and operating margins between 2013 and 2014 include the impact of the anticipated formation of the previously announced joint venture with GE Aviation.

The increase in assets in 2013 and 2012 was primarily due to increases in accounts receivable, net, inventory and intangible assets, net.

CLIMATE & INDUSTRIAL CONTROLS SEGMENT

(dollars in millions)	2013	2012	2011
Sales	\$830	\$968	\$990
Operating income	82	84	76
Operating income as a percent of sales	9.9%	8.7%	7.7%
Backlog	\$110	\$160	\$171
Assets	608	705	725
Return on average assets	12.5%	11.8%	10.7%

Sales in 2013 decreased 14.3 percent compared to a decrease of 2.3 percent from 2011 to 2012. The decrease in sales in 2013 is primarily due to the absence of sales from businesses divested in 2013 as well as lower volume in the commercial refrigeration and air conditioning markets. The decrease in sales in 2012 is primarily due to lower end-user demand in the commercial refrigeration and residential air conditioning markets, partially offset by an increase in volume in the automotive and heavy-duty truck markets. Operating margins in 2013 and 2012 were higher primarily due to spending control efforts and lower material costs more than offsetting the impact of the lower sales volume and an unfavorable product mix.

The decrease in assets in 2013 was primarily due to the absence of assets from businesses divested in 2013. The decrease in assets in 2012 was primarily due to the effect of currency fluctuations as well as decreases in inventory, plant and equipment, net, and intangible assets, net.

CORPORATE assets increased 39.7 percent in 2013 compared to an increase of 91.3 percent from 2011 to 2012. The change in Corporate assets in 2013 and 2012 was primarily due to fluctuations in the amount of cash and cash equivalents and 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)	2013	2012
Cash and cash equivalents	\$1,781	\$ 838
Accounts receivable, net	2,063	1,992
Inventories	1,377	1,401
Notes payable and long-term debt payable within one year	1,334	226
Pensions and postretirement benefits	1,372	1,910
Shareholders' equity	5,738	4,897
Working capital	\$2,011	\$2,012
Current ratio	1.6	1.8

CASH AND CASH EQUIVALENTS include \$1,655 million and \$629 million held by the Company's foreign subsidiaries at June 30, 2013 and June 30, 2012, respectively. Generally, cash and cash equivalents 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.

ACCOUNTS RECEIVABLE, NET are primarily receivables due from customers for sales of product (\$1,841 million at June 30, 2013 and \$1,782 million at June 30, 2012). Days sales outstanding relating to trade receivables for the Company was 49 days in 2013 and 48 days in 2012. The Company believes that its receivables are collectible and appropriate allowances for doubtful accounts have been recorded.

INVENTORIES decreased \$24 million (which includes a decrease of \$7 million from the effect of foreign currency translation) primarily due to a decrease in inventory levels in the Industrial Segment partially offset by acquisitions and an increase in inventory levels in the Aerospace Segment. Days supply of inventory on hand was 62 days in 2013 and 63 days in 2012. Days supply of inventory amount at June 30, 2012 has been revised from the amount previously presented to conform to the current calculation methodology.

NOTES PAYABLE AND LONG-TERM DEBT PAYABLE WITHIN ONE YEAR increased primarily due to a higher amount of commercial paper borrowings outstanding at the end of 2013. 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.

PENSIONS AND POSTRETIREMENT BENEFITS decreased primarily due to an increase in the funded status of the Company's defined benefit pension plans. The change in this amount is further explained in Note 10 to the Consolidated Financial Statements.

SHAREHOLDERS' EQUITY activity during 2013 included a decrease of \$257 million related to share repurchases, an increase of \$325 million related to pensions and postretirement benefits, and a decrease of \$17 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)	2013	2012	2011
Cash provided by (used in):			
Operating activities	\$1,191	\$1,530	\$1,167
Investing activities	(810)	(376)	(245)
Financing activities	576	(823)	(916)
Effect of exchange rates	(14)	(150)	76
Net increase in cash and cash equivalents	\$ 943	\$ 181	\$ 82

CASH FLOWS 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 from operating activities increased from 2011 primarily due to an increase in net income as well as the absence of voluntary contributions made to the Company's qualified defined benefit plans in 2012. The Company made \$400 million in voluntary cash contributions to the Company's domestic qualified defined benefit plan in 2011.

CASH FLOWS USED IN INVESTING ACTIVITIES increased from 2012 and 2011 primarily due to an increase in acquisition activity and capital expenditures. Cash flows used in investing activities in 2013 was favorably impacted by net proceeds from business divestitures.

CASH FLOWS USED IN FINANCING ACTIVITIES in 2013 included the repurchase of approximately 3.0 million common shares for \$257 million as compared to the repurchase of 6.4 million common shares for \$455 million in 2012. 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 2013 include a higher level of commercial paper borrowings due to the increase in acquisition activity. 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. Cash flows used in financing activities in 2011 included the issuance of \$300 million aggregate principal amount of medium-term notes and a payment of approximately \$257 million related to Euro bonds, which matured in November 2010.

Dividends have been paid for 252 consecutive quarters, including a yearly increase in dividends for the last 57 fiscal years. The current annual dividend rate is \$1.80.

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)	2013	2012
Debt	\$2,830	\$1,730
Debt & Shareholders' Equity	8,568	6,626
Ratio	33.0%	26.1%

As of June 30, 2013, 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 \$669 million was available at June 30, 2013. 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, 2013, \$1,331 million of commercial paper notes were outstanding and the largest amount of commercial paper notes outstanding during the last quarter of 2013 was \$1,525 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, 2013, 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 \$112.6 million at June 30, 2013. 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	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt (Note 9)	\$1,498	\$ 2	\$260	\$511	\$ 725
Interest on long-term debt	803	73	140	123	467
Operating leases (Note 9)	281	86	96	38	61
Retirement benefits (Note 10)	200	150	12	12	26
Total	\$2,782	\$311	\$508	\$684	\$1,279

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, 2013 by approximately \$12.3 million.

Off-Balance Sheet Arrangements

The Company does not have off-balance sheet arrangements.

Critical Accounting Policies

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

REVENUE RECOGNITION – Substantially all of the Industrial Segment and Climate & Industrial Controls Segment revenues are recognized when 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 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 has consistently used a terminal growth factor of 2.5 percent. The Company also reconciles the estimated aggregate fair value of its reporting units as derived from the discounted cash flow analysis to the Company's overall market capitalization.

The results of the Company's fiscal 2013 annual goodwill impairment test performed as of December 31, 2012 indicated that no goodwill impairment existed. The results of the Company's annual goodwill impairment test and rollforward procedures performed as of June 30, 2013 indicated that the following reporting units had an estimated fair value that the Company determined was not significantly in excess of its carrying value (dollars in millions).

Reporting Unit	Goodwill Balance	Fair Value In Excess of Carrying Value
Worldwide Energy Products	\$176.0	114.2%
Hiross/Zander	102.3	107.2%
SSD Drives	45.0	104.8%

All of these reporting units are part of the Industrial Segment and the sales growth assumption had the most significant influence on the estimation of fair value.

The sales growth assumption for Worldwide Energy Products was based on future business already secured or highly likely to be secured with existing customers based on current quoting activity and forecasted demand for the oil and gas industry as well as sales initiatives to expand the use of the reporting unit's products in the oil and gas industry.

The sales growth assumption for Hiross/Zander was based on forecasted market data specific to the products this reporting unit currently manufactures as well as new product introductions and sales initiatives to expand market share.

The sales growth assumption for SSD Drives was based on market data research, historical sales trends and new product introductions.

The key uncertainty in the sales growth assumption used in the estimation of the fair value for all these reporting units is actual market demand versus forecasted demand as well as the ability to successfully introduce new products in the marketplace and expand market share.

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

Long-lived assets held for use, which primarily includes finite-lived intangible assets and property, plant and equipment, are evaluated for impairment whenever events or circumstances indicate that the undiscounted net cash flows to be generated by their use over their expected useful lives and eventual disposition are less than their carrying value. The long-term nature of these assets requires the estimation of their cash inflows and outflows several years into the future and only takes into consideration technological advances known at the time of the impairment test. During 2013, there were no events or circumstances that indicated that the carrying value of the Company's long-lived assets held for use were not recoverable.

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

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

Assumptions are determined based on Company data and appropriate market indicators, and are evaluated each year as of the plans' measurement date. Changes in the assumptions to reflect actual experience as well as the amortization of actuarial gains and losses could result in a material change in the annual net periodic expense and benefit obligations reported in the financial statements. For the Company's domestic defined benefit plans, a 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 \$27 million. As of June 30, 2013, \$1,157 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.

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

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In February 2013, the Financial Accounting Standards Board (FASB) issued new accounting guidance requiring an entity to provide information about the amounts reclassified out of accumulated other comprehensive income (AOCI) by component. For items reclassified out of AOCI in their entirety, the disclosure of the income statement line where those items are reflected is also required. Cross-reference to disclosures providing additional information is required for other items not reclassified in their entirety. The guidance does not change the current requirements for reporting net income or other comprehensive income. The guidance, which must be presented prospectively, is effective for fiscal years, and interim periods within those years, beginning after December 15, 2012.

Financial Statements

CONSOLIDATED STATEMENT OF INCOME

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

For the years ended June 30,	2013	2012	2011
Net Sales	\$13,015,704	\$13,145,942	\$12,345,870
Cost of sales	10,086,675	9,958,337	9,387,457
Gross profit	2,929,029	3,187,605	2,958,413
Selling, general and administrative expenses	1,554,973	1,519,316	1,467,773
Interest expense	91,552	92,790	99,704
Other (income) expense, net	(18,198)	1,295	(15,075)
(Gain) on disposal of assets	(10,299)	(2,494)	(7,710)
Income before income taxes	1,311,001	1,576,698	1,413,721
Income taxes (Note 4)	362,217	421,206	356,571
Net Income	948,784	1,155,492	1,057,150
Less: Noncontrolling interest in subsidiaries' earnings	357	3,669	8,020
Net Income Attributable to Common Shareholders	\$ 948,427	\$ 1,151,823	\$ 1,049,130
Earnings per Share Attributable to Common Shareholders (Note 5)			
Basic earnings per share	\$ 6.36	\$ 7.62	\$ 6.51
Diluted earnings per share	\$ 6.26	\$ 7.45	\$ 6.37

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(DOLLARS IN THOUSANDS)

For the years ended June 30,	2013	2012	2011
Net Income	\$ 948,784	\$ 1,155,492	\$ 1,057,150
Less: Noncontrolling interests in subsidiaries' earnings	357	3,669	8,020
Net income attributable to common shareholders	948,427	1,151,823	1,049,130
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustment (net of tax of \$1,239, \$(11,530) and \$12,675 in 2013, 2012 and 2011)	(18,974)	(392,742)	512,081
Retirement benefits plan activity (net of tax of \$(195,884), \$330,984 and \$(144,108) in 2013, 2012 and 2011)	325,066	(597,979)	253,603
Realized loss (net of tax of \$(101), \$(102), and \$(119) in 2013, 2012 and 2011)	204	204	212
Other comprehensive income (loss)	306,296	(990,517)	765,896
Less: Other comprehensive (loss) income for noncontrolling interests	(1,771)	(25,607)	8,325
Other comprehensive income (loss) attributable to common shareholders	308,067	(964,910)	757,571
Total Comprehensive Income Attributable to Common Shareholders	\$ 1,256,494	\$ 186,913	\$ 1,806,701

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

BUSINESS SEGMENT INFORMATION

(DOLLARS IN THOUSANDS)

By Industry

	2013	2012	2011
Net Sales:			
Industrial:			
North America	\$ 5,050,604	\$ 5,041,106	\$ 4,516,510
International	4,867,758	5,034,249	4,917,007
Aerospace	2,267,715	2,102,747	1,921,984
Climate & Industrial Controls	829,627	967,840	990,369
	\$ 13,015,704	\$13,145,942	\$12,345,870
Segment Operating Income:			
Industrial:			
North America	\$ 845,225	\$ 895,010	\$ 745,544
International	583,747	733,123	754,222
Aerospace	280,286	290,135	247,126
Climate & Industrial Controls	82,227	84,274	76,134
Total segment operating income	1,791,485	2,002,542	1,823,026
Corporate administration	185,767	193,367	163,868
Income before interest expense and other	1,605,718	1,809,175	1,659,158
Interest expense	91,552	92,790	99,704
Other expense	203,165	139,687	145,733
Income before income taxes	\$ 1,311,001	\$ 1,576,698	\$ 1,413,721
Assets:			
Industrial	\$ 8,779,858	\$ 7,991,498	\$ 8,413,552
Aerospace	1,139,967	1,033,449	995,026
Climate & Industrial Controls	608,169	704,596	724,966
Corporate (a)	2,012,904	1,440,739	753,261
	\$12,540,898	\$11,170,282	\$10,886,805
Property Additions (b):			
Industrial	\$ 306,060	\$ 211,778	\$ 147,929
Aerospace	20,838	19,651	18,012
Climate & Industrial Controls	6,332	8,094	8,234
Corporate	7,105	8,223	38,495
	\$ 340,335	\$ 247,746	\$ 212,670

	2013	2012	2011
Depreciation:			
Industrial	\$ 177,296	\$ 171,131	\$ 186,057
Aerospace	19,498	19,395	20,035
Climate & Industrial Controls	9,718	11,722	12,895
Corporate	7,210	8,260	10,251
	\$ 213,722	\$ 210,508	\$ 229,238

By Geographic Area (c)

	2013	2012	2011
Net Sales:			
North America	\$ 7,844,552	\$ 7,830,517	\$ 7,151,390
International	5,171,152	5,315,425	5,194,480
	\$13,015,704	\$13,145,942	\$12,345,870
Long-Lived Assets:			
North America	\$ 871,958	\$ 867,159	\$ 864,287
International	936,282	852,809	932,892
	\$ 1,808,240	\$ 1,719,968	\$ 1,797,179

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

- (a) Corporate assets are principally cash and cash equivalents, domestic deferred income taxes, investments, benefit plan assets, headquarters facilities and the major portion of the Company's domestic data processing equipment.
- (b) Includes the value of net plant and equipment at the date of acquisition of acquired companies (2013 - \$74,439; 2012 - \$28,929; 2011 - \$5,376).
- (c) Net sales are attributed to countries based on the location of the selling unit. North America includes the United States, Canada and Mexico. No country other than the United States represents greater than 10 percent of consolidated sales. Long-lived assets are comprised of plant and equipment based on physical location.

CONSOLIDATED BALANCE SHEET

(DOLLARS IN THOUSANDS)

June 30,	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,781,412	\$ 838,317
Accounts receivable, net (Note 1)	2,062,745	1,992,284
Inventories (Notes 1 and 6):		
Finished products	531,897	576,291
Work in process	733,025	692,042
Raw materials	112,483	132,399
	1,377,405	1,400,732
Prepaid expenses	182,669	137,429
Deferred income taxes (Notes 1 and 4)	126,955	129,352
Total Current Assets	5,531,186	4,498,114
Plant and equipment (Note 1):		
Land and land improvements	316,360	300,852
Buildings and building equipment	1,431,358	1,401,234
Machinery and equipment	3,131,077	3,051,684
Construction in progress	120,506	95,459
	4,999,301	4,849,229
Less accumulated depreciation	3,191,061	3,129,261
	1,808,240	1,719,968
Investments and other assets (Note 1)	687,458	931,126
Intangible assets, net (Notes 1 and 7)	1,290,499	1,095,218
Goodwill (Notes 1 and 7)	3,223,515	2,925,856
Total Assets	\$12,540,898	\$11,170,282
Liabilities and Equity		
Current Liabilities		
Notes payable and long-term debt payable within one year (Notes 8 and 9)	\$ 1,333,826	\$ 225,589
Accounts payable, trade	1,156,002	1,194,684
Accrued payrolls and other compensation	426,996	463,889
Accrued domestic and foreign taxes	136,079	153,809
Other accrued liabilities	467,300	448,042
Total Current Liabilities	3,520,203	2,486,013
Long-term debt (Note 9)	1,495,960	1,503,946
Pensions and other postretirement benefits (Note 10)	1,372,437	1,909,755
Deferred income taxes (Notes 1 and 4)	102,920	88,091
Other liabilities	307,897	276,747
Total Liabilities	6,799,417	6,264,552
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 2013 and 2012	90,523	90,523
Additional capital	608,752	640,249
Retained earnings	8,421,270	7,787,175
Accumulated other comprehensive (loss)	(1,107,833)	(1,415,900)
Treasury shares at cost: 31,757,604 in 2013 and 31,415,530 in 2012	(2,274,286)	(2,205,532)
Total Shareholders' Equity	5,738,426	4,896,515
Noncontrolling interests	3,055	9,215
Total Equity	5,741,481	4,905,730
Total Liabilities and Equity	\$12,540,898	\$11,170,282

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,	2013	2012	2011
Cash Flows From Operating Activities			
Net income	\$ 948,784	\$1,155,492	\$1,057,150
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	213,722	210,508	229,238
Amortization	121,902	111,421	110,562
Stock incentive plan compensation	84,996	80,935	73,238
Deferred income taxes	(1,368)	(56,452)	20,715
Foreign currency transaction loss	19,497	4,300	10,470
Loss (gain) on disposal of assets	2,746	(2,494)	(7,710)
Gain on sale of businesses	(14,637)	—	—
Changes in assets and liabilities, net of effects from acquisitions:			
Accounts receivable	(21,206)	(91,091)	(259,752)
Inventories	98,518	(28,333)	(139,062)
Prepaid expenses	(47,451)	(26,981)	6,477
Other assets	(16,007)	(6,578)	(39,118)
Accounts payable, trade	(66,082)	59,692	228,164
Accrued payrolls and other compensation	(45,771)	16,003	75,405
Accrued domestic and foreign taxes	(17,054)	(70,302)	53,424
Other accrued liabilities	(62,728)	33,512	(27,726)
Pensions and other postretirement benefits	(16,691)	123,944	(281,285)
Other liabilities	9,765	16,809	56,743
Net cash provided by operating activities	1,190,935	1,530,385	1,166,933
Cash Flows From Investing Activities			
Acquisitions (less cash acquired of \$33,932 in 2013, \$19,161 in 2012 and \$385 in 2011)	(621,144)	(156,256)	(60,227)
Capital expenditures	(265,896)	(218,817)	(207,294)
Proceeds from disposal of assets	25,047	20,404	32,289
Proceeds from sale of businesses	73,515	—	—
Other	(21,367)	(21,099)	(9,706)
Net cash used in investing activities	(809,845)	(375,768)	(244,938)
Cash Flows From Financing Activities			
Proceeds from exercise of stock options	32,204	10,599	25,862
Payments for common shares	(258,007)	(456,969)	(693,096)
Tax benefit from stock incentive plan compensation	66,030	16,107	42,823
Acquisition of noncontrolling interests	(1,091)	(147,441)	—
Proceeds from (payments for) notes payable, net	1,319,524	(1,961)	(18,908)
Proceeds from long-term borrowings	3,768	73,556	291,683
Payments for long-term borrowings	(331,245)	(76,757)	(358,058)
Dividends paid	(255,009)	(240,654)	(206,084)
Net cash provided by (used in) financing activities	576,174	(823,520)	(915,778)
Effect of exchange rate changes on cash	(14,169)	(150,246)	75,723
Net increase in cash and cash equivalents	943,095	180,851	81,940
Cash and cash equivalents at beginning of year	838,317	657,466	575,526
Cash and cash equivalents at end of year	\$1,781,412	\$ 838,317	\$ 657,466
Supplemental Data:			
Cash paid during the year for:			
Interest	\$ 88,084	\$ 91,677	\$ 99,227
Income taxes	311,988	494,378	203,539

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, 2010	\$90,523	\$637,442	\$6,086,545	\$(1,208,561)	\$(1,237,984)	\$91,435	\$4,459,400
Net income			1,049,130			8,020	1,057,150
Other comprehensive income				757,571		8,325	765,896
Dividends paid			(202,786)			(3,298)	(206,084)
Stock incentive plan activity		30,890	(41,482)		115,662		105,070
Shares purchased at cost					(693,096)		(693,096)
Balance June 30, 2011	\$90,523	\$668,332	\$6,891,407	\$(450,990)	\$(1,815,418)	\$104,482	\$5,488,336
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

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

Notes to Consolidated Financial Statements

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

NOTE 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.

As of June 30, 2013, the Company operated in three business segments: Industrial, Aerospace and Climate & Industrial Controls. The Industrial Segment is an aggregation of several business units, which manufacture motion-control and fluid power system components for builders and users of various types of manufacturing, packaging, processing, transportation, agricultural, construction, and military vehicles and equipment. Industrial Segment products are marketed primarily through field sales employees and independent distributors. The Industrial North American operations have manufacturing plants and distribution networks throughout the United States, Canada and Mexico and primarily service North America. The Industrial International operations provide Parker products and services to 46 countries throughout Europe, Asia Pacific, Latin America, the Middle East and Africa.

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

The Climate & Industrial Controls Segment manufactures motion-control systems and components for use primarily in the refrigeration and air conditioning and transportation industries. The products in the Climate & Industrial Controls Segment are marketed primarily through field sales employees and independent distributors. Effective July 1, 2013, the businesses of the Climate & Industrial Controls Segment will be consolidated into various business units of the Industrial Segment. As a result of this consolidation and resulting change in management structure, beginning in fiscal 2014, the Company will have two reporting segments: Diversified Industrial and Aerospace Systems.

See the table of Business Segment Information “By Industry” and “By Geographic Area” on page 23 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.

ACCOUNTS RECEIVABLE – The accounts receivable, net caption in the Consolidated Balance Sheet is comprised of the following components:

June 30,	2013	2012
Accounts receivable, trade	\$1,855,644	\$1,792,961
Allowance for doubtful accounts	(14,824)	(10,518)
Non-trade accounts receivable	110,394	84,872
Notes receivable	111,531	124,969
Total	\$2,062,745	\$1,992,284

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.

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

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

are removed from the appropriate accounts and any gain or loss is included in current income.

INVESTMENTS AND OTHER ASSETS – Investments in joint-venture companies in which ownership is 50 percent or less and in which the Company does not have operating control are stated at cost plus the Company's equity in undistributed earnings. These investments and the related earnings are not material to the consolidated financial statements. Also included in this balance sheet caption is non-current deferred income taxes of \$319,586 and \$571,039 at June 30, 2013 and June 30, 2012, respectively.

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, 2013 and 2012 is immaterial to the financial position of the Company and the change in the accrual during 2013, 2012 and 2011 was immaterial to the Company's results of operations and cash flows.

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

SUBSEQUENT EVENTS – The Company has evaluated subsequent events that have occurred through the date of filing of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2013. No subsequent events occurred that required adjustment to these financial statements. In July 2013, final regulatory approval was received for a previously announced agreement to form a joint venture between the Company and GE Aviation. The joint venture is expected to be formed in fiscal 2014.

RECENT ACCOUNTING PRONOUNCEMENTS – In February 2013, the Financial Accounting Standards Board (FASB) issued new accounting guidance requiring an entity to provide information about the amounts reclassified out of accumulated other comprehensive income (AOCI) by component. For items reclassified out of AOCI in their entirety, the disclosure of the income statement line where those items are reflected is also required. Cross-reference to disclosures providing additional information is required for other items not reclassified in their entirety. The guidance does not change the current requirements for reporting net income or other comprehensive income. The guidance, which must be presented prospectively, is effective for fiscal years, and interim periods within those years, beginning after December 15, 2012.

NOTE 2. Acquisitions and Divestitures

ACQUISITIONS – During 2013, the Company completed eight acquisitions whose aggregate sales for their most recent fiscal year prior to acquisition were \$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 \$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 \$147 million in cash.

During 2011, the Company completed three acquisitions whose aggregate sales for their most recent fiscal year prior to acquisition were \$65 million. Total purchase price for the three acquisitions was approximately \$61 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 2013, 2012 and 2011 are presented below. Some of the 2013 acquisitions are still subject to purchase price adjustments.

	2013	2012	2011
Assets:			
Accounts receivable	\$ 91,668	\$ 24,833	\$ 9,332
Inventories	93,915	29,102	7,908
Prepaid expenses	4,672	1,541	69
Deferred income taxes	(1,713)	5,679	468
Plant and equipment	74,439	28,929	5,376
Intangible and other assets	280,001	59,576	35,094
Goodwill	317,879	68,144	8,715
	860,861	217,804	66,962
Liabilities and equity:			
Notes payable	11,920	1,887	—
Accounts payable, trade	46,596	7,189	2,440
Accrued payrolls and other compensation	12,099	3,672	765
Accrued domestic and foreign taxes	7,073	2,882	215
Other accrued liabilities	16,805	5,984	1,500
Long-term debt	102,122	4,365	—
Pensions and other postretirement benefits	2,125	11,396	—
Deferred income taxes	39,214	24,062	1,815
Other liabilities	689	111	—
Noncontrolling interests	1,074	—	—
	239,717	61,548	6,735
Net assets acquired	\$ 621,144	\$156,256	\$60,227

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. Both of these businesses were part of the Climate & Industrial Control Segment and had combined revenues of approximately \$158 million for their most recent fiscal year. 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.

NOTE 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 2013, 2012 and 2011.

Business realignment charges by business segment are as follows:

	2013	2012	2011
Industrial	\$11,315	\$13,066	\$15,427
Aerospace	—	—	1,024
Climate & Industrial Controls	919	1,255	—
Work force reductions by business segment are as follows:			
	2013	2012	2011
Industrial	644	496	466
Aerospace	—	—	49
Climate & Industrial Controls	81	25	—

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. In addition, \$1,918 of severance costs for 98 people have been recognized in connection with the Company's divestiture of its Turkey refrigeration components business and is reflected in the other expense caption in the Business Segment Information for 2013. 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:

	2013	2012	2011
Cost of sales	\$8,354	\$12,669	\$15,276
Selling, general and administrative expenses	3,880	1,020	1,175
Other (income) expense, net	1,918	632	—

As of June 30, 2013, approximately \$10 million in severance payments had been made relating to charges incurred during 2013, with the majority of the remaining payments expected to be made by March 31, 2014. All required severance payments have been made relating to charges incurred in 2012 and 2011. Additional charges to be recognized in future periods related to the realignment actions described above are not expected to be material.

NOTE 4. Income Taxes

Income before income taxes was derived from the following sources:

	2013	2012	2011
United States	\$ 653,622	\$ 810,150	\$ 681,910
Foreign	657,379	766,548	731,811
	\$1,311,001	\$1,576,698	\$1,413,721

Income taxes include the following:

	2013	2012	2011
Federal			
Current	\$ 167,350	\$ 255,991	\$ 121,292
Deferred	26,523	(48,252)	34,136
Foreign			
Current	176,739	191,167	193,064
Deferred	(28,472)	(29)	(24,229)
State and local			
Current	19,496	30,500	21,500
Deferred	581	(8,171)	10,808
	\$ 362,217	\$ 421,206	\$ 356,571

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

	2013	2012	2011
Statutory Federal income tax rate	35.0%	35.0%	35.0%
State and local income taxes	1.0	0.9	1.8
Foreign tax rate difference	(5.8)	(5.8)	(8.7)
Cash surrender value of life insurance	(0.7)	0.1	(0.9)
Federal manufacturing deduction	(1.0)	(1.6)	(0.9)
Research tax credit	(1.1)	(0.4)	(1.1)
Other	0.2	(1.5)	—
Effective income tax rate	27.6%	26.7%	25.2%

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:

	2013	2012
Retirement benefits	\$ 535,260	\$ 751,676
Other liabilities and reserves	113,257	134,358
Long-term contracts	26,714	27,726
Stock-based incentive compensation	59,274	70,129
Loss carryforwards	286,180	175,571
Unrealized currency exchange gains and losses	14,639	9,057
Inventory	15,570	18,535
Foreign tax credit carryforward	25,195	19,079
Depreciation and amortization	(527,860)	(480,791)
Valuation allowance	(273,413)	(176,079)
Net deferred tax asset	\$ 274,816	\$ 549,261
Change in net deferred tax asset:		
Provision for deferred tax	\$ 1,368	\$ 56,452
Items of other comprehensive (loss)	(194,746)	319,352
Acquisitions and other	(81,067)	(16,160)
Total change in net deferred tax	\$(274,445)	\$359,644

At June 30, 2013, the Company had recorded deferred tax assets of \$286,180 resulting from \$1,012,448 in loss carryforwards. A valuation allowance of \$256,124 related to the loss carryforwards has been established due to the uncertainty of realizing certain deferred tax assets. Of this valuation allowance, \$244,484, 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.

Provision has not been made for additional U.S. or foreign taxes on undistributed earnings of certain international operations as those earnings will continue to be reinvested. It is not practicable to estimate the additional taxes, including applicable foreign withholding taxes, that might be payable on the eventual remittance of such earnings. Accumulated undistributed earnings of foreign operations reinvested in their operations amounted to approximately \$2,700,000 at June 30, 2013.

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

	2013	2012	2011
Balance July 1	\$109,735	\$ 81,156	\$82,089
Additions for tax positions related to current year	10,285	66,500	8,398
Additions for tax positions of prior years	10,719	11,047	10,015
Reductions for tax positions of prior years	(20,683)	(23,456)	(15,060)
Reductions for settlements	(4,266)	(23,434)	(7,133)
Reductions for expiration of statute of limitations	(437)	(1,636)	—
Effect of foreign currency translation	2,087	(442)	2,847
Balance June 30	\$107,440	\$109,735	\$ 81,156

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was \$60,876, \$61,601 and \$78,754 as of June 30, 2013, 2012 and 2011, respectively. If recognized, a significant portion of the gross unrecognized tax benefits as of June 30, 2013 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 \$5,184, \$3,676 and \$11,331 as of June 30, 2013, 2012 and 2011, 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 2010. All significant state, local and foreign tax returns have been examined for fiscal years through 2003. 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.

NOTE 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:

	2013	2012	2011
Numerator:			
Net income attributable to common shareholders	\$948,427	\$1,151,823	\$1,049,130
Denominator:			
Basic – weighted-average common shares	149,218,257	151,222,033	161,125,869
Increase in weighted-average common shares from dilutive effect of stock-based awards	2,369,774	3,442,477	3,672,352
Diluted - weighted-average common shares, assuming exercise of stock-based awards	151,588,031	154,664,510	164,798,221
Basic earnings per share	\$ 6.36	\$ 7.62	\$ 6.51
Diluted earnings per share	\$ 6.26	\$ 7.45	\$ 6.37

For 2013, 2012 and 2011, 1.3 million, 0.7 million, and 1.6 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.

NOTE 6. Inventories

Inventories valued on the last-in, first-out (LIFO) cost method were approximately 29 percent of total inventories in 2013 and 31 percent of total inventories in 2012. The current cost of these inventories exceeds their valuation determined on the LIFO basis by \$207,277 in 2013 and \$212,033 in 2012. Progress payments of \$42,446 in 2013 and \$36,087 in 2012 are netted against inventories.

NOTE 7. Goodwill and Intangible Assets

The Company's annual impairment tests performed in 2013, 2012, and 2011 resulted in no impairment loss being recognized.

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

	Industrial Segment	Aerospace Segment	Climate & Industrial Controls Segment	Total
Balance June 30, 2011	\$2,595,989	\$98,914	\$314,213	\$3,009,116
Acquisitions	65,480	(193)	—	65,287
Foreign currency translation and other	(143,348)	(47)	(5,152)	(148,547)
Balance June 30, 2012	\$ 2,518,121	\$ 98,674	\$309,061	\$2,925,856
Acquisitions	316,857	—	—	316,857
Divestitures	(61)	—	(20,044)	(20,105)
Foreign currency translation and other	(1,588)	(334)	2,829	907
Balance June 30, 2013	\$2,833,329	\$98,340	\$291,846	\$3,223,515

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 2013 and 2012 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.

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:

	2013		2012	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents	\$ 141,160	\$ 75,175	\$ 118,034	\$ 66,303
Trademarks	386,619	148,319	321,019	129,081
Customer lists and other	1,468,243	482,029	1,247,820	396,271
Total	\$1,996,022	\$705,523	\$1,686,873	\$591,655

During 2013, the Company acquired intangible assets with an initial purchase price allocation and weighted-average life as follows:

	Purchase Price Allocation	Weighted-Average Life
Patents	\$ 21,616	16 years
Trademarks	65,280	17 years
Customer lists and other	204,461	13 years
Total	\$291,357	14 years

Total intangible amortization expense in 2013, 2012 and 2011 was \$118,516, \$107,086 and \$107,701, respectively. Estimated intangible amortization expense for the five years ending June 30, 2014 through 2018 is \$117,556, \$113,034, \$110,292, \$105,602 and \$101,876, respectively.

NOTE 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, \$668,555 of which was available at June 30, 2013. 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, 2013, \$1,331,445 of commercial paper notes were outstanding. No commercial paper notes were outstanding at June 30, 2012.

In addition to commercial paper notes, notes payable includes short-term lines of credit and borrowings from foreign banks. At June 30, 2013, the Company had \$83,556 in lines of credit from various foreign banks, all of which was available at June 30, 2013. Most of these agreements are renewed annually. The weighted-average interest rate on notes payable during 2013 and 2012 was 0.3 percent and 0.2 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, 2013, the Company does not have any secured debt outstanding. The Company is in compliance with all covenants.

NOTE 9. Debt

June 30,	2013	2012
Domestic:		
Fixed rate medium-term notes 3.50% to 6.55%, due 2018-2038	\$ 1,175,000	\$ 1,175,000
Fixed rate senior notes 4.875%, due 2013	—	225,000
Foreign:		
Bank loans, including revolving credit 1% to 11.75%, due 2014	2,045	589
Euro bonds 4.125%, due 2016	260,200	253,220
Japanese Yen credit facility JPY Libor plus 55 bps, due 2017	60,540	75,174
Other long-term debt, including capitalized leases	556	552
Total long-term debt	1,498,341	1,729,535
Less long-term debt payable within one year	2,381	225,589
Long-term debt, net	\$1,495,960	\$1,503,946

Principal amounts of long-term debt payable in the five years ending June 30, 2014 through 2018 are \$2,381, \$215, \$260,205, \$60,540 and \$450,000, respectively.

LEASE COMMITMENTS – Future minimum rental commitments as of June 30, 2013, under non-cancelable operating leases, which expire at various dates, are as follows: 2014 – \$86,145; 2015 – \$58,816; 2016 – \$37,339; 2017 – \$23,067; 2018 – \$14,709 and after 2018 – \$60,990.

Rental expense in 2013, 2012 and 2011 was \$133,478, \$124,546 and \$118,496, respectively.

NOTE 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:

Benefit cost	2013	2012	2011
Service cost	\$ 107,519	\$ 84,663	\$ 87,676
Interest cost	174,152	185,550	176,081
Expected return on plan assets	(211,694)	(201,845)	(200,303)
Amortization of prior service cost	14,472	14,016	12,636
Amortization of unrecognized actuarial loss	200,849	105,788	109,436
Amortization of initial net obligation (asset)	22	(60)	(63)
Net periodic benefit cost	\$ 285,320	\$ 188,112	\$ 185,463
Change in benefit obligation			
	2013	2012	
Benefit obligation at beginning of year	\$ 4,506,521	\$ 3,569,560	
Service cost	107,519	84,663	
Interest cost	174,152	185,550	
Actuarial (gain) loss	(241,674)	847,628	
Benefits paid	(157,838)	(152,417)	
Plan amendments	11,236	3,475	
Acquisitions	1,283	40,324	
Foreign currency translation and other	(18,636)	(72,262)	
Benefit obligation at end of year	\$ 4,382,563	\$ 4,506,521	
Change in plan assets			
	2013	2012	
Fair value of plan assets at beginning of year	\$ 2,700,050	\$ 2,798,417	
Actual gain on plan assets	278,862	4,515	
Employer contributions	291,018	68,799	
Benefits paid	(157,838)	(152,417)	
Acquisitions	285	28,928	
Foreign currency translation and other	(15,761)	(48,192)	
Fair value of plan assets at end of year	\$ 3,096,616	\$ 2,700,050	
Funded status			
	\$ (1,285,947)	\$ (1,806,471)	
Amounts recognized on the Consolidated Balance Sheet			
Other accrued liabilities	\$ (20,643)	\$ (11,448)	
Pensions and other postretirement benefits	(1,265,304)	(1,795,023)	
Net amount recognized	\$ (1,285,947)	\$ (1,806,471)	
Amounts recognized in Accumulated Other Comprehensive (Loss)			
Net actuarial loss	\$ 1,537,549	\$ 2,051,178	
Prior service cost	54,630	57,756	
Transition obligation	166	230	
Net amount recognized	\$ 1,592,345	\$ 2,109,164	

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

The estimated amount of net actuarial loss, prior service cost and transition obligation that will be amortized from accumulated other comprehensive (loss) into net periodic benefit pension cost in 2014 is \$157,221, \$11,348 and \$20, respectively.

The accumulated benefit obligation for all defined benefit plans was \$3,944,921 and \$4,025,095 at June 30, 2013 and 2012, 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 \$4,351,955, \$3,920,218

and \$3,070,157, respectively, at June 30, 2013, and \$4,491,415, \$4,012,352 and \$2,684,948, respectively, at June 30, 2012. The projected benefit obligation and fair value of plan assets for pension plans with projected benefit obligations in excess of plan assets were \$4,381,914 and \$3,095,942, respectively, at June 30, 2013, and \$4,499,085 and \$2,691,772, respectively, at June 30, 2012.

The Company expects to make cash contributions of approximately \$144 million to its defined benefit pension plans in 2014, about half of which relate to U.S. qualified benefit plans. Estimated future benefit payments in the five years ending June 30, 2014 through 2018 are \$178,948, \$211,013, \$201,031, \$212,975 and \$217,266, respectively and \$1,314,513 in the aggregate for the five years ending June 30, 2019 through June 30, 2023.

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

	2013	2012	2011
U.S. defined benefit plans			
Discount rate	3.91%	5.45%	5.30%
Average increase in compensation	5.21%	5.21%	5.21%
Expected return on plan assets	8.0%	8.0%	8.5%
Non-U.S. defined benefit plans			
Discount rate	1.75 to 4.7%	2.0 to 5.87%	1.75 to 6.0%
Average increase in compensation	2.0 to 6.0%	2.0 to 5.0%	2.0 to 4.5%
Expected return on plan assets	1.0 to 6.4%	1.0 to 7.5%	1.0 to 8.0%

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

	2013	2012
U.S. defined benefit plans		
Discount rate	4.52%	3.91%
Average increase in compensation	5.13%	5.21%
Non-U.S. defined benefit plans		
Discount rate	1.5 to 4.59%	1.75 to 4.7%
Average increase in compensation	2.0 to 6.0%	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:

	2013	2012
Equity securities	57%	54%
Debt securities	30%	34%
Other	13%	12%
	100%	100%

The weighted-average target asset allocation as of June 30, 2013 is 54 percent equity securities, 34 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 74 percent of the Company's total defined benefit plan assets. The Company's overall investment strategy with respect to the Company's U.S. defined benefit plans is to opportunistically migrate from its current mix between growth seeking assets (primarily consisting of global public equities in developed and emerging countries and hedge fund of fund strategies) and income generating assets (primarily consisting of high quality bonds, both domestic and global, emerging market bonds, high yield bonds and Treasury Inflation Protected Securities) to an allocation more heavily weighted toward income generating assets. Over time, long duration fixed income assets 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, 2013 and at June 30, 2012, 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	\$ 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	\$ —

	Total	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 92,718	\$ 92,718	\$ —	\$ —
Equity securities				
U.S. based companies	336,676	336,676	—	—
Non-U.S. based companies	245,460	245,460	—	—
Fixed income securities				
Corporate bonds	188,859	58,038	130,821	—
Government issued securities	120,103	64,681	55,422	—
Mutual funds				
Equity funds	337,374	336,747	627	—
Fixed income funds	222,147	218,208	3,939	—
Common/Collective trusts				
Equity funds	661,622	—	661,622	—
Fixed income funds	392,398	—	392,398	—
Limited Partnerships	126,837	—	126,837	—
Miscellaneous	(24,144)	664	(24,808)	—
Total at June 30, 2012	\$2,700,050	\$1,353,192	\$1,346,858	\$ —

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 \$126,834 as of June 30, 2013 and \$102,212 as of June 30, 2012.

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

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

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

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

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

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

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

	2013	2012	2011
Shares held by ESOP	9,686,238	10,216,738	10,308,032
Company contributions to ESOP	\$61,067	\$58,067	\$52,627

In addition to shares within the ESOP, as of June 30, 2013, employees have elected to invest in 2,739,619 shares of common stock within the 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 account each year, the amount of which is based on the participant's age and years of service. Participants do not contribute to the RIA. The Company recognized \$22,046, \$19,372 and \$16,844 in expense related to the RIA in 2013, 2012 and 2011, 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:

Benefit cost	2013	2012	2011
Service cost	\$ 825	\$ 728	\$ 675
Interest cost	2,826	3,482	3,579
Net amortization and deferral	1,279	480	524
Net periodic benefit cost	\$4,930	\$ 4,690	\$ 4,778

Change in benefit obligation	2013	2012
Benefit obligation at beginning of year	\$ 83,654	\$ 73,139
Service cost	825	728
Interest cost	2,826	3,482
Actuarial (gain) loss	(6,752)	11,447
Benefits paid	(5,009)	(5,142)
Benefit obligation at end of year	\$ 75,544	\$ 83,654
Funded status	\$ (75,544)	\$ (83,654)

Amounts recognized on the Consolidated Balance Sheet		
Other accrued liabilities	\$ (6,068)	\$ (5,041)
Pensions and other postretirement benefits	(69,476)	(78,613)
Net amount recognized	\$ (75,544)	\$ (83,654)

Amounts recognized in Accumulated Other Comprehensive (Loss)		
Net actuarial loss	\$ 13,115	\$ 21,246
Prior service (credit)	(920)	(1,023)
Net amount recognized	\$ 12,195	\$ 20,223

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 2014 is \$1,239 and \$(123), respectively.

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

	2013	2012	2011
Discount rate	3.62%	5.00%	5.01%
Current medical cost trend rate	8.0%	8.0%	8.0%
Ultimate medical cost trend rate	5.0%	5.0%	5.0%
Medical cost trend rate decreases to ultimate in year	2019	2019	2018

The discount rate assumption used to measure the benefit obligation was 4.10 percent in 2013 and 3.62 percent in 2012.

Estimated future benefit payments for other postretirement benefits in the five years ending June 30, 2014 through 2018 are \$6,098, \$6,076, \$6,060, \$6,146 and \$6,108, respectively, and \$26,131 in the aggregate for the five years ending June 30, 2019 through June 30, 2023.

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	\$ 158	\$ (135)
Effect on postretirement benefit obligation	2,437	(2,136)

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 2013, 2012 and 2011, the Company recorded expense relating to deferred compensation of \$19,182, \$4,499 and \$28,720, 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.

NOTE 11. Equity

As of July 1, 2012, the Company adopted the provisions of FASB Accounting Standards Update No. 2011-05, "Presentation of Comprehensive Income." As a result of this adoption, the Company has presented total comprehensive income in a separate Statement of Comprehensive Income.

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

	2013	2012
Foreign currency translation	\$ (68,328)	\$ (51,125)
Retirement benefit plans	(1,039,072)	(1,364,138)
Other	(433)	(637)

SHARE REPURCHASES – The Company has a program to repurchase its common shares. On January 24, 2013, 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:

	2013	2012	2011
Shares repurchased	3,006,005	6,395,866	8,008,926
Average price per share	\$85.55	\$71.20	\$86.54

NOTE 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, 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 2013, 2012 and 2011 was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	2013	2012	2011
Risk-free interest rate	0.8%	0.9%	1.5%
Expected life of award	4.9 yrs	5.2 yrs	5.2 yrs
Expected dividend yield of stock	1.7%	1.6%	1.5%
Expected volatility of stock	39.0%	37.3%	35.9%
Weighted-average fair value	\$24.76	\$20.30	\$18.70

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

Stock option and SAR activity during 2013 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, 2012	12,798,326	\$ 54.74		
Granted	1,920,863	85.53		
Exercised	(5,246,595)	50.14		
Canceled	(37,421)	58.68		
Outstanding June 30, 2013	9,435,173	\$63.48	6.1 years	\$302.2
Exercisable June 30, 2013	6,501,971	\$56.58	5.1 years	\$252.4

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, 2012	2,774,590	\$18.06
Granted	1,920,863	24.76
Vested	(1,729,322)	17.22
Canceled	(32,929)	20.92
Nonvested June 30, 2013	2,933,202	\$22.91

At June 30, 2013, \$24,565 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 12 months. The total fair value of shares vested during 2013, 2012 and 2011 was \$29,777, \$37,885 and \$45,635, respectively.

Information related to stock options and SAR awards exercised during 2013, 2012 and 2011 is as follows:

	2013	2012	2011
Net cash proceeds	\$ 32,204	\$10,599	\$ 25,862
Intrinsic value	208,426	57,567	163,752
Income tax benefit	47,659	14,008	42,546

During 2013, 2012 and 2011, the Company recognized stock-based compensation expense of \$33,018, \$26,585 and \$36,617, 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: 2013 – 1,947,148; 2012 – 321,266; 2011 – 2,447,908.

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 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, 2012	450,941	\$65.69
Granted	220,232	81.90
Vested	(193,143)	64.66
Canceled	(11,789)	74.50
Nonvested June 30, 2013	466,241	\$73.55

During 2013, 2012 and 2011, the Company recognized stock-based compensation expense of \$17,852, \$12,393 and \$12,243 respectively, relating to RSU awards. At June 30, 2013, \$11,489 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 18 months. The total fair value of RSU awards vested during 2013, 2012 and 2011 was \$12,488, \$8,642 and \$20 respectively. The Company recognized a tax benefit of \$976 and \$1,673 relating to the issuance of common stock for RSU awards that vested during 2013 and 2012.

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	2013	2012	2011
LTIP 3-year plan	2010-11-12	2009-10-11	2008-09-10
Number of shares issued	792,428	243,266	157,491
Average share value on date of issuance	\$ 83.64	\$ 69.10	\$62.35
Total value	\$66,278	\$16,810	\$9,820

Under the Company's 2011-12-13 LTIP, a payout of unrestricted stock will be issued in April 2014.

The fair value of each LTIP award granted in 2013, 2012 and 2011 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, 2012	1,159,842	\$68.51
Granted	307,506	92.64
Vested	(460,884)	51.67
Canceled	(5,071)	83.87
Nonvested June 30, 2013	1,001,393	\$83.59

During 2013, 2012 and 2011, the Company recorded stock-based compensation expense of \$34,127, \$41,886 and \$24,378, respectively, relating to the LTIP.

Shares surrendered in connection with the LTIP: 2013 – 311,110; 2012 – 76,427; 2011 – 126,462.

In 2013, 2012 and 2011, 14,580, 15,010 and 17,820 restricted shares, respectively, were issued to certain non-employee members of the Board of Directors. Transferability of these shares is restricted for one to three years following issuance. In addition, prior to 2012 non-employee members of the Board of Directors were given the opportunity to receive all or a portion of their fees in restricted shares. These shares vest ratably, on an annual basis, over the term of office of the director. In 2011, 2,400 restricted shares were issued in lieu of directors' fees.

During 2013, 2012 and 2011, the Company recognized a tax benefit of \$17,395, \$426, and \$277, respectively, relating to the LTIP and restricted stock issued to non-employee members of the Board of Directors.

At June 30, 2013, the Company had approximately 13 million common shares reserved for issuance in connection with its stock incentive plans.

NOTE 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, 2013, 149,288,524 common shares were reserved for issuance under this Agreement. Under certain conditions involving acquisition of, or an offer for, 15 percent or more of the Company's common shares, all holders of Shareholders' Rights would be entitled to purchase one common share at an exercise price currently set at \$160. In addition, in certain circumstances, all holders of Shareholders' Rights (other than the acquiring entity) would be entitled to purchase a number of common shares equal to twice the exercise price, or at the option of the Board, to exchange each Shareholders' Right for one common share. The Shareholders' Rights remain in existence until February 17, 2017, unless extended by the Board of Directors or earlier redeemed (at one cent per Shareholders' Right), exercised or exchanged under the terms of the agreement. In the event of an unfriendly business combination attempt, the Shareholders' Rights will cause substantial dilution to the person attempting the business combination. The Shareholders' Rights should not interfere with any merger or other business combination that is in the best interest of the Company and its shareholders since the Shareholders' Rights may be redeemed.

NOTE 14. Research and Development

Research and development costs amounted to \$406,613 in 2013, \$365,703 in 2012 and \$359,456 in 2011. 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 \$58,916 in 2013, \$43,658 in 2012 and \$61,327 in 2011. These costs are included in the total research and development cost for each of the respective years.

NOTE 15. Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, long-term investments, and accounts receivable, net as well as obligations under accounts payable, trade, notes payable and long-term debt. Due to their short-term nature, the carrying values for cash and cash equivalents, accounts receivable, net, accounts payable, trade and notes payable approximate fair value. The carrying value of long-term debt (excluding capital leases) and estimated fair value of long-term debt (excluding capital leases) at June 30 are as follows:

	2013	2012
Carrying value of long-term debt (excluding capital leases)	\$1,498,025	\$1,728,983
Estimated fair value of long-term debt (excluding capital leases)	1,654,886	2,005,887

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		2013	2012
Net investment hedges			
Cross-currency swap contracts	Other liabilities	\$22,438	\$2,008
Cash flow hedges			
Costless collar contracts	Accounts receivable	1,422	2,466
Forward exchange contracts	Accounts receivable	41	1,887
Costless collar contracts	Other accrued liabilities	953	552

The fair values at June 30, 2013 and 2012 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:

	2013	2012	2011
Forward exchange contracts	\$(1,821)	\$(4,156)	\$19,048
Costless collar contracts	502	5,111	(6,624)

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:

	2013	2012
Cross-currency swap contracts	\$(12,622)	\$21,359
Foreign denominated debt	4,743	22,039

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 2013, 2012 and 2011.

NOTE 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, 2013, the Company had a reserve of \$12,475 for environmental matters, which are probable and reasonably estimable. This reserve is recorded based upon the best estimate of costs to be incurred in light of the progress made in determining the magnitude of remediation costs, the timing and extent of remedial actions required by governmental authorities and the amount of the Company's liability in proportion to other responsible parties.

The Company's estimated total liability for environmental matters ranges from a minimum of \$12.5 million to a maximum of \$80.1 million. The largest range for any one site is approximately \$15.1 million. The actual costs to be incurred by the Company will be dependent on final determination of contamination and required remedial action, negotiations with governmental authorities with respect to cleanup levels, changes in regulatory requirements, innovations in investigatory and remedial technologies, effectiveness of remedial technologies employed, the ability of other responsible parties to pay, and any insurance or other third-party recoveries.

NOTE 17. Quarterly Information (Unaudited)

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

2012	1st	2nd	3rd	4th	Total
Net sales	\$3,233,881	\$ 3,106,832	\$3,393,563	\$ 3,411,666	\$13,145,942
Gross profit	819,439	725,510	803,248	839,408	3,187,605
Net income attributable to common shareholders	297,018	240,766	312,074	301,965	1,151,823
Diluted earnings per share	1.91	1.56	2.01	1.96	7.45

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.

NOTE 18. Stock Prices and Dividends (Unaudited)

(In dollars)		1st	2nd	3rd	4th	Total
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
2011	High	\$72.12	\$87.36	\$95.00	\$ 99.40	\$99.40
	Low	54.26	67.52	82.80	83.65	54.26
	Dividends	0.27	0.29	0.32	0.37	1.25

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

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, 2013 and 2012, 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, 2013. We also have audited the Company's internal control over financial reporting as of June 30, 2013, 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, 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 an opinion on the Company's internal control over financial reporting based on our audits.

As described in Management's Report on Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting at eight entities, which were acquired on various dates during the year ended June 30, 2013, and whose financial statements constitute approximately 7.0 percent and 2.7 percent of total assets and revenues, respectively, of the consolidated financial statement amounts as of and for the year ended June 30, 2013. Accordingly, our audit did not include the internal control over financial reporting at the eight entities acquired during the year ended June 30, 2013.

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, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2013, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2013, based on the criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Deloitte & Touche LLP

Cleveland, Ohio
August 29, 2013

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, 2013. We have excluded eight entities from our evaluation of internal control over financial reporting as of June 30, 2013 because the entities were acquired in purchase business combinations during the year ended June 30, 2013. On a combined basis, the entities represent approximately 7.0 percent of total assets and 2.7 percent of total revenues as of and for the fiscal year ended June 30, 2013. 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 Framework)." We concluded that based on our assessment, the Company's internal control over financial reporting was effective as of June 30, 2013.

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, 2013, which is included herein.

DE Washkewicz

Donald E. Washkewicz
Chairman,
Chief Executive Officer
and President

Jon P. Marten

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

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:

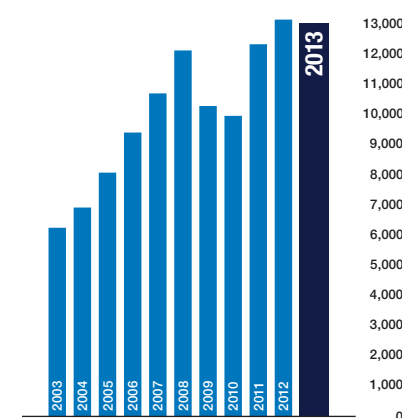
- changes in business relationships with and purchases by or from major customers, suppliers or distributors, including delays or cancellations in shipments, disputes regarding contract terms or significant changes in financial condition, changes in contract cost and revenue estimates for new development 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, including the anticipated closing of the previously announced joint venture with GE Aviation;
- the determination to undertake business realignment activities and the expected costs thereof and, if undertaken, the ability to complete such activities and realize the anticipated cost savings from such activities;
- ability to 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, 2013, and undertakes no obligation to update them unless otherwise required by law.

Eleven-Year Financial Summary

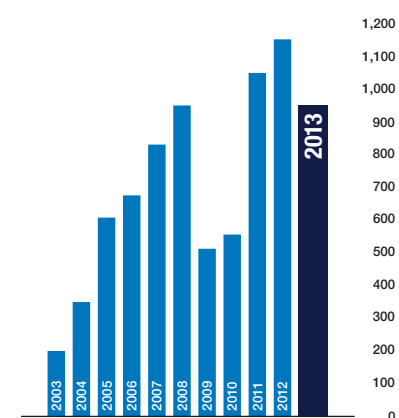
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE INFORMATION)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Net sales	\$13,015,704	\$13,145,942	\$12,345,870	\$9,993,166	\$10,309,015	\$12,145,605	\$10,718,059	\$9,385,888	\$8,068,805	\$6,887,596	\$6,222,452
Cost of sales	10,086,675	9,958,337	9,387,457	7,847,067	8,181,348	9,339,072	8,272,949	7,367,618	6,391,477	5,577,888	5,165,523
Selling, general and administrative expenses	1,554,973	1,519,316	1,467,773	1,277,080	1,290,379	1,364,082	1,226,861	1,036,646	860,278	765,570	687,455
Interest expense	91,552	92,790	99,704	103,599	112,071	98,996	83,414	75,763	66,869	73,144	81,249
Income taxes	362,217	421,206	356,751	198,452	172,939	377,058	329,236	261,682	205,105	140,871	97,246
Income - continuing operations	948,427	1,151,823	1,049,130	554,065	508,515	949,466	830,046	638,276	533,166	332,085	189,362
Net income attributable to common shareholders	948,427	1,151,823	1,049,130	554,065	508,515	949,466	830,046	673,167	604,692	345,783	196,272
Basic earnings per share - continuing operations	6.36	7.62	6.51	3.44	3.15	5.64	4.75	3.57	2.99	1.88	1.09
Diluted earnings per share - continuing operations	6.26	7.45	6.37	3.40	3.13	5.53	4.68	3.52	2.95	1.86	1.08
Basic earnings per share	6.36	7.62	6.51	3.44	3.15	5.64	4.75	3.76	3.39	1.96	1.13
Diluted earnings per share	\$ 6.26	\$ 7.45	\$ 6.37	\$ 3.40	\$ 3.13	\$ 5.53	\$ 4.68	\$ 3.71	\$ 3.35	\$ 1.94	\$ 1.12
Average number of shares outstanding - Basic	149,218	151,222	161,126	160,910	161,564	168,285	174,643	178,817	178,193	176,562	174,573
Average number of shares outstanding - Diluted	151,588	154,665	164,798	162,902	162,719	171,644	177,495	181,326	180,674	178,509	175,343
Cash dividends per share	\$ 1.700	\$ 1.540	\$ 1.250	\$ 1.010	\$ 1.000	\$.840	\$.692	\$.612	\$.520	\$.507	\$.493
Net income attributable to common shareholders as a percent of net sales	7.3%	8.8%	8.5%	5.5%	4.9%	7.8%	7.7%	7.2%	7.5%	5.0%	3.2%
Return on average assets	8.0%	10.4%	10.1%	5.6%	5.0%	10.1%	10.0%	9.0%	9.3%	5.7%	3.4%
Return on average shareholders' equity	17.8%	22.4%	21.5%	12.8%	10.7%	19.1%	18.5%	17.8%	19.1%	12.6%	7.7%
Book value per share	\$ 38.44	\$ 32.72	\$ 34.71	\$ 27.09	\$ 26.59	\$ 31.35	\$ 27.14	\$ 23.64	\$ 18.76	\$ 16.83	\$ 14.42
Working capital	\$ 2,010,983	\$ 2,012,101	\$ 1,914,213	\$1,383,905	\$ 1,118,027	\$ 1,912,369	\$ 1,460,930	\$ 1,457,873	\$1,454,883	\$1,260,036	\$ 950,286
Ratio of current assets to current liabilities	1.6	1.8	1.8	1.6	1.6	1.9	1.8	1.9	2.1	2.0	1.7
Plant and equipment, net	\$ 1,808,240	\$ 1,719,968	\$ 1,797,179	\$1,697,881	\$ 1,880,554	\$ 1,926,522	\$ 1,736,372	\$ 1,693,794	\$ 1,581,348	\$1,574,988	\$ 1,641,532
Total assets	12,540,898	11,170,282	10,886,805	9,910,382	9,855,902	10,386,854	8,441,413	8,173,432	6,860,703	6,194,701	5,938,209
Long-term debt	1,495,960	1,503,946	1,691,086	1,413,634	1,839,705	1,952,452	1,089,916	1,059,461	938,424	953,796	966,332
Shareholders' equity	\$ 5,738,426	\$ 4,896,515	\$ 5,383,854	\$4,367,965	\$ 4,268,199	\$ 5,251,553	\$ 4,712,680	\$4,240,904	\$ 3,340,157	\$2,982,454	\$ 2,520,911
Debt to debt-shareholders' equity percent	33.0%	26.1%	24.7%	28.9%	35.2%	28.3%	21.4%	21.1%	22.5%	24.9%	35.6%
Depreciation	\$ 213,722	\$ 210,508	\$ 229,238	\$ 245,295	\$ 252,599	\$ 257,570	\$ 245,058	\$ 245,681	\$ 245,206	\$ 239,106	\$ 246,267
Capital expenditures	\$ 265,896	\$ 218,817	\$ 207,294	\$ 129,222	\$ 270,733	\$ 280,327	\$ 237,827	\$ 198,113	\$ 154,905	\$ 138,291	\$ 156,342
Number of employees	58,151	59,331	58,409	54,794	51,639	61,722	57,338	57,073	50,019	47,433	46,787
Number of shares outstanding at year-end	149,289	149,631	155,091	161,256	160,489	167,512	173,618	179,417	178,034	177,252	174,789



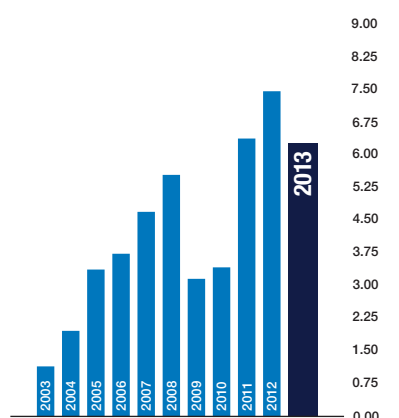
Net Sales

Millions of Dollars



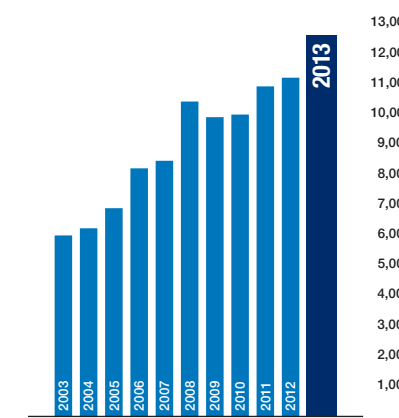
Net Income Attributable To Common Shareholders

Millions of Dollars



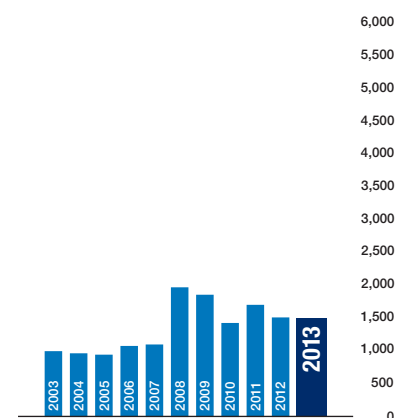
Diluted Earnings Per Share

Dollars



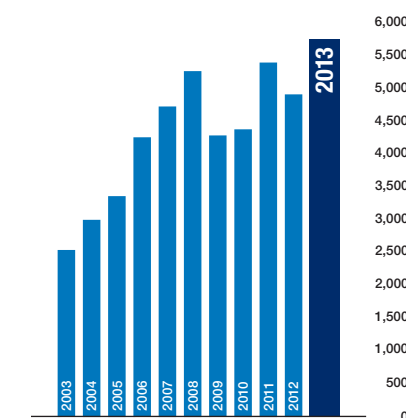
Total Assets

Millions of Dollars



Long-Term Debt

Millions of Dollars



Shareholders' Equity

Millions of Dollars

Corporate Management

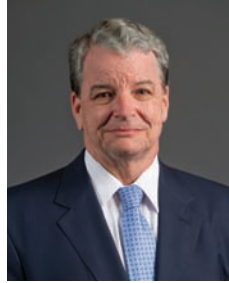
MANAGEMENT COMMITTEE



DONALD E. WASHKEWICZ
Chairman, Chief Executive Officer
and President
Age: 63
Years of Parker service: 41



LEE C. BANKS
Executive Vice President
and Operating Officer
Age: 50
Years of Parker service: 21



JON P. MARTEN
Executive Vice President –
Finance & Administration
and Chief Financial Officer
Age: 57
Years of Parker service: 26



DANIEL S. SERBIN
Executive Vice President –
Human Resources
Age: 59
Years of Parker service: 33



THOMAS L. WILLIAMS
Executive Vice President
and Operating Officer
Age: 54
Years of Parker service: 10

GROUP PRESIDENTS & OFFICERS



ROBERT W. BOND
Vice President and President –
Fluid Connectors Group
Age: 55
Years of Parker service: 36



YOON "MICHAEL" CHUNG
Vice President and President –
Automation Group
Age: 50
Years of Parker service: 27



JEFFERY A. CULLMAN
Vice President and President –
Hydraulics Group
Age: 58
Years of Parker service: 35



JOHN R. GRECO
Vice President and President –
Instrumentation Group
Age: 59
Years of Parker service: 37



KURT A. KELLER
Vice President and President –
Asia Pacific Group
Age: 55
Years of Parker service: 33

GROUP PRESIDENTS & OFFICERS



PETER POJOFF
Vice President and President –
Filtration Group
Age: 61
Years of Parker service: 34



ANDREW D. ROSS
Vice President and President –
Engineered Materials Group
Age: 46
Years of Parker service: 14



ROGER S. SHERRARD
Vice President and President –
Aerospace Group
Age: 57
Years of Parker service: 24



JOACHIM GUHE
President – Europe, Middle
East and Africa (EMEA) Group
Age: 49
Years of Parker service: 19



CANDIDO LIMA
President –
Latin America Group
Age: 48
Years of Parker service: 11

CORPORATE OFFICERS



JOHN G. DEDINSKY, JR.
Vice President –
Global Supply Chain
and Procurement
Age: 56
Years of Parker service: 34



WILLIAM G. ELINE
Vice President –
Chief Information Officer
Age: 57
Years of Parker service: 34



THOMAS F. HEALY
Vice President – Business Services
Age: 53
Years of Parker service: 30



PAMELA J. HUGGINS
Vice President and Treasurer
Age: 59
Years of Parker service: 29



M. CRAIG MAXWELL
Vice President –
Chief Technology and
Innovation Officer
Age: 55
Years of Parker service: 17

CORPORATE OFFICERS



THOMAS A. PIRAINO, JR.
Vice President, General Counsel
and Secretary
Age: 64
Years of Parker service: 31



CHARLY SAULNIER
Vice President
Age: 65
Years of Parker service: 43



CATHERINE A. SUEVER
Vice President and Controller
Age: 54
Years of Parker service: 26

Board of Directors



CHAIRMAN OF THE BOARD
DONALD E. WASHKEWICZ
 Chairman, Chief Executive Officer and President
 Parker Hannifin Corporation
 Age: 63, Director since 2000
 Chairman since 2004



KLAUS-PETER MÜLLER 3, 4
 Chairman of the Supervisory Board
 Commerzbank AG
 (international banking)
 Age: 68, Director since 1998



DIRECTORS
ROBERT G. BOHN 1, 3
 Former Chairman of the Board and Chief Executive Officer (retired)
 Oshkosh Corporation
 (specialty vehicles)
 Age: 60, Director since 2010



CANDY M. OBOURN 2, 3
 Chairman
 Isoflux Incorporated
 (coatings technologies)
 Age: 63, Director since 2002



LINDA S. HARTY 1, 4
 Treasurer
 Medtronic, Inc.
 (medical technology)
 Age: 53, Director since 2007



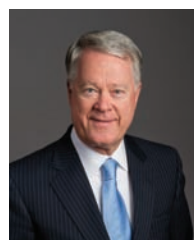
JOSEPH M. SCAMINACE 2, 3
 Chief Executive Officer, President and Director
 OM Group, Inc.
 (metal-based specialty chemicals)
 Age: 60, Director since 2004



WILLIAM E. KASSLING 1, 4
 Lead Director
 Wabtec Corporation
 (services for the rail industry)
 Age: 69, Director since 2001



WOLFGANG R. SCHMITT 1, 2
 Chief Executive Officer
 Trends 2 Innovation
 (strategic growth consultants)
 Age: 69, Director since 1992



ROBERT J. KOHLHEPP 2, 3
 Chairman of the Board
 Cintas Corporation
 (uniform rental)
 Age: 69, Director since 2002



ÅKE SVENSSON 1, 4
 Director General
 Association of Swedish
 Engineering Industries
 Age: 61, Director since 2010



KEVIN A. LOBO 1, 4
 Chief Executive Officer,
 President and Director
 Stryker Corporation
 (medical technologies)
 Age: 48, Director since 2013



JAMES L. WAINSCOTT 2, 4
 Chairman, Chief Executive Officer and President
 AK Steel Holding Corporation
 (steel producer)
 Age: 56, Director since 2009

COMMITTEES OF THE BOARD

- (1) AUDIT**
 Chair: L. S. Harty
- (2) HUMAN RESOURCES AND COMPENSATION**
 Chair: C. M. Obourn
- (3) CORPORATE GOVERNANCE AND NOMINATING**
 Chair: R. J. Kohlhepp

- (4) FINANCE**
 Chair: J. L. Wainscott

With Appreciation



Robert P. Barker
 The Board of Directors and Management of Parker Hannifin acknowledge the retirement of Executive Vice President and Operating Officer, and President – Aerospace Group, Robert P. Barker, after 39 years of dedicated service. Under his leadership, the Aerospace Group was transformed from a component level supplier to a systems provider and a key partner to all major commercial and U.S. military aircraft manufacturers. Mr. Barker's unwavering support and leadership was inspirational to all, and he leaves the Parker Aerospace Group positioned for a new period of growth and success based upon a \$20 billion pipeline of new system wins that will secure Parker's leadership in the aerospace market for many years to come.



A. Ricardo Machado
 After 20 years of dedicated service, the Board of Directors and Management of Parker Hannifin acknowledge the retirement of Vice President and President – Latin America Group, A. Ricardo Machado. Under his leadership, Parker's fluid conveyance technology was established and grown in the region, Parker achieved a leading position in the pneumatics market in Brazil and the Group enjoyed a period of unprecedented growth and financial performance. Mr. Machado's enthusiasm and tireless passion for results were key to the Latin America Group's success, and he leaves the Group poised for continued growth and financial success.

Corporate Information

ETHICS & INTEGRITY

Parker Hannifin's reputation as an ethical company and trustworthy business partner is its most valuable asset, and is preserved by doing more than what the law requires and often, more than what customers even ask. The Global Code of Business Conduct sets non-negotiable expectations for the behaviors, decisions and actions of employees, and defines how Parker embeds integrity, respect and fairness into its business operations.

EQUAL OPPORTUNITY

Parker Hannifin is an affirmative action/equal opportunity employer that extends its commitment beyond equal opportunity and nondiscriminatory practices to take positive steps to create an inclusive and empowered employee environment.

It is the policy of Parker Hannifin to provide all employees with a working environment free from all forms of discrimination and harassment. Parker Hannifin will not tolerate discrimination or harassment against any person for any reason.

Parker Hannifin's policy is to make all employment decisions on the basis of an individual's job related qualifications, abilities and performance – not on the basis of personal characteristics unrelated to successful job performance.

ANNUAL MEETING

The 2013 Annual Meeting of Shareholders will be held on Wednesday, October 23, 2013 at Parker Hannifin Global Headquarters, 6035 Parkland Blvd., Cleveland, Ohio 44124-4141 at 9:00 a.m. EDT. Telephone 216 896 3000.

FORM 10-K

Shareholders may request a free copy of Parker Hannifin's Annual Report to the Securities and Exchange Commission on Form 10-K by writing to the Secretary, Parker Hannifin Corporation, 6035 Parkland Blvd., Cleveland, Ohio 44124-4141.

TRANSFER AGENT & REGISTRAR

Wells Fargo Bank, N.A.
 Shareowner Services
 P.O. Box 64854
 St. Paul, Minnesota 55164-0854
 Telephone 800 468 9716

www.shareowneronline.com

DIVIDEND REINVESTMENT PLAN

Parker Hannifin provides a Dividend Reinvestment Plan for its shareholders. Under the Plan, Parker Hannifin pays all bank service charges and brokerage commissions. Supplemental cash payments are also an option. For information, contact:

Wells Fargo Bank, N.A.
 Shareowner Services
 P.O. Box 64854
 St. Paul, Minnesota 55164-0854
 Telephone 800 468 9716

www.shareowneronline.com

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Deloitte & Touche, LLP, Cleveland, Ohio

PARKER HANNIFIN CORPORATION

6035 Parkland Boulevard
 Cleveland, Ohio 44124-4141
 Telephone 216 896 3000

PRODUCT INFORMATION & DISTRIBUTOR LOCATIONS

North America:
 1-800-C-PARKER (1 800 272 7537)

Outside North America:
 00800-C-PARKER-H (0800 2727 5374)

Visit us online at: www.parker.com

STOCK INFORMATION

New York Stock Exchange
 Ticker symbol: PH
 On the Internet at:
www.phstock.com



As of July 31, 2013, Parker Hannifin's number of shareholders of record was 4,102.

WORLDWIDE CAPABILITIES

Parker Hannifin is the world's leading diversified manufacturer of motion and control technologies and systems. The company's engineering expertise spans the core motion technologies – electromechanical, hydraulic and pneumatic – with a full complement of fluid handling, filtration, sealing and shielding, climate control, process control and aerospace technologies. The company partners with its customers to increase their productivity and profitability.

INVESTOR CONTACT

Pamela J. Huggins
 Vice President and Treasurer
 216 896 2240, phuggins@parker.com

MEDIA CONTACT

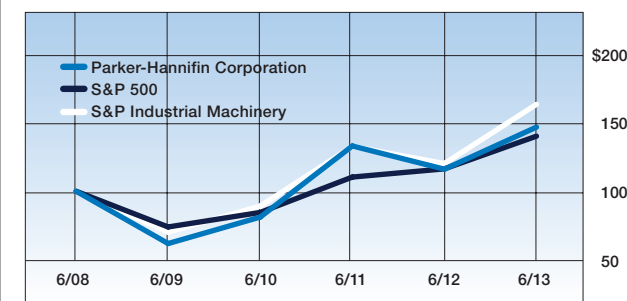
Christopher M. Farage, Ph.D.
 Vice President, Communications and External Affairs
 216 896 3000, cfarage@parker.com

CAREER OPPORTUNITIES

Search for job openings and apply online at:
www.parker.com/careers

Comparison of 5-Year Cumulative Total Return*

Among Parker-Hannifin Corporation, the S&P 500 Index and the S&P Industrial Machinery Index



	2008	2009	2010	2011	2012	2013
Parker-Hannifin Corporation	100.00	61.64	81.02	133.13	116.12	146.96
S&P 500	100.00	73.79	84.43	110.35	116.36	140.32
S&P Industrial Machinery	100.00	69.98	89.04	132.80	120.24	163.65

*\$100 invested on 6/30/08 in stock or index, including reinvestment of dividends. Fiscal year ending June 30.

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Diversified Industrial Segment Global Technology Platforms

Motion Systems



Flow & Process Control



Filtration & Engineered Materials



Aerospace Systems Segment

Aerospace



Product Groups

Hydraulics

Key Markets

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

Key Products

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

Automation

Key Markets

Automotive
Conveyor & material handling
Factory automation
Food & beverage
Industrial machinery
Life sciences
Machine tools
Medical
Mobile
Oil & gas
Packaging machinery
Paper machinery
Plastics machinery
Primary metals
Process
Renewable energy
Safety & security
Semiconductor & electronics
Transportation

Key Products

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

Fluid Connectors

Key Markets

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

Key Products

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

Instrumentation

Key Markets

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

Key Products

Accumulators
Analytical instruments & sample conditioning systems
CNG dispensers
CO₂ controls
Electronic controllers
Filter driers
Fluoropolymer chemical delivery fittings, valves & pumps
Hand shut-off valves
High pressure fittings, valves, pumps & systems
High purity gas delivery fittings, valves, regulators & digital flow controllers
Industrial mass flow meters/controllers
Medical devices
Pressure regulating valves
Process control fittings, valves, regulators & manifold valves
Refrigerant distributors
Safety relief valves
Solenoid valves
Thermostatic expansion valves

Filtration

Key Markets

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

Key Products

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

Engineered Materials*

Key Markets

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

Key Products

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

Aerospace

Key Markets

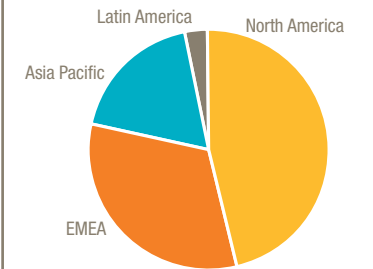
Aftermarket services
Commercial transports
Engines
General & business aviation
Helicopters
Launch vehicles
Military aircraft
Missiles
Power generation
Regional transports
Unmanned aerial vehicles

Key Products

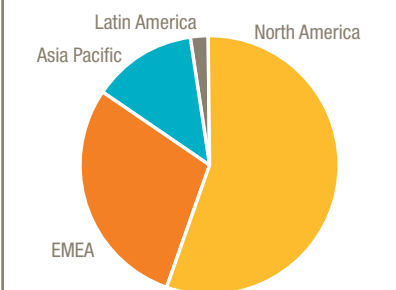
Control systems & actuation products
Engine systems & components
Fluid conveyance systems & components
Fluid metering, delivery & atomization devices
Fuel systems & components
Fuel tank inerting systems
Hydraulic systems & components
Lubrication systems & components
Power conditioning & management systems
Thermal management
Wheels & brakes

Sales by Region Diversified Industrial Segment

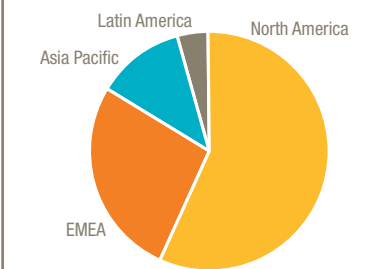
Motion Systems



Flow & Process Control

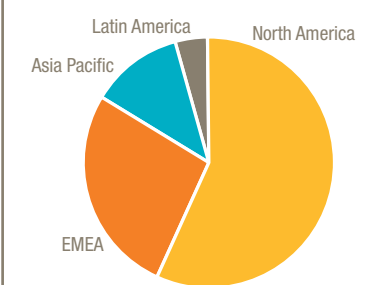


Filtration & Engineered Materials



Aerospace Systems Segment

Aerospace



PH
LISTED
NYSE®



View additional examples of Parker innovations that are creating a more sustainable future and making our world a better place to live.

Sustainable Business: 101 smart products from the global leader in motion and control technologies. is available by scanning this tag or visiting www.parker.com/smartproducts.

