

PARKER HANNIFIN CORP
Form 10-K
August 29, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-K

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

For the fiscal year ended June 30, 2013

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

For the transition period from _____ to _____
Commission File No. 1-4982

PARKER-HANNIFIN CORPORATION
(Exact name of registrant as specified in its charter)
Ohio
(State or other jurisdiction of
Incorporation or Organization)

34-0451060
(I.R.S. Employer
Identification No.)

6035 Parkland Boulevard, Cleveland, Ohio
(Address of Principal Executive Offices)

44124-4141
(Zip Code)

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

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

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

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

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

Yes No

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

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

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

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

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

Large Accelerated Filer: Accelerated Filer:

Edgar Filing: PARKER HANNIFIN CORP - Form 10-K

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

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

The aggregate market value of the outstanding common stock held by non-affiliates of the Registrant as of December 31, 2012, excluding, for purpose of this computation only, stock holdings of the Registrant's Directors and Officers: \$12,682,757,883.

The number of Common Shares outstanding on July 31, 2013 was 149,179,343.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents are incorporated by reference:

- (1) Annual Report to Shareholders of the Company for the fiscal year ended June 30, 2013 is incorporated by reference into Parts I and II hereof.
 - (2) Definitive Proxy Statement for the Company's 2013 Annual Meeting of Shareholders to be held on October 23, 2013 is incorporated by reference into Part III hereof.
-

PARKER-HANNIFIN CORPORATION

FORM 10-K

Fiscal Year Ended June 30, 2013

PART I

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

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

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

The Company’s manufacturing, service, sales, distribution and administrative facilities are located in 40 states within the United States and in 48 other countries. The Company’s products are sold as original and replacement equipment through sales and distribution centers worldwide. The Company markets its products through direct-sales employees, independent distributors and sales representatives. Parker products are supplied to approximately 452,000 customers in virtually every significant manufacturing, transportation and processing industry.

During the fiscal year ended June 30, 2013, the Company’s technologies and systems were used in the products of its three principal business segments: Industrial; Aerospace; and Climate & Industrial Controls. For fiscal year 2013, total net sales were \$13 billion. Industrial Segment products accounted for 76%, Aerospace Segment products accounted for 18% and Climate & Industrial Controls Segment products accounted for 6% of those net sales.

On July 31, 2013, the Company announced that it had consolidated its Climate & Industrial Controls businesses into existing operating groups within the Industrial Segment, effective July 1, 2013. As a result of the consolidation and the resulting change in management structure in connection with strategic divestiture of certain operations in the Climate & Industrial Controls Segment, the Company will have two reporting segments beginning in fiscal year 2014: Diversified Industrial and Aerospace Systems. Beginning with fiscal year 2014, the financial results of all business groups that were formerly part of the Climate & Industrial Controls Segment will be reported in the Diversified Industrial Segment.

This Annual Report on Form 10-K addresses historical fiscal periods completed prior to the consolidation of the Climate & Industrial Controls Segment and, therefore, aggregates business and financial information in accordance with the three reporting segments in existence prior to July 1, 2013. Annual, quarterly and current reports by the Company for the periods after June 30, 2013 will present information in accordance with the reporting segments as described above.

Markets

The Company’s technologies and systems are used throughout various industries and in various applications. The approximately 452,000 customers who purchase the Company’s products are found throughout virtually every

significant manufacturing, transportation and processing industry. No single customer accounted for more than 3% of the Company's total net sales for the fiscal year ended June 30, 2013.

- 1 -

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

- | | | |
|-------------------------|---|--|
| Automation Group: | <ul style="list-style-type: none"> • Automotive • Conveyor and material handling • Factory automation • Food and beverage • Life sciences and medical • Machine tools • Packaging and paper machinery | <ul style="list-style-type: none"> • Plastics machinery • Primary metals • Renewable energy • Safety and security • Semiconductor and electronics • Transportation and mobile |
| Filtration Group: | <ul style="list-style-type: none"> • Aerospace • Food and beverage • Industrial machinery • Life sciences • Marine • Mobile equipment • Aerial lift • Agriculture • Bulk chemical handling • Construction machinery • Food and beverage • Fuel and gas delivery • Industrial machinery | <ul style="list-style-type: none"> • Oil and gas • Power generation • Renewable energy • Transportation • Water purification • Life sciences • Marine • Mining • Mobile equipment |
| Fluid Connectors Group: | <ul style="list-style-type: none"> • Aerial lift • Agriculture • Construction machinery • Food and beverage • Fuel and gas delivery • Industrial machinery • Aerial lift • Agriculture • Construction machinery • Forestry • Industrial machinery • Machine tool • Marine | <ul style="list-style-type: none"> • Life sciences • Marine • Mining • Mobile equipment • Oil and gas • Renewable energy • Transportation • Mining • Oil and gas • Power generation • Refuse vehicles • Renewable energy • Truck hydraulics • Turf equipment |

Edgar Filing: PARKER HANNIFIN CORP - Form 10-K

Instrumentation
Group:

- Material handling
- Agriculture
- Alternative fuels
- Bio pharmaceuticals
- Chemical and refining
- Conscious sedation
- Food and beverage
- Life sciences
- Microelectronics
- Mining natural gas
- Nuclear power
- Oil and gas
- Pharmaceuticals
- Power generation
- Process
- Pulp and paper
- Steel
- Water/wastewater

- 2 -

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

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

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

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

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

Principal Products and Methods of Distribution

Although the Company offers hundreds of thousands of individual products, no single product contributed more than 1% to the Company's total net sales for the fiscal year ended June 30, 2013. Listed below are some of the Company's principal products.

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

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

- Air preparation units
- Manifolds
- Miniature fluidics

Pneumatic products:

- Pneumatic actuators and grippers
- Pneumatic valves and controls
- Vacuum generators, cups and sensors

Electromechanical products:

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

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

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

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

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

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

- Accumulators
- Cartridge valves
- Coolers
- Electrohydraulic actuators
- Hydraulic systems
- Hydraulic valves and controls
- Hydrostatic steering units
- Integrated hydraulic circuits

- Electronic displays
- Electronic VO controllers
- Fan drives
- Hybrid drives
- Hydraulic cylinders
- Hydraulic motors and pumps
- Power take-off equipment
- Power units
- Rotary actuators
- Sensors
- Telematic controllers

- 4 -

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

- Analytical instruments
- Analytical sample conditioning products and systems
- Chemical injection fittings and valves
- CNG Dispensers
- Fluoropolymer chemical delivery fittings, valves and pumps
- High pressure fittings, valves, pumps and systems
- High-purity gas delivery fittings, valves, regulators and digital flow controllers
- Industrial mass flow meters/controllers
- Medical devices
- Precision industrial regulators and flow controllers
- Process control double block and bleeds
- Process control fittings, valves, regulators and manifold valves

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

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

Industrial Segment products include standard products, as well as custom products which are engineered and produced to original equipment manufacturers' specifications for application to particular end products. Both standard and custom products are also used in the replacement of original products. Industrial Segment products are marketed primarily through field sales employees and approximately 11,800 independent distributor locations throughout the world.

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

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

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

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

- Accumulators
- Automatic bleed valves
- Electrohydraulic servo valves
- Electronic controllers and software
- Engine-driven pumps
- Integration packages
- Motor pumps
- Power transfer units
- Reservoirs
- Selector valves
- Thrust-reverser systems

- Filtration manifolds
- Hydraulic power packs
- Utility actuators

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

- 5 -

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

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

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

Rubber, metal, and PTFE hose assemblies

Rigid tube assemblies

Couplings, quick disconnects, fittings, joints, and unions

Valves and regulators

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

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

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

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

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

- Accumulators
- CO₂ controls
- Electronic controllers
- Hose and fittings
- Pressure regulating valves
- Refrigerant distributors

- Filter driers
- Hand shut-off valves
- Heat exchangers
- Safety relief valves
- Solenoid valves
- Thermostatic expansion valves

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

Competition

The Company's business operates in highly competitive markets and industries. The Company offers its products over numerous, varied markets through its 139 divisions operating in 49 countries and consequently has hundreds of competitors when viewed across its various markets and product offerings. The Company's competitors include U.S. and non-U.S. companies. These competitors and the degree of competition vary widely by product lines, end markets, geographic scope and/or geographic locations. Although each of the Company's segments has numerous competitors, given the Company's market

and product breadth, no single competitor competes with the Company with respect to all products manufactured and sold by the Company.

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

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

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

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

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

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

• global presence; and

• a strong global distribution network.

Research and Product Development

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

Total research and development costs relating to the development of new products and services and the improvement of existing products and services amounted to \$406.6 million in fiscal year 2013, \$365.7 million in fiscal year 2012, and \$359.5 million in fiscal year 2011. These amounts include costs incurred by the Company related to independent research and development initiatives as well as costs incurred in connection with research and development contracts.

Costs incurred in connection with research and development contracts and included in the total research and development costs reported above for each of the respective fiscal years 2013, 2012 and 2011 were \$58.9 million, \$43.7 million, and \$61.3 million, respectively.

Patents, Trademarks, Licenses

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

Backlog and Seasonal Nature of Business

The Company's backlog by business segment for the past two fiscal years, as set forth on pages 13-4 to 13-6 of Exhibit 13 to this Annual Report on Form 10-K, is incorporated into this section by reference. The Company's backlog was \$3.7 billion at June 30, 2013 and \$3.8 billion at June 30, 2012. Approximately 82% of the Company's backlog at June 30, 2013 is scheduled for delivery in the succeeding twelve months. The Company's business is generally not seasonal in nature.

Environmental Regulation

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

As of June 30, 2013, the Company was involved in environmental remediation at various United States and non-U.S. manufacturing facilities presently or formerly operated by the Company and had been named as a "potentially responsible party," along with other companies, at off-site waste disposal facilities and regional sites.

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

As of June 30, 2013, the Company had a reserve of \$12.5 million for environmental matters that were probable and reasonably estimable. This reserve was recorded based upon the best estimate of costs to be incurred in light of the progress made in determining the magnitude of remediation costs, the timing and extent of remedial actions required by governmental authorities and the amount of the Company's liability in proportion to other responsible parties.

The Company's estimated total liability for the above mentioned sites ranges from a minimum of \$12.5 million to a maximum of \$80.1 million. The largest range of the estimated total liability 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 the other responsible parties to pay, and any insurance or other third-party recoveries.

Energy Matters and Sources and Availability of Raw Materials

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

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

Employees

The Company employed approximately 58,150 persons as of June 30, 2013, of whom approximately 30,250 were employed by foreign subsidiaries.

Business Segment Information

The Company's net sales, segment operating income and assets by business segment and net sales and long-lived assets by geographic area for the past three fiscal years, as set forth on pages 13-15 to 13-16 of Exhibit 13 to this Annual Report on Form 10-K, are incorporated into this section by reference.

- 8 -

Acquisitions

During fiscal year 2013, the Company completed eight acquisitions as set forth on pages 13-22 to 13-23 of Exhibit 13 to this Annual Report on Form 10-K, which is incorporated into this section by reference.

ITEM 1A. Risk Factors.

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

The Company may be subject to risks arising from uncertainty in worldwide and regional economic conditions. Uncertainty regarding economic conditions and the rate of economic recovery globally and in economic regions in which the Company conducts substantial operations, including Western Europe, which is experiencing long-term economic downturn and uncertainty, may have an adverse effect on the business, results of operations and financial condition of the Company and its distributors, customers and suppliers, and on the general economic activity in many of the industries and markets in which the Company and its distributors, customers and suppliers operate. Among the economic factors which may have such an effect are manufacturing activity, air travel trends, currency exchange rates, difficulties entering new markets and general economic conditions such as inflation, deflation, interest rates and credit availability. These factors may, among other things, negatively impact the level of purchases, capital expenditures and creditworthiness of the Company and its distributors, customers and suppliers, and, therefore, the Company’s revenues, operating profits, margins and order rates.

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

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

The Company relies extensively on information technology systems to manage and operate its business. If these systems are damaged, intruded upon, shutdown or cease to function properly (whether by planned upgrades, force majeure, telecommunications failures, hardware or software break-ins or viruses, other cyber-security incidents or otherwise) and the Company suffers any resulting interruption in its ability to manage and operate its business, the Company’s results of operations and financial condition could be materially adversely affected.

The Company may be subject to product liability risks.

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

The Company may be subject to risks arising from litigation, legal and regulatory proceedings and obligations. From time to time, the Company is subject to litigation or other commercial disputes and other legal and regulatory proceedings relating to its business. Due to the inherent uncertainties of any litigation, commercial disputes or other legal or regulatory proceedings, the Company cannot accurately predict their ultimate outcome, including the outcome of any related appeals. An unfavorable outcome could materially adversely impact the Company’s business, financial condition or results of operations.

The Company is subject to national and international laws and regulations, such as the anti-corruption laws of the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, relating to its business and its employees. Despite the Company’s policies, procedures and compliance programs, its internal controls and compliance systems may not be able to protect the Company from prohibited acts willfully committed by its employees, agents or business partners

that would violate such applicable laws and regulations. Any such improper acts could damage the Company's reputation, subject it to civil or criminal

- 9 -

judgments, fines or penalties, and could otherwise disrupt the Company's business, and as a result, could materially adversely impact the Company's business, financial condition or results of operations.

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

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

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

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

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

changes in product mix;

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

increased competition in the markets the Company serves;

declines in the general level of industrial production; and

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

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

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

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

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

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

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

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

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

The Company's net sales derived from customers outside the United States were approximately 44% in fiscal 2013, 45% in fiscal 2012, and 46% in fiscal 2011. In addition, many of the Company's manufacturing operations and suppliers are located outside the United States. The Company expects net sales from non-U.S. markets to continue to represent a significant portion of its total net sales. The Company's non-U.S. operations are subject to risks in addition to those facing its domestic operations, including:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In addition to the risks identified herein, doing business with the United States government subjects the Company to unusual risks, including dependence on the level of government spending and compliance with and changes in governmental procurement regulations. Currently, the U.S. Government is under mandated sequestration, which has resulted in a reduction of funds available to support U.S. governmental operations, including the acquisition of products and services from contractors. The full impact of the sequestration is not fully known, but a material change in the U.S. government's spending could have a material adverse effect on the Company's business, results of

operations and financial condition. Agreements relating to the sale of products to government entities may be subject to termination, reduction or modification, either at the convenience of the government or for the Company's failure to perform under the applicable contract. The Company is subject to government investigations of business practices and compliance with government procurement regulations. If the Company were charged with wrongdoing as a result of any such investigation, it could be suspended from bidding on or receiving awards of new government contracts, which could have a material adverse effect on the Company's results of operations.

- 12 -

ITEM 1B. Unresolved Staff Comments. None.

ITEM 1C. Executive Officers of the Registrant.

The Company's Executive Officers as of August 15, 2013 were as follows:

Name	Position	Officer Since(1)	Age as of 8/15/2013
Donald E. Washkewicz	Chairman of the Board, Chief Executive Officer and President	1997	63
Jon P. Marten	Executive Vice President – Finance & Administration and Chief Financial Officer	2008	57
Lee C. Banks	Executive Vice President and Operating Officer	2001	50
Daniel S. Serbin	Executive Vice President – Human Resources	2005	59
Thomas L. Williams	Executive Vice President and Operating Officer	2005	54
Robert W. Bond	Vice President and President – Fluid Connectors Group	2000	55
Yoon “Michael” Chung	Vice President and President – Automation Group	2008	50
Jeffery A. Cullman	Vice President and President – Hydraulics Group	2006	58
John G. Dedinsky, Jr.	Vice President – Global Supply Chain and Procurement	2006	56
William G. Eline	Vice President – Chief Information Officer	2002	57
John R. Greco	Vice President and President – Instrumentation Group	2006	59
Thomas F. Healy	Vice President – Business Services	2006	53
Pamela J. Huggins	Vice President and Treasurer	2003	59
Kurt A. Keller	Vice President and President – Asia Pacific Group	2009	55
M. Craig Maxwell	Vice President – Chief Technology and Innovation Officer	2003	55
Thomas A. Piraino, Jr.	Vice President, General Counsel and Secretary	1998	64
Peter Popoff	Vice President and President – Filtration Group	2008	61
Andrew D. Ross	Vice President and President – Engineered Materials Group	2012	46
Charly Saulnier	Vice President	2008	65
Roger S. Sherrard	Vice President and President – Aerospace Group	2003	47
Catherine A. Suever	Vice President and Controller	2010	54

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

Mr. Marten has been Executive Vice President – Finance & Administration and Chief Financial Officer since November 2010. He was Vice President and Controller from August 2008 to December 2010 and Assistant Controller from July 2007 to August 2008.

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

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

Mr. Healy has been Vice President – Business Services since July 2013. He was a Vice President from April 2006 to July 2013 and President of the Climate & Industrial Controls Group from July 2006 to July 2013.

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

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

Mr. Saulnier has been a Vice President since September 2008. He was President of the Europe, Middle East and Africa Group from September 2008 to July 2013 and was President of Sales Companies – Europe, Middle East and Africa from January 2008 to September 2008.

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

Ms. Suever has been Vice President and Controller since December 2010. She was Vice President and Controller of the Climate & Industrial Controls Group from November 2008 to December 2010 and Assistant Treasurer from July 2007 to November 2008.

ITEM 2. Properties. The Company's corporate headquarters is located in Cleveland, Ohio, and, at June 30, 2013, the Company had 341 manufacturing plants and 268 distribution centers and sales and administrative offices throughout the world, none of which were individually material to its operations. The facilities are situated in 40 states within the United States and in 48 other countries. The Company owns the majority of its manufacturing plants and distribution centers, and its leased properties primarily consist of sales and administrative offices. The number of facilities used by each of the Company's operating segments is summarized by type and geographic location in the tables below:

	Type of Facility		
	Manufacturing Plants	Distribution Centers	Sales and Administrative Offices
Industrial	296	103	129
Aerospace	24	4	15
Climate & Industrial Controls	21	4	13
Total	341	111	157

	Geographic Location			
	North America	Europe	Asia-Pacific	Latin America
Industrial	217	164	112	35
Aerospace	33	5	5	—
Climate & Industrial Controls	31	5	2	—
Total	281	174	119	35

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

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

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

investigations that remain ongoing. Several of the investigations and all of the lawsuits have concluded. The following investigations remain pending.

- 14 -

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

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

ITEM 4. Mine Safety Disclosures. Not applicable.

PART II

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

Market for the Registrant's Common Equity. The Company's common stock is listed for trading on the New York Stock Exchange. Information regarding stock price and dividend information with respect to the Company's

(a) common stock, as set forth on page 13-41 of Exhibit 13 to this Annual Report on Form 10-K, is incorporated into this section by reference. As of July 31, 2013, the number of shareholders of record of the Company was 4,102.

(b) Use of Proceeds. Not Applicable.

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

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
April 1, 2013 through April 30, 2013	202,483	\$88.89	202,483	14,410,917
May 1, 2013 through May 31, 2013	174,500	\$94.17	174,500	14,236,417
June 1, 2013 through June 30, 2013	168,260	\$97.56	168,260	14,068,157
Total:	545,243	\$93.26	545,243	14,068,157

On August 16, 1990, the Company publicly announced that its Board of Directors authorized the repurchase by the Company of up to 3 million shares of its common stock. From time to time thereafter, the Board of Directors has adjusted the overall maximum number of shares authorized for repurchase under this program and imposed an additional limitation on the number of shares authorized for repurchase in any single fiscal year. On January 24,

(1) 2013, the Board of Directors approved an increase in the overall maximum number of shares authorized for repurchase under this program so that, beginning on such date, the aggregate number of shares authorized for repurchase was 15 million shares. Such authorization is limited, in any single fiscal year, to the greater of 7.5 million shares or five percent of the shares outstanding as of the end of the prior fiscal year. There is no expiration date for this program.

ITEM 6. Selected Financial Data. The information set forth on page 13-45 of Exhibit 13 to this Annual Report on Form 10-K is incorporated into this section by reference.

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

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk. The information set forth on page 13-9 of Exhibit 13 to this Annual Report on Form 10-K is incorporated into this section by reference.

ITEM 8. Financial Statements and Supplementary Data. The information set forth on pages 13-13 to 13-41 of Exhibit 13 to this Annual Report on Form 10-K is incorporated into this section by reference.

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

ITEM 9A. Controls and Procedures. The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, of the effectiveness of the Company's disclosure controls and procedures as of June 30, 2013. Based on this evaluation, the Company's principal executive officer and principal financial officer concluded that, as of the end of fiscal year 2013, the Company's disclosure controls and procedures were effective.

Management's Report on Internal Control over Financial Reporting set forth on page 13-42 of Exhibit 13 to this Annual Report on Form 10-K is incorporated into this section by reference. The Report of Independent Registered Public Accounting

- 16 -

Firm set forth on pages 13-43 to 13-44 of Exhibit 13 to this Annual Report on Form 10-K is incorporated into this section by reference.

There was no change in the Company's internal control over financial reporting during the quarter ended June 30, 2013 that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. Other Information. None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance. Information required with respect to the Directors of the Company is set forth under the caption "Item I – Election of Directors" in the definitive Proxy Statement for the Company's 2013 Annual Meeting of Shareholders, to be held October 23, 2013 (the "2013 Proxy Statement"), and is incorporated herein by reference. Information with respect to the executive officers of the Company is included in Part I, Item 1C hereof under the caption "Executive Officers of the Registrant".

The information set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the 2013 Proxy Statement is incorporated herein by reference.

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

The information set forth under the captions "The Audit Committee" and "Report of the Audit Committee" in the 2013 Proxy Statement is incorporated herein by reference.

ITEM 11. Executive Compensation. The information set forth under the captions "Compensation Discussion and Analysis," "Compensation Committee Report," and "Compensation Tables" in the 2013 Proxy Statement is incorporated herein by reference.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters. The information set forth under the caption "Principal Shareholders" in the 2013 Proxy Statement is incorporated herein by reference.

Equity Compensation Plan Information. The following table sets forth certain information regarding the Company's equity compensation plans as of June 30, 2013, unless otherwise indicated.

Plan Category	Column (a)	Column (b)	Column (c)
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	10,414,432	(1) \$63.51	13,326,919
Equity compensation plans not approved by security holders(3)	16,663	\$42.34	—
Total	10,431,095	\$63.48	13,326,919

Includes the maximum future payouts of common stock that may be issued under the calendar year 2011-12-13, 2012-13-14 and 2013-14-15 long term incentive performance awards, or LTIP Awards. For these LTIP Awards, payouts will be determined based on our achieving an average return on average equity of 4% or an average free cash flow margin of 4%. If these performance measures are achieved, the participants will be eligible to receive the (1) maximum payout of 200%. The Human Resources and Compensation Committee will then compare our performance to that of a group of our peers and, if appropriate, apply its discretion to reduce the final payouts based on any performance measures that the Committee determines to be appropriate. Also includes 50,320 phantom shares held in an account pursuant to the Stock Option Deferral Plan (which plan has not been approved by shareholders). The phantom shares resulted from exercises of stock options granted under the 1990

- 17 -

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

(2) The maximum number of shares of our common stock that may be issued under the Amended and Restated 2009 Omnibus Stock Incentive Plan is 14.7 million. The maximum number of securities that may be issued under the 2003 Stock Incentive Plan is equal to the sum of (i) 13.5 million shares; plus (ii) the amount of any shares that are not delivered to an employee by reason of (A) the expiration, termination, cancellation or forfeiture of an award under the 1993 Stock Incentive Program; and (B) the tendering or withholding of shares to satisfy all or a portion of the exercise price or tax withholding obligations relating to shares issued or distributed under an award under the 1993 Stock Incentive Program. The maximum number of shares that may be issued under the 2003 Stock Incentive Plan as restricted stock is limited to 7.5 million shares. The maximum number of shares that may be issued under the 2004 Non-Employee Directors' Stock Incentive Plan is 375,000 shares. No further awards will be granted under the 2003 Stock Incentive Plan.

(3) The 1996 Non-Employee Directors Stock Option Plan provides for the issuance of up to 562,500 shares of our common stock pursuant to stock options granted to our Directors who are not current or retired employees. Each option was granted at an exercise price equal to 100% of the fair market value of our common stock on the date the options were granted. Grants have a 10 year term and vest 50% following one year of continued service and the remaining 50% following the second year of continued service from the date granted. No further options will be granted under the 1996 Non-Employee Directors Stock Option Plan.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence. The information set forth under the captions "Certain Relationships and Related Transactions," "Review and Approval of Transactions with Related Persons" and "Director Independence" in the 2013 Proxy Statement is incorporated herein by reference.

ITEM 14. Principal Accountant Fees and Services. The information set forth under the captions "Audit Fees," "Audit-Related Fees," "Tax Fees," "All Other Fees" and "Audit Committee Pre-Approval Policies and Procedures" in the 2013 Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules.

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

1. Financial Statements and Schedule

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

2. Exhibits

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

- 19 -

SIGNATURES

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

PARKER-HANNIFIN CORPORATION

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

August 29, 2013

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

Signature and Title

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

Date: August 29, 2013

/s/ Jon P. Marten

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

- 20 -

PARKER-HANNIFIN CORPORATION
 INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE

	Reference Form 10-K Annual Report (Page)	Excerpt from Exhibit 13 (Page)
Data incorporated by reference from Exhibit 13:		
Management's Report on Internal Control over Financial Reporting	—	13 - 42
Report of Independent Registered Public Accounting Firm	—	13 - 43 to 13 - 44
Consolidated Statement of Income for the years ended June 30, 2013, 2012 and 2011	—	13 - 13
Consolidated Statement of Comprehensive Income for the years ended June 30, 2013, 2012 and 2011		13 - 14
Consolidated Balance Sheet at June 30, 2013 and 2012	—	13 - 17
Consolidated Statement of Cash Flows for the years ended June 30, 2013, 2012 and 2011	—	13 - 18
Consolidated Statement of Equity for the years ended June 30, 2013, 2012 and 2011	—	13 - 19
Notes to Consolidated Financial Statements	—	13 - 20 to 13 - 41
Schedule:		
II - Valuation and Qualifying Accounts	22	—

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

PARKER-HANNIFIN CORPORATION
 SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
 FOR THE YEARS ENDED JUNE 30, 2011, 2012 and 2013
 (Dollars in Thousands)

Column A Description	Column B Balance at Beginning Of Period	Column C Additions Charged to Costs and Expenses	Column D Other (Deductions)/ Additions (A)	Column E Balance At End Of Period
Allowance for doubtful accounts:				
Year ended June 30, 2011	\$ 14,701	\$ 7,520	\$(11,749)	\$ 10,472
Year ended June 30, 2012	\$ 10,472	\$ 10,239	\$(10,193)	\$ 10,518
Year ended June 30, 2013	\$ 10,518	\$ 8,769	\$(4,463)	\$ 14,824
Deferred tax asset valuation allowance:				
Year ended June 30, 2011	\$ 92,799	\$ 102,472	\$(2,367)	\$ 192,904
Year ended June 30, 2012	\$ 192,904	\$ 10,600	\$(27,425)	\$ 176,079
Year ended June 30, 2013	\$ 176,079	\$ 97,334	\$—	\$ 273,413

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

Exhibit Index

Exhibit No. Description of Exhibit

Articles of Incorporation and By-Laws:

- (3)(a) Amended Articles of Incorporation incorporated by reference to Exhibit 3 to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 1997 (Commission File No. 1-4982).
- (3)(b) Code of Regulations, as amended, incorporated by reference to Exhibit 3(ii) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 2007 (Commission File No. 1-4982).

Instruments Defining Rights of Security Holders:

- (4)(a) Shareholder Protection Rights Agreement, dated as of February 8, 2007, between the Registrant and Wells Fargo Bank, N.A. (as successor to National City Bank), as Rights Agent, incorporated by reference to Exhibit 1 to the Registrant's Form 8-A filed on February 8, 2007 (Commission File No. 1-4982).
- (4)(b) First Amendment to Shareholder Protection Rights Agreement, dated as of July 6, 2009, between the Registrant and Wells Fargo Bank, N.A. (as successor to National City Bank), as Rights Agent, incorporated by reference to Exhibit 4(a) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2009 (Commission File No. 1-4982).

The Registrant is a party to other instruments, copies of which will be furnished to the Commission upon request, defining the rights of holders of its long-term debt identified in Note 9 of the Notes to Consolidated Financial Statements on page 13-29 of Exhibit 13 hereto, which Note is incorporated herein by reference.

Material Contracts:

- (10)(a) Form of Parker-Hannifin Corporation Amended and Restated Change in Control Severance Agreement entered into by the Registrant and executive officers incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).
- (10)(b) Parker-Hannifin Corporation Amended and Restated Change in Control Severance Plan incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).
- (10)(c) Form of Indemnification Agreement entered into by the Registrant and its directors and executive officers incorporated by reference to Exhibit 10(c) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2003 (Commission File No. 1-4982).
- (10)(d) Description of the Parker-Hannifin Corporation Officer Life Insurance Plan incorporated by reference to Exhibit 10(h) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2005 (Commission File No. 1-4982).
- (10)(e) Parker-Hannifin Corporation Amended and Restated Supplemental Executive Retirement Benefits Program incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2009 (Commission File No. 1-4982).

- (10)(f) Amendment to Parker-Hannifin Corporation Amended and Restated Supplemental Executive Retirement Benefits Program, effective April 15, 2010, incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 8-K filed with the Commission on April 21, 2010 (Commission File No. 1-4982).
- (10)(g) Amendment to Parker-Hannifin Corporation Amended and Restated Supplemental Executive Retirement Benefits Program, effective January 27, 2011, incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended March 31, 2011 (Commission File No. 1-4982).
- (10)(h) Form of Notice of Change to Long Term Disability Benefit and Tax Election Form for certain executive officers incorporated by reference to Exhibit 10(j) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2007 (Commission File No. 1-4982).
- (10)(i) Parker-Hannifin Corporation Amended and Restated 1993 Stock Incentive Program incorporated by reference to Exhibit 10(i) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2009 (Commission File No. 1-4982).
- (10)(j) Parker-Hannifin Corporation Amended and Restated 2003 Stock Incentive Plan incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2010 (Commission File No. 1-4982).

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

Edgar Filing: PARKER HANNIFIN CORP - Form 10-K

Parker-Hannifin Corporation Target Incentive Plan Subject to Performance Bonus Plan incorporated by reference to Exhibit 10(e) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2010 (Commission File No. 1-4982).

- (10)(x) Form of Notice of FY2010-11-12 Long Term Incentive Performance Award Under the Parker-Hannifin Corporation Performance Bonus Plan incorporated by reference to Exhibit 10(c) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 2009 (Commission File No. 1-4982).
- (10)(y) Form of Notice of CY2010-11-12 Long Term Incentive Performance Award Under the Parker-Hannifin Corporation Performance Bonus Plan incorporated by reference to Exhibit 10(w) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2010 (Commission File No. 1-4982).
- (10)(z) Parker-Hannifin Corporation Long-Term Incentive Performance Plan Under the Performance Bonus Plan incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended March 31, 2013 (Commission File No. 1-4982).
- (10)(aa) Form of Parker-Hannifin Corporation Long-Term Incentive Performance Award Under the Performance Bonus Plan incorporated by reference to Exhibit 10.2 to the Registrant's Report on Form 8-K filed with the Commission on February 1, 2011 (Commission File No. 1-4982).
- (10)(bb) Terms and Conditions of Restricted Stock Issued as a Payout Under the LTI Plan incorporated by reference to Exhibit 10(i) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2010 (Commission File No. 1-4982).

Edgar Filing: PARKER HANNIFIN CORP - Form 10-K

- (10)(cc) Form of Notice of RONA Bonus Award Under the Parker-Hannifin Corporation Performance Bonus Plan incorporated by reference to Exhibit 10(h) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2009 (Commission File No. 1-4982).
- (10)(dd) Parker-Hannifin Corporation RONA Plan Subject to Performance Bonus Plan incorporated by reference to Exhibit 10(f) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2010 (Commission File No. 1-4982).
- (10)(ee) Parker-Hannifin Corporation Summary of RONA Bonus Awards in Lieu of Certain Executive Perquisites incorporated by reference to Exhibit 10(h) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).
- (10)(ff) Parker-Hannifin Corporation Amended and Restated Savings Restoration Plan incorporated by reference to Exhibit 10(i) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).
- (10)(gg) Parker-Hannifin Corporation Amended and Restated Pension Restoration Plan incorporated by reference to Exhibit 10(j) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).
- (10)(hh) Amendment to Parker-Hannifin Corporation Amended and Restated Pension Restoration Plan, effective January 1, 2010, incorporated by reference to Exhibit 10(bb) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2010 (Commission File No. 1-4982).
- (10)(ii) Amendment to Parker-Hannifin Corporation Amended and Restated Pension Restoration Plan, effective January 27, 2011, incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-Q for the quarterly period ended March 31, 2011 (Commission File No. 1-4982).
- (10)(jj) Parker-Hannifin Corporation Amended and Restated Executive Deferral Plan incorporated by reference to Exhibit 10(k) to the Registrant's Report on Form 10-Q for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).
- (10)(kk) Parker-Hannifin Corporation Volume Incentive Plan incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 8-K filed with the Commission on August 18, 2009 (Commission File No. 1-4982).
- (10)(ll) Parker-Hannifin Corporation Claw-back Policy incorporated by reference to Exhibit 10.2 to the Registrant's Report on Form 8-K filed with the Commission on August 18, 2009 (Commission File No. 1-4982).
- (10)(mm) Parker-Hannifin Corporation Non-Employee Directors Stock Option Plan incorporated by reference to Exhibit 10(w) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2001 (Commission File No. 1-4982).
- (10)(nn) Parker-Hannifin Corporation Amended and Restated 2004 Non-Employee Directors' Stock Incentive Plan incorporated by reference to Exhibit 10(aa) to the Registrant's Report on Form 10-K for the fiscal year ended June 30, 2009 (Commission File No. 1-4982).

Edgar Filing: PARKER HANNIFIN CORP - Form 10-K

- (10)(oo) Form of Parker-Hannifin Corporation Non-Employee Directors' Restricted Stock Award Agreement incorporated by reference to Exhibit 10(a) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 2011 (Commission File No. 1-4982).
- (10)(pp) Parker-Hannifin Corporation Non-Employee Directors' Restricted Stock Award Terms and Conditions incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 2011 (Commission File No. 1-4982).
- (10)(qq) Amended and Restated Deferred Compensation Plan for Directors of Parker-Hannifin Corporation incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-A for the quarterly period ended September 30, 2008 (Commission File No. 1-4982).
- (10)(rr) Summary of the Compensation of the Non-Employee Members of the Board of Directors, effective October 1, 2010, incorporated by reference to Exhibit 10(c) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 2010 (Commission File No. 1-4982).
- (10)(ss) Summary of the Compensation of the Non-Employee Members of the Board of Directors, effective October 24, 2012, incorporated by reference to Exhibit 10(b) to the Registrant's Report on Form 10-Q for the quarterly period ended December 31, 2012 (Commission File No. 1-4982).
- (11) Computation of Common Shares Outstanding and Earnings Per Share is incorporated by reference to Note 5 of the Notes to Consolidated Financial Statements on page 13-27 of Exhibit 13 hereto.*

- (12) Computation of Ratio of Earnings to Fixed Charges as of June 30, 2013.*
- (13) Excerpts from Annual Report to Shareholders for the fiscal year ended June 30, 2013 which are incorporated herein by reference thereto.*
- (21) List of subsidiaries of the Registrant.*
- (23) Consent of Independent Registered Public Accounting Firm.*
- (24) Power of Attorney.*
- (31)(a) Certification of the Principal Executive Officer Pursuant to 17 CFR 240.13a-14(a), as Adopted Pursuant to §302 of the Sarbanes-Oxley Act of 2002.*
- (31)(b) Certification of the Principal Financial Officer Pursuant to 17 CFR 240.13a-14(a), as Adopted Pursuant to §302 of the Sarbanes-Oxley Act of 2002.*
- (32) Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to §906 of the Sarbanes-Oxley Act of 2002.*
- 101.INS XBRL Instance Document.*
- 101.SCH XBRL Taxonomy Extension Schema Document.*
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.*
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document.*
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document.*
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.*

*Submitted electronically herewith.

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statement of Income for the years ended June 30, 2013, 2012 and 2011, (ii) Consolidated Statement of Comprehensive Income for the years ended June 30, 2013, 2012 and 2011, (iii) Consolidated Balance Sheet at June 30, 2013 and 2012, (iv) Consolidated Statement of Cash Flows for the years ended June 30, 2013, 2012 and 2011, (v) Consolidated Statement of Equity for the years ended June 30, 2013, 2012 and 2011, and (vi) Notes to Consolidated Financial Statements.

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