BIOGEN INC.
Form 10-K
February 06, 2019

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018
or
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number: 0-19311
BIOGEN INC.
(Exact name of registrant as specified in its charter)

Delaware	33-0112644
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

225 Binney Street, Cambridge, Massachusetts 02142
(617) 679-2000
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.0005 par value	The Nasdaq Global Select Market

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 x No o
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 o No x
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 x No o
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files): Yes x No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the 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. x
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o
	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant (without admitting that any person whose shares are not included in such calculation is an affiliate) computed by reference to the price at which the common stock was last sold as of the last business day of the registrant's most recently completed second fiscal quarter was $58,267,511,287.

As of February 1, 2019, the registrant had 196,708,784 shares of common stock, $0.0005 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement for our 2019 Annual Meeting of Stockholders are incorporated by reference into Part III of this report.

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NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that are being made pursuant to the provisions of the Private Securities Litigation Reform Act of 1995 (the Act) with the intention of obtaining the benefits of the “Safe Harbor” provisions of the Act. These forward-looking statements may be accompanied by such words as “aim,” “anticipate,” “believe,” “could,” “estimate,” “expect,” “forecast,” "goal," “intend,” “may,” “plan,” “potential,” “possible,” “will,” “would” a and terms of similar meaning. Reference is made in particular to forward-looking statements regarding:

- the anticipated amount, timing and accounting of revenues; contingent, milestone, royalty and other payments under licensing, collaboration or acquisition agreements; tax positions and contingencies; collectability of receivables; pre-approval inventory; cost of sales; research and development costs; compensation and other selling, general and administrative expenses; amortization of intangible assets; foreign currency exchange risk; estimated fair value of assets and liabilities; and impairment assessments;
- expectations, plans and prospects relating to sales, pricing, growth and launch of our marketed and pipeline products;
- the timing, outcome and impact of administrative, regulatory, legal and other proceedings related to our patents and other proprietary and intellectual property rights, tax audits, assessments and settlements, pricing matters, sales and promotional practices, product liability and other matters;
- patent terms, patent term extensions, patent office actions and expected availability and period of regulatory exclusivity;
- the potential impact of increased product competition in the markets in which we compete, including increased competition from generics, biosimilars, prodrugs and other products approved under alternative regulatory pathways;
- our plans and investments in our core and emerging growth areas, as well as implementation of our 2017 corporate strategy;
- the drivers for growing our business, including our plans and intent to commit resources relating to research and development programs and business development opportunities;
- our ability to finance our operations and business initiatives and obtain funding for such activities;
- the costs and timing of potential clinical trials, filings and approvals, and the potential therapeutic scope of the development and commercialization of our and our collaborators’ pipeline products;
- adverse safety events involving our marketed products or generic or biosimilar products marketed by others;
- the potential impact of healthcare reform in the United States (U.S.) and measures being taken worldwide designed to reduce healthcare costs and limit the overall level of government expenditures, including the impact of pricing actions and reduced reimbursement for our products;
- our manufacturing capacity, use of third-party contract manufacturing organizations and plans and timing relating to the expansion of our manufacturing capabilities, including anticipated investments and activities in new manufacturing facilities;
- the anticipated benefits and the potential costs and expenses related to our current or future initiatives to streamline our operations and reallocate resources;
- the impact of the continued uncertainty of the credit and economic conditions in certain countries in Europe and our collection of accounts receivable in such countries;
- the potential impact on our results of operations and liquidity of the United Kingdom's (U.K.) intent to voluntarily depart from the European Union (E.U.);
- lease commitments, purchase obligations and the timing and satisfaction of other contractual obligations;
- the impact of new laws, regulatory requirements, judicial decisions and accounting standards; and
- the anticipated costs and tax treatment of the spin-off of our hemophilia business as well as the timeline for selling substantially all remaining hemophilia related inventory.

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These forward-looking statements involve risks and uncertainties, including those that are described in Item 1A. Risk Factors included in this report and elsewhere in this report that could cause actual results to differ materially from those reflected in such statements. You should not place undue reliance on these statements. Forward-looking statements speak only as of the date of this report. Except as required by law, we do not undertake any obligation to publicly update any forward-looking statements, whether as a result of new information, future developments or otherwise.

NOTE REGARDING COMPANY AND PRODUCT REFERENCES

References in this report to:

- "Biogen," the "company," "we," "us" and "our" refer to Biogen Inc. and its consolidated subsidiaries;
- "RITUXAN" refers to both RITUXAN (the trade name for rituximab in the U.S., Canada and Japan) and MabThera (the trade name for rituximab outside the U.S., Canada and Japan); and
- "ELOCTATE" refers to both ELOCTATE (the trade name for Antihemophilic Factor (recombinant), Fc Fusion Protein in the U.S., Canada and Japan) and ELOCTA (the trade name for Antihemophilic Factor (recombinant), Fc Fusion Protein in the E.U.).

NOTE REGARDING TRADEMARKS

AVONEX®, PLEGRIDY®, RITUXAN®, RITUXAN HYCELA®, SPINRAZA®, TECFIDERA®, TYSABRI® and ZINBRYTA® are registered trademarks of Biogen. BENEPALI™, FLIXABI™, FUMADERM™ and IMRALDI™ are trademarks of Biogen. ALPROLIX®, ELOCTATE®, ENBREL®, FAMPYRA™, GAZYVA®, HUMIRA®, OCREVUS®, REMICADE® and other trademarks referenced in this report are the property of their respective owners.

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PART I

Item 1. Business

Overview

Biogen is a global biopharmaceutical company focused on discovering, developing and delivering worldwide innovative therapies for people living with serious neurological and neurodegenerative diseases, including in our core growth areas of multiple sclerosis (MS) and neuroimmunology, Alzheimer’s disease (AD) and dementia, movement disorders, including Parkinson's disease, and neuromuscular disorders, including spinal muscular atrophy (SMA) and amyotrophic lateral sclerosis (ALS). We are also focused on discovering, developing and delivering worldwide innovative therapies in our emerging growth areas of acute neurology, neurocognitive disorders, pain and ophthalmology. In addition, we are employing innovative technologies to discover potential treatments for rare and genetic disorders, including new ways of treating diseases through gene therapy in our core and emerging growth areas. We also manufacture and commercialize biosimilars of advanced biologics.

Our marketed products include TECFIDERA, AVONEX, PLEGRIDY, TYSABRI and FAMPYRA for the treatment of MS, SPINRAZA for the treatment of SMA and FUMADERM for the treatment of severe plaque psoriasis. We also have certain business and financial rights with respect to RITUXAN for the treatment of non-Hodgkin's lymphoma, chronic lymphocytic leukemia (CLL) and other conditions, RITUXAN HYCELA for the treatment of non-Hodgkin's lymphoma and CLL, GAZYVA for the treatment of CLL and follicular lymphoma, OCREVUS for the treatment of primary progressive MS (PPMS) and relapsing MS (RMS) and other potential anti-CD20 therapies pursuant to our collaboration arrangements with Genentech, Inc. (Genentech), a wholly-owned member of the Roche Group. For additional information on our collaboration arrangements with Genentech, please read Note 19, Collaborative and Other Relationships, to our consolidated financial statements included in this report.

We support our drug discovery and development efforts through the commitment of significant resources to discovery, research and development programs and business development opportunities. For over two decades we have led in the research and development of new therapies to treat MS, resulting in our leading portfolio of MS treatments. Now our research is focused on additional improvements in the treatment of MS, such as the development of next generation therapies for MS, with a goal to reverse or possibly repair damage caused by the disease. We are also applying our scientific expertise to solve some of the most challenging and complex diseases, including AD, progressive supranuclear palsy (PSP), Parkinson's disease, ALS, stroke, epilepsy, cognitive impairment associated with schizophrenia (CIAS) and pain.

Our innovative drug development and commercialization activities are complemented by our biosimilar products that expand access to medicines and reduce the cost burden for healthcare systems. We are leveraging our manufacturing capabilities and know-how to develop, manufacture and market biosimilar products through Samsung Bioepis Co., Ltd. (Samsung Bioepis), our joint venture with Samsung BioLogics Co., Ltd. (Samsung BioLogics). Under our commercial agreement, we market and sell BENEPALI, an etanercept biosimilar referencing ENBREL, FLIXABI, an infliximab biosimilar referencing REMICADE, and IMRALDI, an adalimumab biosimilar referencing HUMIRA, in the E.U. For additional information on our collaboration arrangement with Samsung Bioepis, please read Note 19, Collaborative and Other Relationships, to our consolidated financial statements included in this report.

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Key Business Developments

The following is a summary of key developments affecting our business since the beginning of 2018.

For additional information on our acquisitions, collaborative and other relationships discussed below, please read Note 2, Acquisitions, Note 19, Collaborative and Other Relationships, Note 20, Investments in Variable Interest Entities, and Note 27, Subsequent Events, to our consolidated financial statements included in this report.

Acquisitions, Collaborative and Other Relationships

BIIB100 Acquisition

In January 2018 we acquired BIIB100 (formerly known as KPT-350) from Karyopharm Therapeutics Inc. (Karyopharm). BIIB100 is a Phase 1 ready investigational oral compound for the treatment of certain neurological and neurodegenerative diseases, primarily in ALS. BIIB100 is a novel therapeutic candidate that works by inhibiting a protein known as XP01, with the goal of reducing inflammation and neurotoxicity, along with increasing neuroprotective responses.

BIIB104 Acquisition

In April 2018 we acquired BIIB104 (formerly known as PF-04958242) from Pfizer Inc. (Pfizer). BIIB104 is a first-in-class, Phase 2b ready AMPA receptor potentiator for CIAS, representing our first program in neurocognitive disorders. AMPA receptors mediate fast excitatory synaptic transmission in the central nervous system, a process which can be disrupted in a number of neurological and psychiatric diseases, including schizophrenia.

Neurimmune SubOne AG

In May 2018 we made a $50.0 million payment to Neurimmune SubOne AG (Neurimmune) under the terms of our amended collaboration and license agreement with Neurimmune (as amended, the Neurimmune Agreement) to reduce the previously negotiated royalty rates payable on products developed under the Neurimmune Agreement, including royalties payable on potential commercial sales of aducanumab, our anti-amyloid beta antibody candidate for the treatment of AD, by 5%. Our royalty rates payable on products developed under the Neurimmune Agreement, including royalties payable on potential commercial sales of aducanumab, will now range from the high single digits to sub-teens.

Ionis Pharmaceuticals, Inc.

In June 2018 we closed a 10-year exclusive agreement with Ionis Pharmaceuticals, Inc. (Ionis) to develop novel antisense oligonucleotide (ASO) drug candidates for a broad range of neurological diseases (the 2018 Ionis Agreement). We have the option to license therapies arising out of the 2018 Ionis Agreement and will be responsible for the development and potential commercialization of such therapies.

TMS Co., Ltd. Option Agreement

In June 2018 we entered into an exclusive option agreement with TMS Co., Ltd. (TMS) granting us the option to acquire TMS-007, a plasminogen activator with a novel mechanism of action (MOA) associated with breaking down blood clots, which is in Phase 2 development in Japan, and backup compounds for the treatment of stroke.

Samsung Bioepis

In June 2018 we exercised our option under our joint venture agreement with Samsung BioLogics to increase our ownership percentage in Samsung Bioepis from approximately 5% to approximately 49.9%. The share purchase transaction was completed in November 2018.

BIIB110 Acquisition

In July 2018 we acquired BIIB110 (formerly known as ALG-801) (Phase 1a) and ALG-802 (preclinical) from AliveGen Inc. (AliveGen). BIIB110 and ALG-802 represent novel ways of targeting the myostatin pathway. We initially plan to study BIIB110 in multiple neuromuscular indications, including SMA and ALS.

BIIB067 Option Exercise

In December 2018 we exercised our option with Ionis and obtained a worldwide, exclusive, royalty-bearing license to develop and commercialize BIIB067 (IONIS-SOD1$_{Rx}$), an investigational treatment for ALS with superoxide dismutase 1 (SOD1) mutations.

C4 Therapeutics

In December 2018 we entered into a collaborative research and license agreement with C4 Therapeutics (C4T) to investigate the use of C4T’s novel protein degradation platform to discover and develop potential new treatments

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for neurological diseases, such as AD and Parkinson's disease. We will be responsible for the development and potential commercialization of any therapies resulting from this collaboration.

Skyhawk Therapeutics, Inc.

In January 2019 we entered into a collaboration and research and development services agreement with Skyhawk Therapeutics, Inc. (Skyhawk) pursuant to which the companies will leverage Skyhawk's SkySTAR technology platform with the goal of discovering innovative small molecule treatments for patients with neurological diseases, including MS and SMA. We will be responsible for the development and potential commercialization of any therapies resulting from this collaboration.

Other Key Developments

ZINBRYTA Withdrawal

In March 2018 we and AbbVie Inc. (AbbVie) announced the voluntary worldwide withdrawal of ZINBRYTA for RMS.

IMRALDI

In October 2018 we began to recognize revenues on sales of IMRALDI, an adalimumab biosimilar referencing HUMIRA, to third parties in the E.U. We and Samsung Bioepis previously entered into an agreement with AbbVie for the commercialization of IMRALDI. Under the terms of the agreement, AbbVie granted us and Samsung Bioepis patent licenses for the use and sale of IMRALDI in Europe, on a country-by-country basis, and we make royalty payments to AbbVie on behalf of Samsung Bioepis.

2018 Share Repurchase Program

In August 2018 our Board of Directors authorized a program to repurchase up to $3.5 billion of our common stock (2018 Share Repurchase Program). Our 2018 Share Repurchase Program does not have an expiration date. All share repurchases under our 2018 Share Repurchase Program will be retired.

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Product and Pipeline Developments

Core Growth Areas

Multiple Sclerosis and Neuroimmunology

TECFIDERA (dimethyl fumarate)

- In April 2018 we presented new real-world data that demonstrated that people with RMS treated with TECFIDERA early in the course of their disease may experience better long-term outcomes. These data were presented at the 70th annual meeting of the American Academy of Neurology (AAN) in Los Angeles, CA.
- In October 2018 we presented clinical and real-world evidence that further support the long-term efficacy and well characterized safety of TECFIDERA early within the disease course. These data were presented at the 34th Congress of the European Committee for Treatment and Research in MS (ECTRIMS) in Berlin, Germany.

TYSABRI (natalizumab)

- In April 2018, at the 70th annual meeting of the AAN in Los Angeles, CA, we presented new real-world data that demonstrated that people with RMS treated with TYSABRI early in the course of their disease may experience better long-term outcomes.
- In April 2018 we presented observational data that demonstrated that extended interval dosing with TYSABRI is associated with a significant reduction in the risk of progressive multifocal leukoencephalopathy (PML), a serious brain injury, compared with standard interval dosing in the TOUCH prescribing program. These data were presented at the 70th annual meeting of the AAN in Los Angeles, CA. In November 2018 we initiated the Phase 3b NOVA study evaluating the efficacy and safety of extended interval dosing (every six weeks) for natalizumab compared to standard interval dosing in patients with RMS and enrolled the first patient in December 2018.
- In October 2018 we presented clinical and real-world evidence that further support the long-term efficacy and well characterized safety of TYSABRI early within the disease course. These data were presented at the 34th Congress of ECTRIMS in Berlin, Germany.

PLEGRIDY (peginterferon beta-1a)

- In December 2018 we dosed the first patient in a bioequivalence study to test whether exposure levels of PLEGRIDY are maintained with intramuscular administration.

ZINBRYTA (daclizumab)

- In March 2018 we and AbbVie announced the voluntary worldwide withdrawal of ZINBRYTA for RMS.

BIIB098 (formerly known as ALKS 8700) (diroximel fumarate; DRF)

- In April 2018 MRI and relapse results from the Phase 3 EVOLVE-MS-1 study for diroximel fumarate in patients with relapsing remitting MS (RRMS) were presented at the 70th annual meeting of the AAN in Los Angeles, CA.
- In December 2018 Alkermes Pharma Ireland Limited, a subsidiary of Alkermes plc (Alkermes), submitted a New Drug Application (NDA) to the U.S. Food and Drug Administration (FDA) for diroximel fumarate. Alkermes is seeking approval of diroximel fumarate under the 505(b)(2) regulatory pathway. If approved, we intend to market diroximel fumarate under the brand name VUMERITY. This name has been conditionally accepted by the FDA and will be confirmed upon approval.

Opicinumab (anti-LINGO)

- In September 2018 we completed enrollment of the Phase 2b AFFINITY study, evaluating opicinumab as an add-on therapy in MS patients who are adequately controlled on their anti-inflammatory disease-modifying therapy (DMT), versus the DMT alone.

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Neuromuscular Disorders

SPINRAZA (nusinersen)

- In February 2018 the end of study results from CHERISH, the Phase 3 study evaluating SPINRAZA for the treatment of individuals with later-onset SMA, were published in The New England Journal of Medicine. Results from CHERISH demonstrated meaningful motor function and upper limb improvements in individuals with later-onset SMA rarely seen in the natural course of the disease, which is typically a continued decline in motor function over time.
- In March 2018 we presented new interim Phase 2 results from NURTURE, the ongoing open-label, single-arm study evaluating the efficacy and safety of SPINRAZA among pre-symptomatic infants with SMA. In NURTURE, all infants treated with SPINRAZA were alive, did not require permanent ventilation and showed improvement in motor function and motor milestone achievements as of July 5, 2017, compared to the disease's natural history. We also presented a case series demonstrating SPINRAZA's effectiveness among teens and young adults. These data were presented at the Muscular Dystrophy Association Clinical Conference in Arlington, VA.
- In April 2018 we presented data from the CS2/CS12 studies that demonstrated that with SPINRAZA treatment, older patients were able to walk longer distances while experiencing stable or less fatigue at the same time, in contrast to natural history. The study participants have Type 2 or Type 3 SMA and were ages 12 to 15 years at study enrollment. We also presented data on part one of the Phase 2 EMBRACE study as well as an interim analysis of the SHINE open-label extension study, which examined the longer-term safety and efficacy of SPINRAZA in infantile-onset SMA patients.

These data were presented at the 70th annual meeting of the AAN in Los Angeles, CA.

- In June 2018 we presented data from our SPINRAZA clinical development program for SMA at the Cure SMA 2018 Annual SMA Conference in Dallas, TX. Platform and poster presentations highlighted interim analyses from the SHINE and NURTURE studies, which assess SPINRAZA's safety and efficacy among those with infantile-onset SMA, and data on the utility of plasma phosphorylated neurofilament heavy chain (pNF-H) as a potential biomarker for SMA.
- In October 2018 we presented new interim results from NURTURE, an ongoing open-label, single-arm efficacy and safety study of SPINRAZA in 25 presymptomatic infants with SMA at the Annual Congress of the World Muscle Society held in Mendoza, Argentina. As of May 2018 all NURTURE study participants were alive and none required permanent ventilation, in contrast to the natural history of SMA. In addition, 100% of study participants achieved the motor milestone of sitting independently, 88% were able to walk with assistance and 77% were able to walk independently. All NURTURE study participants were older than 15 months at the time of the analysis.
- In November 2018 we were awarded the 2018 International Prix Galien as Best Biotechnology Product for SPINRAZA. The prestigious honor marks the seventh Prix Galien for SPINRAZA, following country recognitions in the U.S., Germany, Italy, Belgium-Luxembourg, the Netherlands, and the U.K. The International Prix Galien is given every two years by Prix Galien International Committee members in recognition of excellence in scientific innovation to improve human health.

BIIB089 - SMA

- In May 2018 we submitted an Investigational New Drug Application for BIIB089 in SMA.
- In October 2018 we announced that the FDA had placed BIIB089 on a clinical hold.

BIIB078 (IONIS-$C9_{Rx}$) - ALS

- In September 2018 we enrolled the first patient in the Phase 1 study evaluating BIIB078, an ASO drug candidate, in adults with C9ORF72-associated ALS.

BIIB067 (IONIS-$SOD1_{Rx}$) - ALS

- In December 2018 we and Ionis announced results from a positive interim analysis of the ongoing Phase 1 study of BIIB067 in ALS with SOD1 mutations. The interim analysis showed that, over a three month period,

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BIIB067 resulted in a statistically significant lowering of SOD1 protein levels in the cerebrospinal fluid and a numerical trend towards slowing of clinical decline as measured by the ALS Functional Rating Scale Revised, both compared to placebo.

Alzheimer's Disease and Dementia

Aducanumab (A mAb)

- In February 2018 we announced that, following a pre-planned blinded sample size review of the data per study protocol and based on variability in the primary endpoint that was greater than study protocol assumed, we increased the sample size of ENGAGE and EMERGE, the Phase 3 studies of aducanumab.
- In March 2018 we presented data from the long-term extension (LTE) of the Phase 1b PRIME study of aducanumab at the Advances in Alzheimer's and Parkinson's Therapies (AAT-AD/PD) Focus Meeting in Torino, Italy. The data presentation included the Centiloid scale, a method used to standardize the aducanumab Phase 1b PRIME study amyloid-PET (positron emission tomography) results as previously measured by the composite Standardized Uptake Value Ratio.
- In April 2018 we presented 36-month data and 24-month titration data from the Phase 1b PRIME study of aducanumab at the 70th annual meeting of the AAN in Los Angeles, CA.
- In July 2018 we completed enrollment of ENGAGE and EMERGE, the Phase 3 studies of aducanumab.
- In July 2018 we presented a new analysis from the Phase 1b PRIME study of aducanumab at the Alzheimer's Association International Conference (AAIC) 2018 in Chicago, IL. These data included a poster presentation on the 24-month analysis of APOE 4 carriers in the Phase 1b PRIME study and a platform presentation on the 24-month clinical dementia rating scale analysis of the Phase 1b PRIME study.
- In August 2018 we and our collaboration partner Eisai Co., Ltd. (Eisai) announced results from a recent analysis of the ongoing LTE of the Phase 1b PRIME study of aducanumab. The updated analyses include data from the placebo-controlled period and LTE for patients treated with aducanumab up to 36 months in the titration cohort and up to 48 months in the fixed dose cohorts. The results are generally consistent with previous interim analyses, and there were no changes to the risk-benefit profile of aducanumab.
- In October 2018 we presented data on the efficacy of aducanumab and the cumulative safety data from the LTE of the Phase 1b PRIME study of patients with prodromal and mild Alzheimer's disease. These data were presented at the Clinical Trials on Alzheimer's Disease (CTAD) annual meeting in Barcelona, Spain. These results are generally consistent with previous interim analyses, and there were no changes to the risk-benefit profile of aducanumab.
- In November 2018 we initiated a Phase 2 study of aducanumab to assess the clinical relevance of asymptomatic amyloid related imaging abnormalities (ARIA). This Phase 2 study was not required by regulators and is not necessary for registration.

BAN2401 (A mAb)

- In December 2017 we and our collaboration partner Eisai announced that the Phase 2 study of BAN2401, a monoclonal antibody that targets amyloid beta aggregates, an Eisai product candidate for the treatment of AD, did not meet the criteria for success based on a Bayesian analysis at 12 months as the primary endpoint in an 856-patient Phase 2 clinical study, an endpoint that was designed to enable a potentially more rapid entry into Phase 3 development. In July 2018, based upon the final analysis of the data at 18 months, we and Eisai announced that the topline results from the Phase 2 study demonstrated a statistically significant slowing in clinical decline and reduction of amyloid beta accumulated in the brain. The study achieved statistical significance on key predefined endpoints evaluating efficacy at 18 months on slowing progression in Alzheimer’s Disease Composite Score (ADCOMS) and on reduction of amyloid accumulated in the brain as measured using amyloid-PET. In July 2018 Eisai presented this data in an oral session at AAIC 2018 in Chicago, IL.
- In October 2018 our collaboration partner Eisai presented clinical and biomarker updates from the Phase 2 study of BAN2401 at the CTAD annual meeting in Barcelona, Spain.

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Elenbecestat (E2609)

- In June 2018 we and our collaboration partner Eisai announced that elenbecestat, the oral BACE (beta amyloid cleaving enzyme) inhibitor, demonstrated an acceptable safety and tolerability profile in the Phase 2 study, and the results demonstrated a statistically significant difference in amyloid-beta levels in the brain measured by amyloid-PET. A numerical slowing of decline in functional clinical scales of a potentially clinically important difference was also observed, although this effect was not statistically significant. In July 2018 the data were featured in an Eisai poster presentation at AAIC 2018 in Chicago, IL.
- In October 2018 our collaboration partner Eisai presented safety and efficacy data for elenbecestat from the Phase 2 study in mild cognitive impairment-to-moderate AD at the CTAD annual meeting in Barcelona, Spain.

BIIB092 (anti-tau mAb)

- In May 2018 we initiated a Phase 2 study of BIIB092 for AD.

Movement Disorders

BIIB054 (-synuclein antibody) - Parkinson's Disease

- In January 2018 we dosed the first patient in the Phase 2 SPARK study of BIIB054 in Parkinson's disease.
- In April 2018 we presented Phase 1 study results for BIIB054 in Parkinson's disease at the 70th annual meeting of the AAN in Los Angeles, CA.
- In October 2018 we presented an overview of the design of the Phase 2 SPARK study of BIIB054 in Parkinson's disease at the International Congress of Parkinson's Disease and Movement Disorders in Hong Kong.

BIIB092 (anti-tau mAb) - PSP

- In March 2018 we presented data regarding details about the design of the ongoing Phase 2 PASSPORT study of BIIB092 for PSP at the AAT-AD/PD Focus Meeting in Torino, Italy.
- In April 2018 we presented Phase 1 study results of BIIB092 for PSP as well as details about the design of the ongoing Phase 2 PASSPORT study of BIIB092 for PSP at the 70th annual meeting of the AAN in Los Angeles, CA.
- In September 2018 we completed enrollment of the Phase 2 PASSPORT study of BIIB092 for PSP.
- In October 2018 the FDA granted BIIB092 fast track designation for PSP.
- In October 2018 we presented safety data from the Phase 1 LTE study of BIIB092 for PSP and baseline demographics from the Phase 2 PASSPORT study of BIIB092 for PSP at the International Congress of Parkinson's Disease and Movement Disorders in Hong Kong.

Emerging Growth Areas

Acute Neurology

BIIB093 (glibenclamide IV) - Large Hemispheric Infarction

- In September 2018 we enrolled the first patient in the Phase 3 CHARM study of BIIB093 in large hemispheric infarction (LHI), a severe form of ischemic stroke.

Natalizumab (4-integrin inhibitor) - Epilepsy

- In March 2018 we dosed the first patient in the Phase 2 OPUS study of natalizumab in drug-resistant focal epilepsy.

Neurocognitive Disorders

BIIB104 (AMPA) - CIAS

- In December 2018 we dosed the first patient in our Phase 2b study of BIIB104 in CIAS.

Pain

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Vixotrigine (BIIB074) - Small Fiber Neuropathy

- In May 2018 we initiated a Phase 2 study of BIIB074 in small fiber neuropathy (SFN).

BIIB095 (Nav 1.7) - Neuropathic Pain

- In March 2018 we initiated a Phase 1 study of BIIB095, a Nav 1.7 inhibitor for neuropathic pain.

Biosimilars

Samsung Bioepis - Biogen's Joint Venture with Samsung BioLogics

- In June 2018 we and Samsung Bioepis announced pooled analysis results from three separate Phase 3 studies comparing the efficacy and safety of BENEPALI in reference to etanercept, FLIXABI in reference to infliximab and IMRALDI in reference to adalimumab in patients with moderate to severe rheumatoid arthritis. The data indicated that the incidence of anti-drug antibodies was comparable between the biosimilars and their reference products and that radiographic progression of disease was minimal and comparable across all treatment groups. The data were presented at the Annual European Congress of Rheumatology (EULAR 2018) in Amsterdam, Netherlands.

IMRALDI (Adalimumab)

- In October 2018 we and Samsung Bioepis launched IMRALDI, an adalimumab biosimilar referencing HUMIRA, in Europe.

Genentech Relationship

Anti-CD20 Therapies

OCREVUS (ocrelizumab)

- In January 2018 the European Commission (EC) granted a marketing authorization for OCREVUS for the treatment of RMS and PPMS.

RITUXAN (rituximab)

- In June 2018 the FDA approved RITUXAN for the treatment of adult patients with moderate to severe pemphigus vulgaris. Subsequently, the FDA confirmed orphan-drug exclusivity associated with this approval.

Other

BG00011 (STX-100) - Idiopathic Pulmonary Fibrosis

- In September 2018 we dosed the first patient in the Phase 2b study of BG00011 in idiopathic pulmonary fibrosis (IPF), a chronic irreversible and ultimately fatal disease characterized by a progressive decline in lung function.

Dapirolizumab Pegol (anti-CD40L) - Systemic Lupus Erythematosus

- In October 2018 we and our collaboration partner UCB announced top-line results from the Phase 2b study evaluating the safety and efficacy of dapirolizumab pegol (DZP), an anti-CD40L pegylated Fab, in adults with moderately-to-severely active systemic lupus erythematosus (SLE) despite receiving standard-of-care treatment such as corticosteroids, anti-malarials and non-biological immunosuppressants. The primary endpoint of the study, which was to demonstrate a dose response at 24 weeks on the British Isles Lupus Assessment Group (BILAG)-based Composite Lupus Assessment (BICLA), was not met (p=0.06). The study did demonstrate consistent and potentially meaningful improvements for the majority of clinical endpoints in patients treated with DZP compared with placebo. In addition, biomarker data demonstrated evidence of proof of biology and DZP demonstrated an acceptable safety profile.

Discontinued Programs

- In February 2018 we announced that the Phase 2b dose-ranging ACTION study investigating natalizumab in individuals with acute ischemic stroke (AIS) did not meet its primary endpoint. Based on these results, we have discontinued development of natalizumab in AIS. The results of the Phase 2b ACTION study do not impact the benefit-risk profile of natalizumab in approved indications, including MS.
- In October 2018 we announced that we completed the Phase 2b study of vixotrigine (BIIB074) for the treatment of painful lumbosacral radiculopathy (PLSR). The study did not meet its primary or secondary

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efficacy endpoints and we have discontinued development of vixotrigine for the treatment of PLSR. The safety data were consistent with the safety profile reported in previous studies.

- In December 2018 we notified Applied Genetic Technologies Corporation (AGTC) of the termination of our collaboration agreement with AGTC. The termination of this collaboration agreement will be effective in March 2019. As a result, we will have no further involvement in the development of BIIB087, an investigational adeno-associated virus (AAV)-based gene therapy for the treatment of X-linked Retinoschisis (XLRS), BIIB088, an investigational AAV-based gene therapy for the treatment of X-linked Retinitis Pigmentosa (XLRP), and early stage discovery programs in two ophthalmic diseases and one non-ophthalmic condition.
- In December 2018 we notified the University of Pennsylvania (UPenn) that we will be terminating certain programs under our collaboration and alliance with UPenn, including the development of therapeutic approaches that target the eye, skeletal muscle and central nervous system and research and validation of next generation gene transfer technology using AAV gene delivery vectors and exploring the expanded use of genome editing technology as a potential therapeutic platform. The termination of these programs will be effective in May 2019. This termination did not impact our collaboration with UPenn for the development of BIIB089 for the treatment of SMA.

Marketed Products

The following graph shows our revenues by product and revenues from anti-CD20 therapeutic programs for the years ended December 31, 2018, 2017 and 2016.

(1) Interferon includes product revenues from AVONEX and PLEGRIDY.

(2) For 2018, 2017 and 2016 other includes product revenues from FAMPYRA, FUMADERM, BENEPALI, FLIXABI and ZINBRYTA. For 2018 other also includes product revenues from IMRALDI, which was launched in Europe in October 2018. For 2017

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and 2016 other also includes product revenues from ALPROLIX and ELOCTATE through January 31, 2017. No product revenues for ELOCTATE and ALPROLIX were recognized subsequent to February 1, 2017, the effective date of the spin-off of our hemophilia business.

(3) Anti-CD20 therapeutic programs includes revenues from RITUXAN, RITUXAN HYCELA, GAZYVA and OCREVUS.

Product sales for TECFIDERA, AVONEX and TYSABRI as well as our share of pre-tax profits in the U.S. for RITUXAN each accounted for more than 10% of our total revenues for the years ended December 31, 2018, 2017 and 2016. Product sales for SPINRAZA also accounted for more than 10% of our total revenues for the year ended December 31, 2018. For additional financial information about our product and other revenues and geographic areas where we operate, please read Note 5, Revenues, and Note 25, Segment Information, to our consolidated financial statements included in this report and Item 6. Selected Financial Data and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations included in this report. A discussion of the risks attendant to our operations is set forth in Item 1A. Risk Factors included in this report.

Multiple Sclerosis and Neuroimmunology

We develop, manufacture and market a number of products designed to treat patients with MS. MS is a progressive neurological disease in which the body loses the ability to transmit messages along nerve cells, leading to a loss of muscle control, paralysis and, in some cases, death. Patients with active RMS experience an uneven pattern of disease progression characterized by periods of stability that are interrupted by flare-ups of the disease after which the patient returns to a new baseline of functioning.

Our MS products and major markets are as follows:

Product	Indication	Collaborator	Major Markets
	RMS in the U.S. RRMS in the E.U.	None	U.S. France Germany Italy Japan Spain U.K.
	RMS	None	U.S. France Germany Italy Japan Spain
	RMS in the U.S. RRMS in the E.U.	None	U.S. France Germany Italy Spain U.K.
	RMS RRMS in the E.U. Crohn's disease in the U.S.	None	U.S. France Germany

		Italy Spain U.K.
Walking ability for patients with MS	Acorda Therapeutics, Inc. (Acorda)	France Germany

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Neuromuscular Disorders

SMA is characterized by loss of motor neurons in the spinal cord and lower brain stem, resulting in severe and progressive muscular atrophy and weakness. Ultimately, individuals with the most severe type of SMA can become paralyzed and have difficulty performing the basic functions of life, like breathing and swallowing. Due to a loss of, or defect in, the SMN1 gene, people with SMA do not produce enough survival motor neuron (SMN) protein, which is critical for the maintenance of motor neurons. The severity of SMA correlates with the amount of SMN protein. People with Type 1 SMA, the most severe life-threatening form, produce very little SMN protein and do not achieve the ability to sit without support or live beyond two years without respiratory support. People with Type 2 and Type 3 SMA produce greater amounts of SMN protein and have less severe, but still life-altering, forms of SMA.

Our SMA product and major markets are as follows:

Product	Indication	Collaborator	Major Markets
SMA	SMA	Ionis	U.S. Brazil France Germany Italy Japan Turkey

Biosimilars

Biosimilars are a group of biologic medicines that are similar to currently available biologic therapies known as originators. Under our agreement with Samsung Bioepis, we manufacture and commercialize three anti-tumor necrosis factor (TNF) biosimilars in certain countries in the E.U.: BENEPALI, an etanercept biosimilar referencing ENBREL, FLIXABI, an infliximab biosimilar referencing REMICADE, and IMRALDI, an adalimumab biosimilar referencing HUMIRA.

Our biosimilar products and major markets are as follows:

Product	Indication	Major Markets
BENEPALI	Moderate to severe rheumatoid arthritis Progressive psoriatic arthritis Axial spondyloarthritis Moderate to severe plaque psoriasis	Germany Norway Sweden U.K
FLIXABI	Rheumatoid arthritis Moderate to severe Crohn's disease Severe ulcerative colitis Severe ankylosing spondylitis Psoriatic arthritis Moderate to severe plaque psoriasis	France Germany
IMRALDI	Rheumatoid arthritis Axial spondyloarthritis Psoriatic arthritis Psoriasis Paediatric plaque psoriasis Hireadenitis suppurativa Crohn's disease Paediatric Crohn's disease Ulcerative colitis	Germany

Uveitis

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Genentech Relationships

We have agreements with Genentech that entitle us to certain business and financial rights with respect to RITUXAN, RITUXAN HYCELA, GAZYVA, OCREVUS and other potential anti-CD20 therapies.

Our current anti-CD20 therapeutic programs and major markets are as follows:

Product	Indication	Major Markets
	Non-Hodgkin's lymphoma CLL Rheumatoid arthritis Two forms of ANCA-associated vasculitis Pemphigus vulgaris	U.S. Canada
	Non-Hodgkin's lymphoma CLL	U.S.
	In combination with chlorambucil for previously untreated CLL Follicular lymphoma	U.S.
	In combination with chemotherapy followed by GAZYVA alone for previously untreated follicular lymphoma	U.S.
	RMS PPMS	U.S. Australia Germany Switzerland

For additional information on our collaboration arrangements with Genentech, please read Note 1, Summary of Significant Accounting Policies, and Note 19, Collaborative and Other Relationships, to our consolidated financial statements included in this report.

Other

Product	Indication	Collaborator	Major Markets
	Moderate to severe plaque psoriasis	None	Germany

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Patient Support and Access

We interact with patients, advocacy organizations and healthcare societies in order to gain insights into unmet needs. The insights gained from these engagements help us support patients with services, programs and applications that are designed to help patients lead better lives. Among other things, we provide customer service and other related programs for our products, such as disease and product specific websites, insurance research services, financial assistance programs and the facilitation of the procurement of our marketed products.

We are dedicated to helping patients obtain access to our therapies. Our patient representatives have access to a suite of financial assistance tools. With those tools, we help patients understand their insurance coverage and, if needed, help patients compare and select new insurance options and programs. In the U.S., we have established programs that provide co-pay assistance or free marketed product for qualified uninsured or underinsured patients, based on specific eligibility criteria. We also provide charitable contributions to independent charitable organizations that assist patients with out-of-pocket expenses associated with their therapy.

Marketing and Distribution

Sales Force and Marketing

We promote our products worldwide, including in the U.S., most of the major countries of the E.U. and Japan, primarily through our own sales forces and marketing groups. In some countries, particularly in areas where we continue to expand into new geographic areas, we partner with third parties.

We and Eisai co-promote AVONEX, TYSABRI and TECFIDERA in Japan in certain settings.

RITUXAN, RITUXAN HYCELA, GAZYVA and OCREVUS are marketed by the Roche Group and its sublicensees.

We co-promote BENEPALI, FLIXABI and IMRALDI with Samsung Bioepis in certain countries in the E.U.

We focus our sales and marketing efforts on specialist physicians in private practice or at major medical centers. We use customary industry practices to market our products and to educate physicians, such as sales representatives calling on individual physicians, advertisements, professional symposia, direct mail, public relations and other methods.

Distribution Arrangements

We distribute our products in the U.S. principally through wholesale distributors of pharmaceutical

products, mail order specialty distributors or shipping service providers. In other countries, the distribution of our products varies from country to country, including through wholesale distributors of pharmaceutical products and third-party distribution partners who are responsible for most marketing and distribution activities.

Eisai distributes AVONEX, TYSABRI, TECFIDERA and PLEGRIDY in India and other Asia-Pacific markets, excluding China.

RITUXAN, RITUXAN HYCELA, GAZYVA and OCREVUS are distributed by the Roche Group and its sublicensees.

We distribute BENEPALI, FLIXABI and IMRALDI in certain countries in the E.U.

Our product sales to two wholesale distributors, AmerisourceBergen and McKesson, each accounted for more than 10% of our total revenues for the years ended December 31, 2018, 2017 and 2016, and on a combined basis, accounted for approximately 50%, 56% and 57% of our gross product revenues for the years ended December 31, 2018, 2017 and 2016, respectively. For additional information, please read Note 5, Revenues, to our consolidated financial statements included in this report.

Patents and Other Proprietary Rights

Patents are important to obtaining and protecting exclusive rights in our products and product candidates. We regularly seek patent protection in the U.S. and in selected countries outside the U.S. for inventions originating from our research and development efforts. In addition, we license rights to various patents and patent applications.

U.S. patents, as well as most foreign patents, are generally effective for 20 years from the date the earliest application was filed; however, U.S. patents that issue on applications filed before June 8, 1995, may be effective until 17 years from the issue date, if that is later than the 20-year date. In some cases, the patent term may be extended to recapture a portion of the term lost during regulatory review of the claimed therapeutic or, in the case of the U.S., because of U.S. Patent and Trademark Office (USPTO) delays in prosecuting the application. Specifically, in the U.S., under the

Drug Price Competition and Patent Term Restoration Act of 1984, commonly known as the Hatch-Waxman Act, a patent that covers a drug approved by the FDA may be eligible for patent term extension (for up to 5 years, but not beyond a total of 14 years from the date of product approval) as compensation for patent term lost during the FDA regulatory review process. The duration and extension of the term of foreign patents varies, in accordance

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with local law. For example, supplementary protection certificates (SPCs) on some of our products have been granted in a number of European countries, compensating in part for delays in obtaining marketing approval.

Regulatory exclusivity, which may consist of regulatory data protection and market protection, also can provide meaningful protection for our products. Regulatory data protection provides to the holder of a drug or biologic marketing authorization, for a set period of time, the exclusive use of the proprietary pre-clinical and clinical data that it created at significant cost and submitted to the applicable regulatory authority to obtain approval of its product. After the applicable set period of time, third parties are then permitted to rely upon such data to file for approval of their abbreviated applications for, and to market (subject to any applicable market protection), their generic drugs and biosimilars referencing such data. Market protection provides to the holder of a drug or biologic marketing authorization the exclusive right to commercialize its product for a set period of time, thereby preventing the commercialization of another product containing the same active ingredient(s) during that period. Although the World Trade Organization's agreement on trade-related aspects of intellectual property rights (TRIPS) requires signatory countries to provide regulatory exclusivity to innovative pharmaceutical products, implementation and enforcement varies widely from country to country.

We also rely upon other forms of unpatented confidential information to remain competitive. We protect such information principally through confidentiality agreements with our employees, consultants, outside scientific collaborators,

scientists whose research we sponsor and other advisers. In the case of our employees, these agreements also provide, in compliance with relevant law, that inventions and other intellectual property conceived by such employees during their employment shall be our exclusive property.

Our trademarks are important to us and are generally covered by trademark applications or registrations in the USPTO and the patent or trademark offices of other countries. We also use trademarks licensed from third parties, such as the trademark FAMPYRA, which we license from Acorda. Trademark protection varies in accordance with local law, and continues in some countries as long as the trademark is used and in other countries as long as the trademark is registered. Trademark registrations generally are for fixed but renewable terms.

Our Patent Portfolio

The following table describes our patents in the U.S. and Europe that we currently consider of primary importance to our marketed products, including the territory, patent number, general subject matter and expected expiration dates. Except as otherwise noted, the expected expiration dates include any granted patent term extensions and issued SPCs. In some instances, there are later-expiring patents relating to our products directed to, among other things, particular forms or compositions, methods of manufacturing or use of the drug in the treatment of particular diseases or conditions. We also continue to pursue additional patents and patent term extensions in the U.S. and other territories covering various aspects of our products that may, if issued, extend exclusivity beyond the expiration of the patents listed in the table.

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Product	Territory	Patent No.	General Subject Matter	Patent Expiration[1]
TECFIDERA	U.S.	7,619,001	Methods of treatment	2020
	U.S.	8,399,514	Methods of treatment	2028
	Europe	1131065	Formulations of dialkyl fumarates and their use for treating autoimmune diseases	2019[2]
	Europe	2137537	Methods of use	2028[3]
AVONEX and PLEGRIDY	U.S.	7,588,755	Use of recombinant beta interferon for immunomodulation	2026
PLEGRIDY	U.S.	7,446,173	Polymer conjugates of interferon beta-1a	2022
	U.S.	8,524,660	Methods of treatment	2023
	U.S.	8,017,733	Polymer conjugates of interferon beta-1a	2027
	Europe	1656952	Polymer conjugates of interferon-beta-1a and uses thereof	2019
	Europe	1476181	Polymer conjugates of interferon-beta-1a and uses thereof	2023[4]
TYSABRI	U.S.	6,602,503	Humanized recombinant antibodies; nucleic acids and host cells; processes for production; therapeutic compositions; methods of use	2020
	U.S.	7,807,167	Methods of treatment	2023
	U.S.	9,493,567	Methods of treatment	2027
	Europe	0804237	Humanized immunoglobulins; nucleic acids; pharmaceutical compositions; medical uses	2020[5]
	Europe	1485127	Methods of use	2023
FAMPYRA	Europe	1732548	Sustained-release aminopyridine compositions for increasing walking speed in patients with MS	2025[6]
	Europe	2377536	Sustained-release aminopyridine compositions for treating MS	2025[7]
SPINRAZA	U.S.	7,101,993	Oligonucleotides containing 2’-O-modified purines	2023
	U.S.	7,838,657	SMA treatment via targeting of SMN2 splice site inhibitory sequences	2027
	U.S.	8,110,560	SMA treatment via targeting of SMN2 splice site inhibitory sequences	2025
	U.S.	8,361,977	Compositions and methods for modulation of SMN2 splicing	2030
	U.S.	8,980,853	Compositions and methods for modulation of SMN2 splicing	2030
	U.S.	9,717,750	Compositions and methods for modulation of SMN2 splicing	2030
	U.S.	9,926,559	Compositions and methods for modulation of SMN2 splicing	2034
	Europe	1910395	Compositions and methods for modulation of SMN2 splicing	2026[8]
	Europe	2548560	Compositions and methods for modulation of SMN2 splicing	2026[9]
	Europe	3305302	Compositions and methods for modulation of SMN2 splicing	2030
	Europe	3308788	Compositions and methods for modulation of SMN2 splicing	2026

Footnotes follow on next page.

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(1) In addition to patent protection, certain of our products are entitled to regulatory exclusivity in the U.S. and the E.U. expected until the dates set forth below:

Product	Territory	Expected Expiration
TECFIDERA	U.S.	2018
	E.U.	2024
PLEGRIDY	U.S.	2026
	E.U.	2024
FAMPYRA	E.U.	2021
SPINRAZA	U.S.	2023
	E.U.	2029

(2) This patent is subject to granted SPCs in certain European countries, which extended the patent term in those countries to 2024.

(3) This patent was revoked in a European opposition. This decision is being appealed. This patent is subject to granted SPCs in certain European countries, which extended the patent term in those countries to 2029.

(4) This patent is subject to granted SPCs in certain European countries, which extended the patent term in those countries to 2028.

(5) Reflects SPCs granted in most European countries and pediatric extension in some countries.

(6) This patent is subject to granted SPCs in certain European countries, which extended the patent term in those countries to 2026.

(7) This patent was revoked in a European opposition. This decision is being appealed. This patent is subject to granted SPCs in certain European countries, which extended the patent term in those countries to 2026.

(8) This patent is subject to granted SPCs in certain European countries, which extended the patent term in those countries to 2031.

(9) This patent is subject to granted SPCs in certain European countries, which extended the patent term in those countries to 2031.

The existence of patents does not guarantee our right to practice the patented technology or commercialize the patented product. Patents relating to pharmaceutical, biopharmaceutical and biotechnology products, compounds and processes, such as those that cover our existing products, compounds and processes and those that we will likely file in the future, do not always provide complete or adequate protection. Litigation, interferences, oppositions, inter partes reviews or other proceedings are, have been and may in the future be necessary in some instances to determine the validity and scope of certain of our patents, regulatory exclusivities or other proprietary rights, and in other instances to determine the validity, scope or non-infringement of certain patent rights claimed by third parties to be pertinent to the manufacture, use or sale of our products. We may also face challenges to our patents, regulatory exclusivities or other proprietary rights covering our products by manufacturers of generics, biosimilars, prodrugs and other products approved under alternative regulatory pathways. A discussion of certain risks and uncertainties that may affect our patent position, regulatory exclusivities or other proprietary rights is set forth in Item 1A. Risk Factors included in this report, and a discussion of legal proceedings related to certain patents described above is set forth in Note 21, Litigation, to our consolidated financial statements included in this report.

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Competition

Competition in the biopharmaceutical industry is intense and comes from many sources, including specialized biotechnology firms and large pharmaceutical companies. Many of our competitors are working to develop or have commercialized products similar to those we market or are developing and have considerable experience in undertaking clinical trials and in obtaining regulatory approval to market pharmaceutical products. Certain of these companies have substantially greater financial, marketing and research and development resources than we do.

We believe that competition and leadership in the industry is based on managerial and technological excellence and innovation as well as establishing patent and other proprietary positions through research and development. The achievement of a leadership position also depends largely upon our ability to maximize the approval, acceptance and use of products resulting from research and the availability of adequate financial resources to fund facilities, equipment, personnel, clinical testing, manufacturing and marketing. Another key aspect of remaining competitive within the industry is recruiting and retaining leading scientists and technicians. We believe that we have been successful in attracting and retaining skilled and experienced scientific personnel.

Competition among products approved for sale may be based, among other things, on patent position, product efficacy, safety, convenience/delivery devices, reliability, availability and price. In addition, early entry of a new pharmaceutical product into the market may have important advantages in gaining product acceptance and market share. Accordingly, the relative speed with which we can develop products, complete the testing and approval process and supply commercial quantities of products will have a significant impact on our competitive position.

The introduction of new products or technologies, including the development of new processes or technologies by competitors or new information about existing products or technologies, may result in increased competition for our marketed products or pricing pressure on our marketed products. It is also possible that the development of new or improved treatment options or standards of care or cures for the diseases our products treat could reduce or eliminate the use of our products or may limit the utility and application of ongoing clinical trials for our product candidates.

We may also face increased competitive pressures as a result of generic versions, prodrugs of existing therapies, biosimilars of existing products, other products approved under alternative regulatory pathways or other technologies. If a generic, prodrug, biosimilar or

other product approved under alternative regulatory pathways of one of our products were approved, it could reduce our sales of that product.

Additional information about the competition that our marketed products face is set forth below.

Multiple Sclerosis

TECFIDERA, AVONEX, PLEGRIDY and TYSABRI each compete with one or more of the following products as well as generic and biosimilar versions of such products:

Competing Product	Competitor
AUBAGIO (teriflunomide)	Sanofi Genzyme
BETASERON/BETAFERON (interferon-beta-1b)	Bayer Group
COPAXONE (glatiramer acetate)	Teva Pharmaceuticals Industries Ltd.
EXTAVIA (interferon-beta-1b)	Novartis AG
GILENYA (fingolimod)	Novartis AG
GLATOPA (glatiramer acetate)	Sandoz, a division of Novartis AG
LEMTRADA (alemtuzumab)	Sanofi Genzyme
OCREVUS (ocrelizumab)	Genentech
REBIF (interferon-beta-1)	EMD Serono

FAMPYRA is indicated as a treatment to improve walking in adult patients with MS who a have walking disability and is the first treatment that addresses this unmet medical need with demonstrated efficacy in people with all types of MS. FAMPYRA is currently the only therapy approved to improve walking in patients with MS.

Competition in the MS market is intense. Along with us, a number of companies are working to develop additional treatments for MS that may in the future compete with our MS products. One such product that was approved in the U.S. in 2017 and in the E.U. in 2018 is OCREVUS, a treatment for RMS and PPMS that was developed by Genentech. While we have a financial interest in OCREVUS, future sales of our MS products may be adversely affected if OCREVUS continues to gain market share, or if other MS products that we or our competitors are developing are commercialized. Future sales may also be negatively impacted by the introduction of generics, prodrugs of existing therapeutics, biosimilars of existing products, other products approved under alternative regulatory pathways or other technologies.

Spinal Muscular Atrophy

SPINRAZA is the only approved treatment for SMA. We are aware of other products in development that, if successfully developed and approved, may

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compete with SPINRAZA in the SMA market, including a potential gene therapy product for the treatment of SMA Type 1, which could come to market in the U.S. in 2019. Future sales of SPINRAZA may be adversely affected by the commercialization of competing products.

Psoriasis

FUMADERM competes with several different types of therapies in the psoriasis market within Germany, including oral systemics such as methotrexate and cyclosporine.

Biosimilars

BENEPALI, FLIXABI and IMRALDI, the three biosimilars we currently manufacture and commercialize in the E.U. for Samsung Bioepis, compete with their reference products, ENBREL, REMICADE and HUMIRA, respectively, as well as other biosimilars of those reference products.

Genentech Relationships in Other Indications

RITUXAN, RITUXAN HYCELA and GAZYVA in Oncology

RITUXAN, RITUXAN HYCELA and GAZYVA compete with a number of therapies in the oncology market, including TREANDA (bendamustine HCL), ARZERRA (ofatumumab), IMBRUVICA (ibrutinib) and ZYDELIG (idelalisib).

We also expect that over time RITUXAN HYCELA and GAZYVA will increasingly compete with RITUXAN in the oncology market. In addition, we are aware of anti-CD20 molecules, including biosimilars, in development that, if successfully developed and approved, may compete with RITUXAN, RITUXAN HYCELA and GAZYVA in the oncology market. In 2018 the FDA approved a rituximab biosimilar in the U.S. A biosimilar of RITUXAN could come to market in the U.S. in 2019, which may adversely affect the pre-tax profits of our collaboration arrangements with Genentech, which would, in turn adversely affect our co-promotion profits in the U.S. in future years.

RITUXAN in Rheumatoid Arthritis

RITUXAN competes with several different types of therapies in the rheumatoid arthritis market, including, among others, traditional disease-modifying anti-rheumatic drugs such as steroids, methotrexate and cyclosporine, TNF inhibitors, ORENCIA (abatacept), ACTEMRA (tocilizumab) and XELJANZ (tofacitinib).

We are also aware of other products, including biosimilars, in development that, if successfully developed and approved, may compete with RITUXAN in the rheumatoid arthritis market.

Research and Development Programs

A commitment to research is fundamental to our mission. Our research efforts are focused on better understanding the underlying biology of diseases so we can discover and deliver treatments that have the potential to make a real difference in the lives of patients with high unmet medical needs. By applying our expertise in biologics and our growing capabilities in small molecule, antisense, gene therapy, gene editing and other technologies, we target specific medical needs where we believe new or better treatments are needed.

We intend to continue committing significant resources to targeted research and development opportunities. As part of our ongoing research and development efforts, we have devoted significant resources to conducting clinical studies to advance the development of new pharmaceutical products and technologies and to explore the utility of our existing products in treating disorders beyond those currently approved in their labels.

For additional information on our research and development expense included in our consolidated statements of income, please read Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations included in this report.

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The table below highlights our current research and development programs that are in clinical trials and the current phase of such programs. Drug development involves a high degree of risk and investment, and the status, timing and scope of our development programs are subject to change. Important factors that could adversely affect our drug development efforts are discussed in Item 1A. Risk Factors included in this report.

Core Growth Areas	MS and Neuroimmunology	BIIB098 (diroximel fumarate)* - MS	Phase 3
		Opicinumab (anti-LINGO) - MS	Phase 2
		BIIB061 (oral remyelination) - MS	Phase 1
	Alzheimer's Disease and Dementia	Aducanumab (A mAb*)- Alzheimer's	Phase 3
		Elenbecestat (E2609)* - Alzheimer's	Phase 3
		BAN2401 (A mAb*)- Alzheimer's	Phase 2
		BIIB092 (anti-tau mAb) - Alzheimer's	Phase 2
		BIIB076 (anti-tau mAb) - Alzheimer's	Phase 1
		BIIB080 (IONIS-MAPT$_{Rx}$)# - Alzheimer's	Phase 1

Donald E. Washkewicz	$78,912
Jon P. Marten	$43,495
Lee C. Banks	$42,242
Robert P. Barker	$42,172
Thomas L. Williams	$42,242
Timothy K. Pistell	$63,257

Each of the Named Executive Officers received the General RONA Bonuses and Converted RONA Bonuses included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table for Fiscal Year 2011 on page 46. In arriving at these amounts, the Committee compared the original award opportunities for executive officers receiving General RONA Bonuses under the Performance Bonus Plan

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(including the Named Executive Officers) with the final payout amounts for the other executive officers, and evaluated the individual performance and contributions to the success of our business of the executive officers receiving General RONA Bonuses under the Performance Bonus Plan (including the Named Executive Officers). Based on that comparison and evaluation, the Committee determined that it would be appropriate to reduce the final General RONA Bonus payout amounts for General RONA Bonuses awarded under the Performance Bonus Plan between 17% and 47%, with an average reduction of approximately 36%. The amounts reported in the table represent the final amounts paid to the Named Executive Officers following that exercise of discretion.

Volume Incentive Bonuses.

During fiscal year 2011, our operating group presidents who were not also Executive Vice Presidents were eligible to receive additional annual cash incentive compensation under our Volume Incentive Plan, which we refer to as Volume Incentive Bonuses.

Volume Incentive Bonuses encourage our eligible group presidents to maximize sales growth internally and through acquisitions within their operating groups. Based on our continued focus on increased market share, returns on invested capital and our stock price, the Committee identified sales growth as a performance measure critical to advance the financial performance and profitable growth goals of the Win Strategy. The Committee uses Volume Incentive Bonuses to reward our eligible group presidents for performance that approaches or exceeds our annual sales growth goals.

Each participant in the Volume Incentive Plan receives a Volume Incentive Bonus equal to 1% of base salary for each 1% of sales by which his or her operating group exceeds its sales for the prior year by between 7.5% and 15%, and 2% of base salary for each 1% of sales by which his or her operating group exceeds its sales for the prior year by more than 15%. Payouts are calculated on a sliding-scale basis so that, for example, if fiscal year sales for a particular operating group exceed its sales for the prior fiscal year by 8.0%, then the participant would receive a Volume Incentive Bonus equal to 0.5% of his or her base salary. Volume Incentive Bonuses are capped at an overall maximum of 15% of base salary. Volume Incentive Bonuses are paid in cash and in one lump sum in August.

In fiscal year 2011, no Named Executive Officer was eligible to receive a Volume Incentive Bonus.

Long-Term Incentive Compensation.

The Named Executive Officers receive long-term incentive compensation consisting of long-term incentive performance awards, which we refer to as LTIP Awards, and stock appreciation rights, which we refer to as Stock Incentives. Stock Incentives granted from fiscal years 2005-2010 which are currently outstanding consisted of stock options with tandem stock appreciation rights, and Stock Incentives granted prior to fiscal year 2005 which are currently outstanding consisted of stock options. The target amounts of LTIP Awards and the number of Stock Incentives awarded to the Named Executive Officers are based on similar compensation awarded to persons holding comparable positions within the companies included in Mercer s annual review.

LTIP Awards and Stock Incentives encourage long-term focus on shareholder value and are directly and materially linked to performance that advances both the financial performance and profitable growth goals of the Win Strategy over the long-term. LTIP Award payouts are based on a comparison of our performance against the Peer Group in certain key financial metrics over a three-year performance period. The holders of Stock Incentives realize a payout only if our stock price increases above the applicable grant price over a long-term vesting period. LTIP Awards

and Stock Incentives work together to align the long-term financial interests of our executive officers and shareholders.

LTIP Awards are granted to eligible employees on an annual basis at the first meeting of the Committee following our public earnings release for the fourth quarter of the preceding calendar year. This meeting is typically held in January of each year and is scheduled at least one year in advance. The only exceptions to this practice are that pro-rated LTIP Awards are granted to individuals who become executive officers, are promoted to new executive officer positions or are given increased responsibilities during a performance period.

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Stock Incentives are granted to eligible employees on an annual basis at the first meeting of the Committee following our public earnings release for the fourth quarter of the preceding fiscal year. This meeting is typically held in August of each year and is scheduled at least one year in advance. The only exceptions to this practice are that reload grants of Stock Incentives occur automatically upon certain exercises of Stock Incentives granted under our 2003 Stock Incentive Plan and our 1993 Stock Incentive Program. Our 2009 Omnibus Stock Incentive Plan does not permit reload grants of Stock Incentives.

The Committee does not grant LTIP Awards or Stock Incentives to executive officers in anticipation of the release of significant positive earnings announcements or other material non-public information likely to result in changes to the price of our common stock. Similarly, the Committee does not time the release of material non-public information based on Stock Incentive grant dates.

LTIP Awards Granted Prior to Fiscal Year 2011.

Each of the Named Executive Officers received target LTIP Awards during fiscal year 2009 and fiscal year 2010. The actual payouts for LTIP Awards received during fiscal year 2009 were calculated following the three-year performance period ending June 30, 2011, and the actual payouts for LTIP Awards received during fiscal year 2010 will be calculated following the three-year performance periods ending June 30, 2012 and December 31, 2012.

These LTIP Awards were or will be calculated following the applicable three-year performance period by comparing our revenue growth, growth in fully diluted earnings per share from continuing operations and average return on invested capital from continuing operations against the corresponding results for all members of the Peer Group during their three most recent fiscal years. The Committee has identified long-term revenue growth, earnings per share growth and return on invested capital as performance measures critical to the financial performance and profitable growth goals of the Win Strategy because, among other things, they encourage our executive officers to provide on-time delivery of quality products, value-added services and systems, strategic procurement of goods and services, lean operations, strategic pricing, product innovation and strong distribution.

For these LTIP Awards, the Committee approved weights of 20% for revenue growth, 40% for growth in fully diluted earnings per share from continuing operations and 40% for average return on invested capital from continuing operations. The Committee also approved the following table to illustrate how final payouts would be calculated following the applicable performance periods:

	Less than or equal				Greater than or equal
Peer Group Percentile Rank:	to 35	42.5	50	62.5	to 75
Payout %	0%	50%	100%	150%	200%

At the end of the applicable performance periods, the Committee determines our percentile rank as compared to the Peer Group for each of the three performance measures. Using this table, the Committee calculates the portion of the target LTIP Award value earned with respect to each performance measure. The Committee multiplies each portion by its applicable weight and adds up the total to determine the total LTIP Award payout for the performance period. This table illustrates that recipients of LTIP Awards granted during fiscal year 2009 and fiscal year 2010 receive the maximum payout of 200% of the applicable target LTIP Award value if we rank at or above the 75th percentile among the Peer Group in the aggregate based on all three performance measures, and receive no payout if we rank at or below the 35th percentile in the aggregate based on all three performance measures.

LTIP Award payouts for the fiscal year 2009-10-11 performance period were paid after the end of the three-year performance period in restricted shares. LTIP Award payouts for the fiscal year 2010-11-12 and calendar year 2010-11-12 performance periods may only be paid after the end of the applicable performance period in unrestricted shares of our common stock.

The Committee designed these LTIP Awards to reward executive officers directly in relation to our long-term performance against the Peer Group. The Committee determined that requiring performance in excess of the 50th percentile for a payout in excess of 100% would encourage executive officers to achieve performance

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above median Peer Group performance. The Committee also determined that requiring performance at the 75th percentile for a maximum payout, and awarding no payout for performance at or below the 35th percentile, would further encourage executive officers to achieve top-quartile performance within the Peer Group.

Each of the Named Executive Officers received a payout under LTIP Awards granted in fiscal year 2009 for the three-year performance period ended June 30, 2011. The Committee determined that we achieved the following percentile rankings among the Peer Group with respect to the LTIP Award performance measures for the fiscal year 2009-10-11 performance period:

Performance Measure	Result	Percentile Rank	Weighted Payout Percentage
Revenue growth	0.55%	55th	24.77%
Growth in fully diluted EPS	15.19%	77th	80.00%
Average return on invested capital	15.82%	48th	36.19%

As a result, each of the Named Executive Officers received the LTIP Award payout in fiscal year 2011 included in the Stock Awards Number of Shares or Units of Stock That Have Not Vested column of the Outstanding Equity Awards at June 30, 2011 table beginning on page 50. Each payment represents a total payout of 140.96% of the target LTIP Award values for the three-year performance period ended June 30, 2011.

LTIP Awards Granted During Fiscal Year 2011.

During the third quarter of fiscal year 2011, the Committee adopted a Long-Term Incentive Performance Plan Under the Performance Bonus Plan, which we refer to as the Officer LTIP Plan. The Officer LTIP Plan establishes the terms and conditions for LTIP Awards granted to our executive officers during fiscal year 2011.

During the third quarter of fiscal year 2011, the Committee also granted to each of the Named Executive Officers, under our 2009 Omnibus Stock Incentive Plan, the following target LTIP Awards based on the following target LTIP Award values:

Named Executive Officer	Target LTIP Award Shares	Target LTIP Award Values
Donald E. Washkewicz	49,460	$3,301,300
Jon P. Marten*	9,500	$ 634,250
Lee C. Banks	13,110	$ 875,000
Robert P. Barker	9,500	$ 634,250
Thomas L. Williams	13,110	$ 875,000
Timothy K. Pistell	18,730	$1,250,000

*

On December 7, 2010, Mr. Marten received additional LTIP Awards under the fiscal year 2009-10-11, fiscal year 2010-11-12 and calendar year 2010-11-12 performance periods in the amounts of 1,175, 5,748 and 3,499, respectively, due to his promotion from Vice President and Controller to Executive Vice President Finance & Administration and Chief Financial Officer.

The target LTIP Award shares shown in this table are also included in the Estimated Future Payouts Under Equity Incentive Plan Awards Target column of the Grants of Plan-Based Awards for Fiscal Year 2011 table beginning on page 48. The Stock Awards column of the Summary Compensation Table for Fiscal Year 2011 on page 46 includes the aggregate grant date fair value of these awards in fiscal year 2011.

Under the Officer LTIP Plan, the actual payouts for these LTIP Awards will be calculated following the three-year performance period ending December 31, 2013 as follows:

The Committee will first determine if, during the performance period, we achieved an average return on average equity of 4% or an average free cash flow margin of 4%.

If these threshold performance measures are not achieved, participants will not receive a payout.

If these threshold performance measures are achieved, participants will become eligible to receive the maximum payout of 200% of the applicable target LTIP Award value. The Committee will then, if

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appropriate, apply its discretion to reduce the final payouts based on any performance measures that the Committee determines to be appropriate. The Committee determined that this calculation methodology would provide the Committee with more flexibility to ensure that payout levels are as accurately reflective of the Company s performance against the Peer Group as possible and are otherwise in the best interests of our business and our shareholders.

To provide the Committee with some guidelines for exercising its discretion, the Officer LTIP Plan provides that the Committee may, among other things, evaluate our revenue growth, growth in fully diluted earnings per share from continuing operations and average return on invested capital from continuing operations against the corresponding results for all members of the Peer Group in the manner as described above for LTIP Awards granted prior to fiscal year 2011. Specifically, the Officer LTIP Plan provides for using weights of 20% for revenue growth, 40% for growth in fully diluted earnings per share from continuing operations, and 40% for average return on invested capital from continuing operations for the applicable performance periods, and the following table to calculate final LTIP Award payouts:

Peer Group Percentile Rank:	Less than 35	35	50	62.5	75 or higher
Payout %	0%	50%	100%	150%	200%

LTIP Award payouts for the calendar year 2011-12-13 performance period may only be paid after the end of the applicable three-year performance period in unrestricted shares of our common stock.

Stock Incentives.

Each of the Named Executive Officers received Stock Incentives under our 2009 Omnibus Stock Incentive Plan during the first quarter of fiscal year 2011. The Committee grants Stock Incentives to executive officers to encourage and reward efforts and accomplishments that advance the goals of the Win Strategy and make other contributions to maximize our stock price.

The number of Stock Incentives granted by the Committee is determined by utilizing the Black-Scholes valuation model to convert a target dollar value into the number of Stock Incentives to be granted. The Committee uses Mercer s annual review to set the target dollar values at the median of similar compensation offered within the companies included in Mercer s annual review. The following table shows the Target Value and the number of Stock Incentives granted to each of the Named Executive Officers in the first quarter of fiscal year 2011:

Named Executive Officer	Target Value	Stock Incentive Grants (# of Underlying Shares)
Donald E. Washkewicz	$3,301,300	157,680
Jon P. Marten	$ 154,350	7,370
Lee C. Banks	$ 875,000	41,790
Robert P. Barker	$ 634,250	30,290
Thomas L. Williams	$ 875,000	41,790
Timothy K. Pistell	$1,250,000	59,700

The fiscal year 2011 Stock Incentive grants shown in this table are also included in the All Other Option Awards: Number of Securities Underlying Options column of the Grants of Plan-Based Awards for Fiscal Year 2011 table beginning on page 48 and the Option Awards Number of Securities Underlying Unexercised Options Unexercisable column of the Outstanding Equity Awards at June 30, 2011 table beginning on page 50. The Option Awards column of the Summary Compensation Table for Fiscal Year 2011 on page 46 includes the aggregate grant date fair value of these awards in fiscal year 2011.

As required by the terms of our 2009 Omnibus Stock Incentive Plan, all fiscal year 2011 Stock Incentives have an exercise price equal to the closing price of our common stock on the date of grant. The plan does not permit the re-pricing of Stock Incentives. The Committee analyzed the terms of our 2009 Omnibus Stock In-

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centive Plan and Mercer s annual review to establish all other terms of these Stock Incentives. All fiscal year 2011 Stock Incentives have a ten-year term and vest in one-third increments over three years following the grant date. When vested, each Stock Incentive will entitle the holder to receive the increase in value of one common share from the grant date to the date of exercise.

Upon exercise of fiscal year 2011 Stock Incentives, common shares will be issued directly to the holder. The appreciation in these Stock Incentives will be calculated by subtracting the grant price from the fair market value of the common shares at exercise, and multiplying the result by the number of Stock Incentives exercised. The number of common shares to be issued is determined by dividing that appreciation by the market price of the common shares at exercise.

If an executive officer exercises a Stock Incentive granted under either our 2003 Stock Incentive Plan or our 1993 Stock Incentive Program as an option by surrendering shares to satisfy the exercise price, the executive officer will receive a reload grant of stock appreciation rights to restore the appreciation lost on the shares that were surrendered to pay the option cost. The number of stock appreciation rights granted is equal to the number of shares surrendered. The reload grant has the same expiration date as the underlying grant. The reload grant price is equal to the closing stock price of our common stock on the date of exercise of the underlying grant. The reload grant vests one year from the date of exercise, provided that the executive officer remains employed with us and retains ownership of the shares received from the exercise for one year, less shares surrendered or sold to pay income taxes. Grants of Stock Incentives made under our 2009 Omnibus Stock Incentive Plan or made prior to the executive officer s appointment as an executive officer do not include these reload grants.

During fiscal year 2011, certain Named Executive Officers exercised Stock Incentives previously granted under our 2003 Stock Incentive Plan and 1993 Stock Incentive Program, which are included in the Option Awards Number of Shares Acquired on Exercise column of the Option Exercises and Stock Vested for Fiscal Year 2011 table on page 53.

Employee Benefits.

The Named Executive Officers are eligible to participate in various employee benefit plans and programs. These plans and programs reward experience, expertise, level of responsibility, longevity and advancement. We use these plans to ensure that our executive compensation program remains sufficiently competitive to attract, retain and motivate the executive officers and other employees necessary to advance the goals of the Win Strategy.

Qualified Benefit Plans.

During fiscal year 2011, the Named Executive Officers participated in the following tax-qualified benefit plans and programs:

The Parker-Hannifin Consolidated Pension Plan, which we refer to as the Pension Plan; and

The Parker Retirement Savings Plan, which we refer to as the Retirement Savings Plan.

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The Pension Plan is a qualified defined benefit pension plan in which most full-time non-union U.S. salaried employees hired prior to April 1, 2004 participate. The Pension Plan offers normal retirement, early retirement and death benefits. The monthly normal retirement benefit is the greater of a minimum benefit and an amount based on final average pay. The minimum benefit and final average pay amounts are calculated as follows:

Minimum Benefit:	$21.00 multiplied by years of service, up to a maximum of 40 years.
Final Average Pay Amount:	0.75% of the highest five consecutive year average of monthly base salary, Target Incentive Bonuses and General RONA Bonuses up to the social security wage base, multiplied by years of service up to a maximum of 35 years; plus
	1.36% of the highest five consecutive year average of monthly base salary, Target Incentive Bonuses and General RONA Bonuses in excess of the social security wage base, multiplied by years of service up to a maximum of 35 years; plus
	0.50% of the highest five consecutive year average of monthly base salary, Target Incentive Bonuses and General RONA Bonuses, multiplied by years of service in excess of 35 up to a maximum of 5 years.

The amount of the benefit is reduced by 6% per year for each year prior to age 65 if retirement occurs before age 65 and after age 55. We elected to freeze new participation in the Pension Plan in 2004. All participants as of April 1, 2004 were given the option to either remain in the Pension Plan or terminate in favor of maintaining a retirement income account under the Retirement Savings Plan. Employees hired after April 1, 2004 were not eligible to participate in the Pension Plan and instead maintain a retirement income account under the Retirement Savings Plan. Each of the Named Executive Officers elected to remain in and continue to accrue benefits under the Pension Plan. All benefits accrued by employees who elected to terminate participation in the Pension Plan were frozen as of June 30, 2004. Those employees initiated their retirement income accounts on July 1, 2004.

The Retirement Savings Plan is a qualified defined contribution pension plan under Section 401(k) of the Internal Revenue Code. Most full-time U.S. employees are eligible to participate in the Retirement Savings Plan. Participants may make pre-tax contributions to the Retirement Savings Plan up to the applicable statutory limit. Converted RONA Bonuses are not eligible for deferral under the Retirement Savings Plan. We provide to each participant a matching contribution of 100% on the first 3% of pay contributed and 50% on the 4th and 5th percent of pay contributed. As described above, certain participants also maintain a retirement income account within the Retirement Savings Plan. We provide to each holder of a retirement income account an annual contribution equal to a percentage of the amount of the participant s annual compensation up to the Internal Revenue Service statutory limit (currently $245,000 per year), based on age and length of service. These contributions range from 0.5% to 6% of the participant s compensation which does not exceed that limit. Participants accrue earnings on contributions based on the performance of various investment funds available within the Retirement Savings Plan. The contributions made by us under the Retirement Savings Plan for the Named Executive Officers during fiscal year 2011 are included in the All Other Compensation column of the Summary Compensation Table for Fiscal Year 2011 on page 46.

Non-Qualified Benefit Plans.

During fiscal year 2011, the Named Executive Officers participated in the following non-qualified benefit plans and programs:

The Parker Hannifin Savings Restoration Plan, which we refer to as the Savings Restoration Plan;

The Parker Hannifin Executive Deferral Plan, which we refer to as the Executive Deferral Plan;

The Parker-Hannifin Corporation Pension Restoration Plan, which we refer to as the Pension Restoration Plan; and

The Parker-Hannifin Corporation Supplemental Executive Retirement Benefits Program, which we refer to as the Supplemental Retirement Program.

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The Savings Restoration Plan is available to employees who earn base salaries in excess of $130,000 per year and who are otherwise eligible to participate in the plan. The Savings Restoration Plan was established to restore deferral opportunities and matching contributions lost because of statutory limits in the Retirement Savings Plan. Specifically, the Savings Restoration Plan allows executive officers to defer a portion of their pre-tax compensation and receive matching contributions from us that would have been available under the Retirement Savings Plan if the Internal Revenue Service statutory limit did not exist. Converted RONA Bonuses are not eligible for deferral under the Savings Restoration Plan. Each Named Executive Officer may annually defer to his or her Savings Restoration Plan account any portion of the compensation that he cannot defer under the Retirement Savings Plan due to the statutory limit, other than Converted RONA Bonuses, up to the greater of 20% of base pay or $25,000. We provide to each participant a matching contribution of common stock equal to 100% on the first 3% of pay contributed and 50% on the 4th and 5th percent of pay contributed, reduced by the maximum matching contribution available to the participant under the Retirement Savings Plan. We also take into account the matching contributions made under the Retirement Savings Plan to ensure that the maximum match under both plans does not exceed $17,000. In addition, all participants who maintain a retirement income account within the Retirement Savings Plan also maintain a separate retirement income account within the Savings Restoration Plan. We provide to each holder of a retirement income account an annual contribution equal to a percentage of the amount of the participant s annual compensation in excess of the Internal Revenue Service statutory limit determined based on age and length of service. These contributions range from 0.5% to 6% of the amount of the participant s compensation in excess of that limit. All deferrals and contributions are made under the Savings Restoration Plan by accounting entry rather than any physical exchange of cash or common stock. Participants also accrue earnings, on an accounting-entry basis, on deferrals based on the performance of various investment fund choices and on contributions based on the performance of our common stock. Participants are our unsecured creditors for their respective account balances. Account balances are paid out upon any of the following events as follows:

Retirement:	Balances are distributed to the participant in either a lump sum or in periodic installments, based on a prior election by the participant. The participant can delay the commencement of payments at least five years following retirement. Balances continue to accumulate earnings under the various investment funds at all times during the payout period.
Termination Before Retirement:	Balances accruing on or prior to December 31, 2004 are, at our election, distributed to the participant in either a lump sum upon termination or in periodic installments. Account balances accruing on or after January 1, 2005 are distributed to the participant in a lump sum upon termination.
Disability:	If we determine that a participant is totally disabled, the participant s account balance will be paid upon termination in the same manner as if he or she retired.
Withdrawals During Employment:	Balances can be withdrawn without penalty during employment only if we determine that the participant suffered severe financial hardship. Balances accruing on or prior to December 31, 2004 can also be withdrawn voluntarily during employment, subject to a 10% forfeiture penalty.
Death:	Balances are distributed to the participant s beneficiary in a lump sum or, if elected by the participant, in installments.
Change in Control:	Balances accruing on or prior to December 31, 2004 are distributed to the participant in a lump sum without penalty if the participant expressly elected a lump sum. If the participant did not expressly elect a lump sum, distributions are treated as unscheduled withdrawals and are subject to a forfeiture penalty of 5% if they are withdrawn within 30 days or 10% if they are withdrawn beyond the 30-day period. Balances accruing on or after January 1, 2005 are distributed to the participant in a lump sum.

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Our matching contributions made under the Savings Restoration Plan for the Named Executive Officers during fiscal year 2011 are included in the All Other Compensation column of the Summary Compensation Table for Fiscal Year 2011 on page 46. All contributions, earnings, withdrawals, distributions and aggregate balances for the Named Executive Officers participating in the Savings Restoration Plan during fiscal year 2011 are included in the Nonqualified Deferred Compensation for Fiscal Year 2011 table on page 55.

The Executive Deferral Plan is available to executive officers and certain other key employees. The Executive Deferral Plan provides executive officers with an opportunity to defer a portion of their compensation (in addition to that deferred under the Retirement Savings Plan and the Savings Restoration Plan) on a pre-tax basis, including Target Incentive Bonuses and General RONA Bonuses, and to accumulate tax-deferred earnings on the deferrals. LTIP Award payouts and Converted RONA Bonuses are not eligible for deferral under the Executive Deferral Plan. Each executive may defer to his or her account up to 80% of base salary and 80% of General RONA Bonuses paid in August and Target Incentive Bonuses paid in August. Similar to the Savings Restoration Plan, all deferrals are made under the Executive Deferral Plan by accounting entry rather than any physical exchange of cash. Participants also accrue earnings on an accounting-entry basis based on the performance of various investment fund choices. Participants are our unsecured creditors for their respective account balances. Account balances are paid out upon the same events and in the same manner as account balances under the Savings Restoration Plan, except for distributions made upon a change in control. In that case, balances are distributed to the participant or the participant s beneficiary in a lump sum. Prior to distribution, the balances are increased to reflect any gross-up amount necessary to offset federal excise taxes and any after-tax value the participant would have received if the account had remained in place and been paid as elected by the participant. All contributions, earnings, withdrawals, distributions and aggregate balances for the Named Executive Officers participating in the Executive Deferral Plan during fiscal year 2011 are included in the Nonqualified Deferred Compensation for Fiscal Year 2011 table on page 55.

The Pension Restoration Plan is available to all individuals who participate in the Pension Plan or any other qualified benefit plan and who are otherwise eligible to participate in the Pension Restoration Plan. The Pension Restoration Plan was established to restore benefits lost because of statutory limits on the Pension Plan. Specifically, the benefits available under the Pension Restoration Plan equal the amount that would be payable to the participant under the Pension Plan in excess of the Internal Revenue Service statutory limit if that limit did not exist and the participant had not elected to defer any compensation under the Savings Restoration Plan and the Executive Deferral Plan. Similar to the Pension Plan, Converted RONA Bonuses are not considered in calculating the benefits available under the Pension Restoration Plan.

The Supplemental Retirement Program was established to provide executive officers with retirement benefits supplemental to the benefits under the Pension Plan. The benefit provided under the Supplemental Retirement Program is intended, at age 65, to provide to participants with at least 15 years of service 55% of the average of the three highest years of base salary plus annual cash incentive compensation. Similar to the Pension Plan and the Pension Restoration Plan, Converted RONA Bonuses are not considered in calculating the benefits available under the Supplemental Retirement Program. Volume Incentive Bonuses, LTIP Awards and Stock Incentives are also not considered in calculating the benefits available under the Supplemental Retirement Program. The benefit is subject to reduction for early retirement, less than 15 years of service, benefits under the Pension Plan, the Pension Restoration Plan and any of our non-U.S. pension plans, 50% of primary social security benefits and 100% of any similar non-U.S. state-provided retirement benefits, and contributions to the participant s retirement income accounts under the Retirement Savings Plan and the Savings Restoration Plan. Participants vest at age 60, or at age 55 with the consent of the Committee, and with five years of participation in the Supplemental Retirement Program, or a lesser period established by the Committee at the time they become participants. To receive a benefit under the Supplemental Retirement Program, however, a vested participant must have at least 5 years of service. During fiscal year 2007, the Finance Committee of our Board of Directors adopted an amendment to the Pension Plan which allows us to shift some of our obligations under the Supplemental Retirement Program to the Pension Plan. Under the amendment, as participants vest under the Supplemental Retirement Program, their Pension Plan formulas will be modified to shift a portion of their benefits from the Supplemental Retirement Program to the Pension Plan (up to the limits established by statute and under the Pension Plan). We incurred no additional cost or liability and participants receive no additional value under the Supplemental Retirement Program as a result of the amendment. We and the participants do, however, receive various tax benefits as a result of the amendment.

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Health and Welfare Benefits.

The Named Executive Officers participated in various health and welfare programs generally available to all employees during fiscal year 2011. The Named Executive Officers also participated in our Officer Life Insurance Plan and Executive Long-Term Disability Plan.

Under the Officer Life Insurance Plan, we pay all required premiums for life insurance on executive officers who were participants prior to January 1, 2008, which includes the Named Executive Officers, for the longer of 10 years or until the executive officer reaches age 65. The premiums are designed to allow for accumulation of cash surrender values sufficient to fund the policies during retirement up to age 95, assuming that the participant invests only in the policy s fixed income account, and to maintain death benefits equal to:

- five times base salary during employment and two times final base salary after retirement at age 65 for the Chief Executive Officer; and
- three times base salary during employment and two times final base salary after retirement at age 65 for all other Named Executive Officers and other participants.

We will not make any post-retirement premium payments on behalf of any executive officer who becomes a participant on or after January 1, 2008 and retires prior to reaching age 65 or 10 years of participation in the plan.

If the participant retires between ages 55 and 65, the post-retirement death benefit is reduced by 10% of base salary for each year prior to age 65 that the participant retires. The amount of the death benefit is adjusted each year on January 1st based on the participant s base salary as of the preceding December 1st. The policies underlying the plan are cash value life insurance policies owned by the participants. Cash surrender values accrue earnings based on their investment in various funds offered within the policies. The premiums we paid on behalf of the Named Executive Officers during fiscal year 2011 are included in the All Other Compensation column of the Summary Compensation Table for Fiscal Year 2011 on page 46.

The Executive Long-Term Disability Plan is intended to replace a reasonable amount of an executive officer s income upon disability. The plan provides a total benefit in the event of a qualifying disability of two-thirds of base salary plus Target Incentive Bonuses and General RONA Bonuses paid during the calendar year ending December 31 of the year prior to the disability, up to a maximum benefit of $33,000 per month. Our executive officers are not eligible to receive the long-term disability benefit generally available to other employees.

Change in Control Agreements.

We are not a party to any written employment agreements with our executive officers. We have, however, entered into separate Change in Control Severance Agreements with our executive officers, which we refer to as the Change in Control Agreements. We are not obligated to pay severance to executive officers under any agreement other than the Change in Control Agreements. The executive officers are, however, eligible to receive severance upon termination for reasons other than a change in control in accordance with our general severance policy for salaried employees. The Change in Control Agreements are designed to attract, retain and motivate executive officers, provide for stability and continuity of management in the event of any actual or threatened change in control, encourage executive officers to remain in service after a change in control and ensure that executive officers are able to devote their entire attention to maximizing shareholder value and safeguarding

employee interests in the event of a change in control. The Committee determined that the amounts payable under the Change in Control Agreements are reasonable and necessary to achieve those objectives. The Potential Payments upon Termination or Change of Control at June 30, 2011 tables and the related narrative descriptions beginning on page 56 provide additional information on the Change in Control Agreements, including a brief discussion of the material provisions of the Change in Control Agreements beginning on pages 59 and 60 under the captions Payments upon a Change in Control and Payments upon a Qualifying Termination in Connection with a Change in Control .

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Indemnification Agreements.

We enter into separate Indemnification Agreements with each of our executive officers. Each agreement remains in effect during and after employment with respect to any action taken while the individual serves as an executive officer. The agreements are designed to attract, retain and motivate executive officers by encouraging reasonable and measured risk-taking in the interests of our business and our shareholders, and protecting against liabilities incurred in the performance of their duties to the maximum extent permitted by Ohio law.

The agreements provide for indemnification for all expenses, including attorney fees, judgments, fines and settlement amounts, that the executive officer incurs by reason of his or her service:

in a civil action or proceeding by another party (unless it is proven that the officer s act or failure to act was taken with deliberate intent to cause injury to our business or in reckless disregard for the best interest of our business); or

in a criminal action or proceeding (unless the officer had reasonable cause to believe his or her conduct was unlawful).

***Executive Perquisites*.**

During fiscal year 2011, we made various executive perquisites available to each of the Named Executive Officers. These perquisites are offered to promote the business objectives for each perquisite as described below and to ensure that our executive compensation program remains competitive to attract, retain and motivate the individuals necessary to advance the goals of the Win Strategy. The costs of these perquisites for the Named Executive Officers reportable for fiscal year 2011 are included in the All Other Compensation column of the Summary Compensation Table for Fiscal Year 2011 on page 46.

Private Clubs. We pay or reimburse initiation fees for one private club for each executive officer. We also provide a gross up payment to account for taxes assessed against the executive officers with respect to those fees. We offer these perquisites to encourage executive officers to entertain business colleagues and customers, engage in social interaction with peers from other companies, local leadership and the community, and hold business meetings at offsite locations. We also pay or reimburse the initiation fees and provide gross up payments on those fees for additional clubs for the Chief Executive Officer, the Chief Financial Officer and at the Executive and Senior Vice President levels on a business-needs basis and only with appropriate advance approval.

Spousal Travel. In limited circumstances and only with appropriate advance approval, we reimburse our executive officers for transportation, lodging, meals, entertainment and other travel expenses for their spouses or other family members who accompany them on out-of-town business. We offer these perquisites to encourage executive officers to spend an appropriate amount of time with their direct reports in locations away from corporate headquarters, to allow executive officers and their spouses to develop a more personal relationship with the executive officers subordinates and their families, and to encourage spouses to attend retirement parties, funerals, business dinners and other corporate functions at locations away from their homes.

Executive Physicals. We pay for annual physicals, colonoscopies, mammograms and pap smears, and any necessary travel vaccinations, for each of our executive officers and certain other key employees. We offer this benefit as part of our overall preventive medicine program to promptly identify and address medical issues and to preserve our investment in our executive officers by encouraging them to maintain healthy

lifestyles and be proactive in addressing actual or potential health issues.

Leased Vehicles. We lease an automobile for each of our executive officers and for certain other key employees. We offer this perquisite to provide executive officers with use of a company car for business travel needs, recognizing that the vehicles can also be used for personal purposes. We pay or reimburse each executive officer for lease payments on one automobile, typically for a three-year term. Each executive officer has a maximum allowance of $1,570 per month. We also reimburse each executive officer for the cost of tires and maintenance and provide insurance on each vehicle during the lease term. We require each executive officer to take title to his or her vehicle at the end of the lease term because we amortize the entire cost of the vehicle

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over the lease term. We pay or reimburse each executive officer for sales taxes on his or her vehicle at the time of title transfer, but the executive officer is responsible for the payment of all income taxes assessed on payments and reimbursements made during the lease term and at the time of title transfer, including those assessed on the fair market value of the vehicle at the time of title transfer.

Matching Gifts Program. We match any amount in excess of $20 contributed to any accredited educational institution by an active, full-time employee, retiree, or member of our Board of Directors. Our matching contributions are capped at $5,000 per fiscal year for any individual s contribution to any single institution, and $10,000 per fiscal year for any individual s aggregate contributions to all institutions.

Company Apartments. We maintain apartments in Cleveland, Ohio, Newport Beach, California, London, England and Geneva, Switzerland to provide accommodations to employees working off-site at or relocating to our primary facilities. The apartments are also available to the executive officers for personal use with appropriate advance approval if they are not otherwise being used for business purposes.

Entertainment Venues. We maintain loges, boxes and tickets at various entertainment venues to provide civic support to arts, entertainment and other cultural activities at certain significant business locations and to provide a favorable setting for our employees to entertain customers and other business associates. The loges, boxes and tickets are, however, available to executive officers for personal use if they are not otherwise being used for business purposes. We pay all costs of admission, but all costs of food are paid by the executive officer using the venue only for personal use.

Corporate Aircraft. In limited circumstances, we provide our executive officers with use of corporate aircraft for non-business purposes at no cost. The executive officers may use corporate aircraft for non-business travel if the flight was previously authorized for business purposes, there are available seats that are not being used for those business purposes and the officer s use does not involve a deviation or extension of the planned business-travel itinerary.

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COMPENSATION COMMITTEE REPORT

The Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with the Corporation s management and, based on such review and discussions, the Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

Human Resources and Compensation Committee:

Candy M. Obourn, Chair

Robert J. Kohlhepp

Joseph M. Scaminace

Wolfgang R. Schmitt

James L. Wainscott

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COMPENSATION TABLES

SUMMARY COMPENSATION TABLE FOR FISCAL YEAR 2011

The following table sets forth compensation information for our Named Executive Officers.

Name and Principal Position	Year	Salary ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compen-sation ($)	Total ($)
Donald E. Washkewicz,	2011	1,155,000(1)	4,361,877(2)	2,928,118(3)	2,785,554(4)	1,513,284(5)	211,687(6)	12,955,520
Chief Executive Officer, President and Chairman of the Board	2010	1,097,250	5,983,413	5,912,573	2,197,768	2,016,512	105,100	17,312,616
	2009	1,116,500	3,168,990	2,732,940	1,933,120	3,446,355	163,056	12,560,961
Jon P. Marten(7),	2011	391,230(1)	1,723,571(2)	136,861(3)	484,873(4)	239,105(5)	107,125(6)	3,082,765
Chief Financial Officer and Executive Vice President Finance & Administration								
Lee C. Banks,	2011	582,900(1)	1,156,171(2)	1,114,786(3)	883,492(4)	274,022(5)	114,219(6)	4,125,590
Executive Vice President and Operating Officer	2010	504,925	1,295,386	683,780	543,589	691,177	57,469	3,776,326
	2009	506,533	786,844	590,450	476,018	589,772	75,054	3,024,671
Robert P. Barker(7),	2011	539,700(1)	837,805(2)	562,485(3)	621,698(4)	532,233(5)	135,864(6)	3,229,785
Executive Vice President, Operating Officer and President Aerospace Group								
Thomas L. Williams(8),	2011	582,900(1)	1,156,171(2)	1,269,204(3)	883,492(4)	395,634(5)	112,425(6)	4,399,826
Executive Vice President and Operating Officer	2010	504,925	1,295,386	683,780	543,589	818,274	63,373	3,909,327
Timothy K. Pistell(9)	2011	525,375(1)	1,651,799(2)	1,108,629(3)	728,783(4)	0(5)	134,716(6)	4,149,302
	2010	646,095	2,266,873	1,197,683	816,079	993,724	71,400	5,991,854
	2009	657,430	983,367	691,670	717,248	1,612,366	114,476	4,776,557

(1) Includes the following amounts deferred under the Savings Restoration Plan and the Executive Deferral Plan for fiscal year 2011:

Savings Restoration Plan: Mr. Washkewicz $11,550; Mr. Marten $29,636; Mr. Banks $26,483; Mr. Barker $26,385; Mr. Williams $26,483; and Mr. Pistell $3,502.

Executive Deferral Plan: Mr. Marten $15,000.

These amounts are also reported in the Executive Contributions in Last Fiscal Year column of the Nonqualified Deferred Compensation for Fiscal Year 2011 table on page 55.

(2) Amount reflects the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 of LTIP Awards granted during fiscal year 2011. The amount does not reflect whether a Named Executive Officer has actually realized a financial benefit from the LTIP awards. The amount was calculated by multiplying the closing price on the date of grant by the number of LTIP Awards received and assuming a payout of 100%. As described beginning on page 35, however, LTIP Award payouts will be calculated following the applicable three-year performance period and could range from a minimum of 0% to a maximum of 200%. The grant date fair value of the LTIP Awards granted during fiscal year 2011 at the maximum payout of 200% are: Mr. Washkewicz $8,723,754; Mr. Marten $3,447,142; Mr. Banks $2,312,342; Mr. Barker $1,675,610; Mr. Williams $2,312,342; and Mr. Pistell $3,303,598. Dividends are not accrued or paid on the LTIP Awards until after the performance period ends and the shares are issued.

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(3) Amount reflects the aggregate grant date fair value for fiscal year 2011 computed in accordance with FASB ASC Topic 718 of Stock Incentive grants under our 2009 Omnibus Stock Incentive Plan and Stock Incentive reload grants under our 2003 Stock Incentive Plan. The amount does not reflect whether a Named Executive Officer has actually realized a financial benefit from the award. The amount was calculated using the Black-Scholes option pricing model with one or more of the following weighted-average assumptions:

Fiscal Year of Grant	Type of Grant	Risk-free Interest Rate	Expected Life of Award	Expected Dividend Yield of Stock	Expected Volatility of Stock
2011	annual grant	1.50%	5.45 years	1.48%	35.7%
2011	reload grant	1.56%	4.71 years	1.48%	38.1%
2011	reload grant	1.56%	5.45 years	1.48%	36.3%
2011	reload grant	2.10%	4.52 years	1.48%	38.1%
2011	reload grant	2.14%	5.45 years	1.48%	36.2%

During fiscal year 2011, Mr. Pistell had 2,983 Stock Incentives that were under water lapse.

(4) Amount consists of the following Target Incentive Bonuses, General RONA Bonuses and Converted RONA Bonuses for fiscal year 2011, which were paid in one or more installments with the final payment in August 2011:

Target Incentive Bonus for fiscal year 2011: Mr. Washkewicz $1,417,300; Mr. Marten $234,583; Mr. Banks $304,000; Mr. Barker $254,000; Mr. Williams $304,000; and Mr. Pistell $364,500.

General RONA Bonus for fiscal year 2011: Mr. Washkewicz $1,266,458; Mr. Marten $194,182; Mr. Banks $525,000; Mr. Barker- $313,296; Mr. Williams $525,000; and Mr. Pistell $304,980.

Converted RONA Bonus for fiscal year 2011: Mr. Washkewicz $101,796; Mr. Marten- $56,108; Mr. Banks $54,492; Mr. Barker $54,402; Mr. Williams $54,492; and Mr. Pistell $59,303.

(5) Amount consists of the change in annual actuarial present value of pension benefits for Messrs. Washkewicz, Marten, Banks, Barker and Williams, as also reported in the Pension Benefits for Fiscal Year 2011 table on page 54. Mr. Pistell s change in annual actuarial present value of pension benefits was ($8,017,413) as a result of the lump sum distribution during fiscal year 2011 in connection with his retirement, as reported in the Pension Benefits for Fiscal Year 2011 table on page 54. None of the Named Executive Officers received above-market or preferential earnings on deferred compensation.

(6) The following table describes each component of the All Other Compensation column in the Summary Compensation Table for fiscal year 2011:

Name	Company Contributions to Defined Contribution Plans	Life Insurance Premiums Paid	Perquisites (a)	Total All Other Compensation
Donald E. Washkewicz	$16,933	$167,786	$26,968	$211,687
Jon P. Marten	19,386	61,730	26,009	107,125
Lee C. Banks	17,835	64,665	31,719	114,219
Robert P. Barker	17,590	74,773	43,501	135,864
Thomas L. Williams	17,218	68,593	26,614	112,425
Timothy K. Pistell	11,428	98,808	24,480	134,716

(a) Reported in this column are amounts reimbursed or incurred by us with respect to (i) executive long term disability insurance premiums and (ii) one or more of the following executive perquisites: (A) leased vehicle, including state sales tax if applicable; (B) spousal travel; (C) matching gifts program; and (D) executive physicals. The Named Executive Officers also use our loge, box seats or tickets to various entertainment venues. However, there is

no incremental cost to us for their use of these loges, box seats and tickets. Except for Company Contributions to Defined Contribution Plans and Life Insurance Premiums Paid, no Named Executive Officer received an executive perquisite in an amount that exceeds the greater of $25,000 or 10% of the total amount of executive perquisites received by the Named Executive Officer.

(7) Messrs. Marten and Barker were not Named Executive Officers for fiscal years 2009 or 2010.

(8) Mr. Williams was not a Named Executive Officer for fiscal year 2009.

(9) Mr. Pistell retired as an executive officer on March 31, 2011 but still qualifies as a Named Executive Officer because he served as our principal financial officer during fiscal year 2011.

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GRANTS OF PLAN-BASED AWARDS FOR FISCAL YEAR 2011

The following table sets forth information with respect to non-equity and equity incentive plan awards granted to the Named Executive Officers during fiscal year 2011. The LTIP Awards and Stock Incentives listed below have been granted under either the 2003 Stock Incentive Plan or the 2009 Omnibus Stock Incentive Plan.

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Option Awards: Number of Securities Under-lying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
Name	Grant Date	Compensation Committee Action Date (If Different than Grant Date)	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	(#)	($/Sh)	($)
Donald E. Washkewicz											
Target Incentive Bonus	8/11/2010		0	708,650	1,417,300						
General RONA Bonus	8/11/2010		0	981,750	(1)						
Converted RONA Bonus	8/11/2010		0	78,912	(1)						
LTIP Award (CY11-12-13)	1/26/2011					0	49,460	98,920			4,361,877(2)
Stock Incentives	8/11/2010								157,680	62.35	2,928,118
Jon P. Marten											
Target Incentive Bonus	8/11/2010		0	61,000	122,000						
Target Incentive Bonus(3)	12/7/2010		0	96,500	193,000						
General RONA Bonus	8/11/2010		0	76,575	(1)						
General RONA Bonus(3)	12/7/2010		0	125,925	(1)						
Converted RONA Bonus	8/11/2010		0	43,495	(1)						
LTIP Award (FY09-10-11)(3)	12/7/2010					0	1,175	2,350			99,863(2)
LTIP Award (FY10-11-12)(3)	12/7/2010					0	5,748	11,496			488,523(2)
LTIP Award (CY10-11-12)(3)	12/7/2010					0	3,499	6,998			297,380(2)
LTIP Award (CY11-12-13)	1/26/2011					0	9,500	19,000			837,805(2)
Stock Incentives	8/11/2010								7,370	62.35	136,861
Lee C. Banks											
Target Incentive Bonus	8/11/2010		0	152,000	304,000						
General RONA Bonus	8/11/2010		0	262,305	(1)						
Converted RONA Bonus	8/11/2010		0	42,242	(1)						
LTIP Award (CY11-12-13)	1/26/2011					0	13,110	26,220			1,156,171(2)
Stock Incentives	8/11/2010								41,790	62.35	776,040
Stock Incentives(4)	2/2/2011	8/10/2005							12,372	89.93	338,745
Robert P. Barker											
Target Incentive Bonus	8/11/2010		0	127,000	254,000						
General RONA Bonus	8/11/2010		0	242,865	(1)						
Converted RONA Bonus	8/11/2010		0	42,172	(1)						
LTIP Award (CY11-12-13)	1/26/2011					0	9,500	19,000			837,805(2)
Stock Incentives	8/11/2010								30,290	62.35	562,485

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Name	Grant Date	Compensation Committee Action Date (If Different than Grant Date)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Option Awards: Number of Securities Under-lying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
			Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	(#)	($/Sh)	($)
Thomas L. Williams											
Target Incentive Bonus	8/11/2010		0	152,000	304,000						
General RONA Bonus	8/11/2010		0	262,305	(1)						
Converted RONA Bonus	8/11/2010		0	42,242	(1)						
LTIP Award (CY11-12-13)	1/26/2011					0	13,110	26,220			1,156,171(2)
Stock Incentives	8/11/2010								41,790	62.35	776,040
Stock Incentives(4)	11/24/2010	8/16/2006							7,748	82.29	189,361
Stock Incentives(4)	11/24/2010	8/10/2005							3,495	82.29	84,299
Stock Incentives(4)	4/21/2011	8/12/2009							7,329	96.56	219,504
Timothy K. Pistell											
Target Incentive Bonus	8/11/2010		0	243,000	486,000						
General RONA Bonus	8/11/2010		0	315,225	(1)						
Converted RONA Bonus	8/11/2010		0	63,257	(1)						
LTIP Award (CY11-12-13)	1/26/2011					0	18,730	37,460			1,651,799(2)
Stock Incentives	8/11/2010								59,700	62.35	1,108,629

(1) There are no maximum amounts for General RONA Bonuses or Converted RONA Bonuses. General RONA Bonuses and Converted RONA Bonuses are calculated as described in the Compensation Discussion and Analysis beginning on page 32.

(2) Calculated assuming a payout of 100% as described in footnote 2 to the Summary Compensation Table for Fiscal Year 2011 on page 46.

(3) Mr. Marten received additional target awards under his Target Incentive Bonuses, General RONA Bonuses and LTIP Awards due to his promotion from Vice President and Controller to Executive Vice President Finance & Administration and Chief Financial Officer.

(4) Represents reload grants of Stock Incentives which are exercisable on the date following completion of one year of continuous full-time employment after the exercise of the underlying Stock Incentive, provided, the Named Executive Officer retains ownership for one year of the shares resulting from the underlying Stock Incentive exercise, less shares surrendered or sold to satisfy tax obligations. Reload grants of Stock Incentives have accelerated vesting in the event of a Change in Control as defined on page 59.

The elements of executive compensation included in each Named Executive Officer s total compensation as reported in the Summary Compensation Table for Fiscal Year 2011 on page 46 and the compensation programs under which the grants described in the Grants of Plan-Based Awards for Fiscal Year 2011 table above were made are described in the Compensation Discussion and Analysis, beginning on page

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OUTSTANDING EQUITY AWARDS AT JUNE 30, 2011

The following table sets forth information with respect to Stock Incentives and stock awards held by the Named Executive Officers as of June 30, 2011.

	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)(1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(1)
Donald E. Washkewicz	0	157,680(2)	62.3500	8/10/2020				
	65,977	131,954(3)	49.4600	8/11/2019				
	108,000	54,000(4)	65.3400	8/12/2018				
	155,250	0	60.9334	8/14/2017				
	156,750	0	49.7534	8/15/2016				
	152,250	0	43.7667	8/9/2015				
	153,750	0	36.2600	8/10/2014				
	77,621	0	71.1600	8/12/2013				
	69,913	0	71.1600	8/6/2012				
					32,920(8)	2,954,241		
					11,728(9)	1,052,471		
					25,345(10)	2,274,460		
					39,686(11)	3,561,422		
							158,166(12)	14,193,817
							72,194(12)	6,478,690
							98,920(12)	8,877,081
Jon P. Marten	0	7,370(2)	62.3500	8/10/2020				
	3,177	6,353(3)	49.4600	8/11/2019				
	5,200	2,600(4)	65.3400	8/12/2018				
	4,942	0	60.9334	8/14/2017				
	4,950	0	49.7534	8/15/2016				
	4,200	0	43.7667	8/9/2015				
	2,550	0	36.2600	8/10/2014				
	3,337	0	31.5267	8/12/2013				
					290(9)	26,025		
					1,377(10)	123,572		
					4,499(11)	403,740		
							18,670(12)	1,675,446
							10,272(12)	921,809
							19,000(12)	1,705,060
Lee C. Banks	0	12,372(5)	89.9300	8/9/2015				
	0	41,790(2)	62.3500	8/10/2020				
	14,255	28,508(3)	49.4600	8/11/2019				

23,333	11,667(4)	65.3400	8/12/2018				
29,700	0	60.9334	8/14/2017				
27,225	0	49.7534	8/15/2016				
14,173	0	76.6334	8/10/2014				
7,872	0	76.6334	8/12/2013				
				10,432(8)	936,168		
				3,907(9)	350,614		
				9,362(10)	840,146		
				14,801(11)	1,328,242		
						34,242(12)	3,072,877
						15,630(12)	1,402,636
						26,220(12)	2,352,983

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	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)(1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(1)
Robert P. Barker	0	30,290(2)	62.3500	8/10/2020				
	12,768	25,535(3)	49.4600	8/11/2019				
	20,900	10,450(4)	65.3400	8/12/2018				
	29,700	0	60.9334	8/14/2017				
	27,225	0	49.7534	8/15/2016				
	25,500	0	43.7667	8/9/2015				
	15,906	0	68.2734	8/10/2014				
	18,184	0	68.2734	8/12/2013				
	18,225	0	26.5600	8/6/2012				
					5,562(8)	499,134		
					1,956(9)	175,531		
					4,404(10)	395,215		
					8,248(11)	740,176		
							30,166(12)	2,707,097
							13,770(12)	1,235,720
							19,000(12)	1,705,060
Thomas L. Williams	0	41,790(2)	62.3500	8/10/2020				
	0	28,508(3)	49.4600	8/11/2019				
	0	7,329(6)	96.5600	8/11/2019				
	0	7,748(7)	82.2900	8/15/2016				
	0	3,495(7)	82.2900	8/9/2015				
	23,333	11,667(4)	65.3400	8/12/2018				
	29,700	0	60.9334	8/14/2017				
	2,239	0	63.2800	8/9/2015				
					7,707(8)	691,626		
					3,639(9)	326,564		
					9,362(10)	840,146		
					14,801(11)	1,328,242		
							34,242(12)	3,072,877
							15,630(12)	1,402,636
							26,220(12)	2,352,983
Timothy K. Pistell	0	59,700(2)	62.3500	8/10/2020				
	0	49,934(3)	49.4600	8/11/2019				
	0	13,667(4)	65.3400	8/12/2018				
	8,360	0	79.2400	8/15/2016				
	13,497	0	79.2400	8/9/2015				
	23,662	0	71.0534	8/10/2014				
	17,740	0	71.0534	8/12/2013				
	3,940	0	77.9900	8/7/2011				
					9,128(8)	819,147		
					3,096(9)	277,835		
					7,804(10)	700,331		
					12,358(11)	1,109,007		
							34,954(12)	3,136,772

	11,396(12)	1,022,677
	3,122(12)	280,168

(1) The market value is calculated by multiplying the closing price of our common stock on June 30, 2011 ($89.74) by the number of shares.

(2) Represents Stock Incentives granted on August 11, 2010. The Stock Incentives vest in three equal annual installments beginning August 11, 2011.

(3) Represents Stock Incentives granted on August 12, 2009. The Stock Incentives vest in three equal annual installments beginning August 12, 2010.

(4) Represents Stock Incentives granted on August 13, 2008. The Stock Incentives vest in three equal annual installments beginning August 13, 2009.

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(5) Represents a reload grant of Stock Incentives made on February 2, 2011. Assuming continued full-time employment, the grant will vest on February 2, 2012.

(6) Represents a reload grant of Stock Incentives made on April 21, 2011. Assuming continued full-time employment, the grant will vest on April 21, 2012.

(7) Represents a reload grant of Stock Incentives made on November 24, 2010. Assuming continued full-time employment, the grant will vest on November 24, 2011.

(8) Represents restricted shares issued in payment under our fiscal year 2006-07-08 LTIP Award that will vest on August 13, 2011.

(9) Represents restricted shares issued in payment under our fiscal year 2007-08-09 LTIP Award that will vest on August 12, 2012.

(10) Represents restricted shares issued in payment under our fiscal year 2008-09-10 LTIP Award that will vest on August 11, 2013.

(11) Represents restricted shares issued in payment under our fiscal year 2009-10-11 LTIP Award that will vest on August 17, 2014.

(12) Assumes that we exceed our target performance goals and payout will be at 200% of the target LTIP Award value. Payouts under these LTIP Awards will be in common shares.

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OPTION EXERCISES AND STOCK VESTED FOR FISCAL YEAR 2011

The following table sets forth information with respect to Stock Incentives that were exercised during fiscal year 2011 and restricted shares issued under LTIP Awards that vested for the Named Executive Officers during fiscal year 2011.

	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
Name	(#)	($)(1)	(#)	($)(2)
Donald E. Washkewicz	119,881	3,607,219	136,409	8,477,368
Jon P. Marten	5,287	273,394	(3)	
Lee C. Banks	36,795	1,648,805	(4)	
Robert P. Barker	23,040	1,013,101	16,930	1,070,882
Thomas L. Williams	33,429	1,334,175	7,834	497,616
Timothy K. Pistell	100,751	3,087,459	44,136(5)	3,421,258

(1) Calculated by multiplying the number of shares acquired by the difference between the exercise price and closing price of our common stock on the exercise date.

(2) Calculated by multiplying the number of shares acquired by the closing price of our common stock on the vesting date.

(3) Mr. Marten was not a participant in the fiscal year 2005-06-07 Long Term Incentive Plan. As a result, he did not own any restricted shares that vested during fiscal year 2011.

(4) Mr. Banks elected to defer the cash value of his LTIP Award payout under the fiscal year 2005-06-07 Long Term Incentive Plan pursuant to the Executive Deferral Plan in accordance with the terms of the awards. As a result, he did not own any restricted shares that vested during fiscal year 2011.

(5) Mr. Pistell s retirement on March 31, 2011 resulted in the immediate vesting of all of his restricted shares.

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PENSION BENEFITS FOR FISCAL YEAR 2011

The following table sets forth the actuarial present value of the benefits accumulated by each of the Named Executive Officers under the Pension Plan, the Pension Restoration Plan and the Supplemental Retirement Program.

Name	Plan Name	Number of Years of Credited Service (#)	Present Value of Accumulated Benefit ($)(1)	Payments During Last Fiscal Year ($)
Donald E. Washkewicz	Pension Plan	39	1,866,511	0
	Pension Restoration Plan	39	13,334,753	0
	Supplemental Retirement Program	39	3,391,913	0
Jon P. Marten	Pension Plan	23.9	466,428	0
	Pension Restoration Plan	23.9	322,144	0
	Supplemental Retirement Program	23.9	803,431	0
Lee C. Banks	Pension Plan	19.6	258,840	0
	Pension Restoration Plan	19.6	862,014	0
	Supplemental Retirement Program	19.6	1,754,907	0
Robert P. Barker	Pension Plan	37.9	1,910,674	0
	Pension Restoration Plan	37.9	3,019,934	0
	Supplemental Retirement Program	37.9	349,573	0
Thomas L. Williams	Pension Plan	7.6	127,233	0
	Pension Restoration Plan	7.6	392,412	0
	Supplemental Retirement Program	7.6	2,081,841	0
Timothy K. Pistell	Pension Plan	41.8	41,366	2,103,197
	Pension Restoration Plan	41.6	0	6,046,722
	Supplemental Retirement Program	41.6	0	1,578,657

(1) The present value of the accumulated benefits is calculated under each plan using the following assumptions: (i) a discount rate of 5.45%; (ii) no pre-retirement decrements; and (iii) retirement at age 65 (other than for Mr. Pistell, who was already retired as of June 30, 2011).

For the Pension Plan additional assumptions include: (i) participants elect a life annuity; and (ii) the 2011 Static Mortality Table for Annuitants and Non-Annuitants per Section 1.430(h)(3)-1(e).

For the Pension Restoration Plan, using each Named Executive Officer s participant elections under the Pension Restoration Plan, additional assumptions include: (i) calculating lump sums using the applicable mortality table under IRC section 417(e); and (ii) a discount rate of 5.45%.

For the Supplemental Retirement Program, using each Named Executive Officer s participant elections under the Supplemental Retirement Program, additional assumptions include: (i) calculating lump sums using a life expectancy based on the 1983 Group Annuity Mortality Table (80% male) (other than for Mr. Marten, whose lump sum was based on the applicable mortality table under IRC section 417(e) for 2011); and (ii) a discount rate of 4.42%.

The Pension Plan, the Pension Restoration Plan and the Supplemental Retirement Program are described in the Compensation Discussion and Analysis, beginning on page 39.

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NONQUALIFIED DEFERRED COMPENSATION FOR FISCAL YEAR 2011

The following table sets forth the contributions, earnings, withdrawals/distributions and aggregate balances for the Named Executive Officers participating in the Savings Restoration Plan and the Executive Deferral Plan during fiscal year 2011.

Name	Executive Contributions in Last Fiscal Year ($)(1)	Registrant Contributions in Last Fiscal Year ($)(2)	Aggregate Earnings in Last Fiscal Year ($)	Aggregate Withdrawals / Distributions ($)	Aggregate Balance at Last Fiscal Year End ($)
Donald E. Washkewicz					
Savings Restoration Plan	11,550	7,200	194,305	0	611,498(3)
Executive Deferral Plan	0	0	833,874	0	3,449,744
Jon P. Marten					
Savings Restoration Plan	29,636	7,812	26,511	0	153,698(3)
Executive Deferral Plan	15,000	0	7,348	0	40,635
Lee C. Banks					
Savings Restoration Plan	26,483	7,627	122,958	0	439,325(3)
Executive Deferral Plan	0	0	1,012,916	0	4,103,860
Robert P. Barker					
Savings Restoration Plan	26,385	7,595	185,145	0	619,421(3)
Executive Deferral Plan	0	0	827,136	0	3,756,855
Thomas L. Williams					
Savings Restoration Plan	26,483	7,627	49,751	0	220,371(3)
Executive Deferral Plan	0	0	1,939	0	11,160
Timothy K. Pistell					
Savings Restoration Plan	3,502	3,600	154,359	556,857(4)	0
Executive Deferral Plan	0	0	421,655	1,718,762(4)	0

(1) For each of the Named Executive Officers, amounts are included in the Salary column and referenced in footnote 1 of the Summary Compensation Table for Fiscal Year 2011 on page 46.

(2) Amounts are included along with our contributions to the Retirement Savings Plan, which is a qualified deferred compensation plan, in the Company Contributions to Defined Contribution Plans column in the All Other Compensation components table in footnote 6 to the Summary Compensation Table for Fiscal Year 2011 on page 47.

(3) Includes the following amounts that were deferred during fiscal year 2010 under the Savings Restoration Plan: Mr. Washkewicz $10,973; Mr. Banks $25,246; and Mr. Williams $25,246.

(4) Mr. Pistell received a distribution from the Savings Restoration Plan and Executive Deferral Plan as a result of his retirement.

The Savings Restoration Plan and the Executive Deferral Plan are described in the Compensation Discussion and Analysis, beginning on page 40. The investment options under both plans are identical. During fiscal year 2011, there were up to nine investment funds that a Named Executive Officer could choose with annual rates of return for the year ended June 30, 2011 ranging from 0.23% to 47.59%. Under the plans, participants have the ability to change their investments at any time.

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POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE OF CONTROL

AT JUNE 30, 2011

Each of the Named Executive Officers may be entitled to payments under our executive compensation program upon a termination of employment or a change in control. The events which may trigger these payments include death, long-term disability, retirement, termination for cause, termination without cause, resignation, change in control or a qualifying termination in connection with a change in control. The following narratives and tables describe the payments the Named Executive Officers may receive under the written terms of our executive compensation program plans and arrangements as in effect on June 30, 2011 for each triggering event as if the triggering event occurred on June 30, 2011. Payments to Mr. Pistell, who retired as an executive officer on March 31, 2011, are described below under the caption Payments to Mr. Pistell .

Payments Generally Available

A Named Executive Officer will generally receive the following upon termination of employment:

- base salary earned but not yet paid as of the date of termination;
- Target Incentive Bonuses, General RONA Bonuses, Converted RONA Bonuses and Volume Incentive Bonuses earned but not yet paid as of the date of termination;
- LTIP Award payouts for the most recently completed three-year performance period not yet paid as of the date of termination;
- amounts accrued and vested under the Pension Plan, the Pension Restoration Plan and the Supplemental Retirement Program as of the date of termination, as described in the Compensation Discussion and Analysis beginning on page 39;
- account balances under the Retirement Savings Plan, the Savings Restoration Plan and the Executive Deferral Plan as of the date of termination, as described in the Compensation Discussion and Analysis beginning on page 39; and
- any accrued and unused vacation pay as of the date of termination.

The Committee may, however, reduce any payments of a Target Incentive Bonus, Volume Incentive Bonus or LTIP Award payout in its sole discretion, up to and including a reduction to zero.

In determining the amounts reflected in the following tables, we used the following general assumptions and principles.

We assumed that each of the triggering events occurred on June 30, 2011. This includes our assumption that, upon a qualifying termination in connection with a change in control, the qualifying termination and change in control both occurred on June 30, 2011.

We did not include amounts for base salaries, Target Incentive Bonuses, General RONA Bonuses, Converted RONA Bonuses, Volume Incentive Bonuses or fiscal year 2009-10-11 LTIP Award payouts in the following tables because the amounts are already earned and are not affected by the triggering events, which are assumed to occur on June 30, 2011.

Amounts were calculated based on each Named Executive Officer s age, compensation and years of service as of June 30, 2011.

All present values of pension amounts shown for the Pension Plan assume a 5.45% discount rate, the 2011 Static Mortality Table for Annuitants and Non-Annuitants per Section 1.430(h)(3) 1(e), and assume that the annuity payment elected is 50% joint and survivor.

With the exception of the values for the Supplemental Retirement Program in the Change in Control and Qualifying Termination in Connection with a Change in Control columns, all lump sum values of pension amounts shown assume the following:

for the Pension Restoration Plan, segment rates (after phase-in) of 2.44%, 5.08% and 6.05%, and the applicable mortality table under Internal Revenue Code Section 417(e) for 2011; and

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for the Supplemental Retirement Program, a 4.42% discount rate and life expectancy based on 1983 Group Annuity Mortality Table (80% male) (other than Mr. Marten, whose lump sum was based on the applicable mortality table under IRC Section 417(e) for 2011).

We did not include amounts for account balances in the Retirement Savings Plan because this plan is available to all salaried employees. We did not include amounts for account balances under the Savings Restoration Plan and the Executive Deferral Plan because these amounts, which are reported under the Aggregate Balance at Last Fiscal Year End column in the Nonqualified Deferred Compensation for Fiscal Year 2011 table on page 55, would not be increased in connection with any triggering event.

Payments upon Death

Upon the death of a Named Executive Officer, in addition to the Payments Generally Available described above, the estate or beneficiary of the Named Executive Officer will receive the following:

accelerated vesting of all outstanding Stock Incentives;

retention of all outstanding Stock Incentives for the earlier of (i) two years after the Named Executive Officer s death or (ii) the expiration date listed in the grant letter;

accelerated vesting of the unvested portion of the Named Executive Officer s account under our Executive Deferral Plan;

accelerated vesting of restricted shares issued in payment of LTIP Awards;

pro-rated LTIP Award payouts for the fiscal year 2010-11-12, calendar year 2010-11-12 and calendar year 2011-12-13 performance periods, to be determined at the end of the respective performance periods, based on the number of full quarters served during the performance period; and

death benefits under the Officer Life Insurance Plan as described in the Compensation Discussion and Analysis on page 42.

In determining the amounts payable upon death reported in the following tables, the following assumptions and principles were used.

For restricted stock that vested on the triggering event, the shares were valued at an amount per share equal to the closing stock price on June 30, 2011 ($89.74).

To calculate the estimated value of the LTIP Awards, we assumed a payout of 100% of the pro-rated LTIP Award target amount and used our closing stock price on June 30, 2011 ($89.74). Because the payout of the LTIP Awards is dependent upon our performance against the Peer Group during the three-year performance period, a Named Executive Officer s actual payout could range from a minimum of zero to a maximum of 200% of the Named Executive Officer s pro-rated LTIP Award target amount.

The death benefit payable under the Officer Life Insurance Plan is funded through individual life insurance policies owned by each of the Named Executive Officers that would be paid by the insurance company issuing the policy.

Payments upon Long-Term Disability

Upon the long-term disability of a Named Executive Officer, the Named Executive Officer will receive the Payments Generally Available described above and the Payments Upon Death described above, except that:

(i) the term for all outstanding Stock Incentives will continue for the remainder of their ten-year terms; and

(ii) the Named Executive Officer will not receive death benefits under the Officer Life Insurance Plan.

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In addition, the Named Executive Officer will receive the following:

- monthly benefits under the Executive Long Term Disability Plan;
- six months of premium payments for medical and dental insurance based on the applicable COBRA rates for the Named Executive Officer; and
- premium payments under the Officer Life Insurance Plan for the greater of ten years from commencement of plan participation or the number of years until the Named Executive Officer reaches age 65.

The benefit in the following tables for each of the Named Executive Officers under the Executive Long-Term Disability Plan represents one year of long term disability benefits which are capped at $396,000 for one year. The disability benefit payable under the plan is funded through group and individual long-term disability insurance policies owned by each of the Named Executive Officers that would be paid by the insurance company issuing the policies.

Payments upon Retirement

Upon the retirement of a Named Executive Officer at (A) age 65 or older, or (B) age 55 or older with at least 10 years of service, the Named Executive Officer will receive the Payments Generally Available described above and the Payments Upon Death described above, except that:

(i) the vesting schedule in all outstanding Stock Incentives will continue;

(ii) the term for all outstanding Stock Incentives will continue for the remainder of their ten-year terms;

(iii) if the Named Executive Officer is (A) age 65 or older, or (B) age 60 or older with at least 10 years of service and 12 months of continuous employment during the performance period, he will receive a full LTIP Award payout for the calendar year 2011-12-13 performance period, to be determined at the end of the performance period, as if he had remained continuously employed through the end of the performance period; and

(iv) the Named Executive Officer will not receive death benefits under the Officer Life Insurance Plan until death subsequently occurs.

However, if the Named Executive Officer is less than 60 years of age on the date of retirement, then the Named Executive Officer must seek early retirement approval from the Human Resources and Compensation Committee to receive payments with respect to the following:

- the Supplemental Retirement Program;

account balance in the unvested portion of the Named Executive Officer s LTIP Award deferrals under our Executive Deferral Plan; and

accelerated vesting of restricted shares issued under LTIP Awards.

In addition, the Named Executive Officer must be at least 55 years of age on the date of retirement to continue to receive premium payments under the Officer Life Insurance Plan which will continue for the greater of ten years from commencement of plan participation or the number of years until the Named Executive Officer reaches age 65.

In determining the amounts payable upon retirement reported in the following tables, we assumed that the Named Executive Officer did not receive Human Resources and Compensation Committee approval for early retirement.

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Payments upon Termination for Cause or Resignation

Upon the termination for cause or the resignation of a Named Executive Officer, the Named Executive Officer will receive the Payments Generally Available described above, except that the Named Executive Officer will (i) forfeit his Supplemental Retirement Program Benefit if the termination for cause is the result of competition by the Named Executive Officer against us, and (ii) forfeit his LTIP Awards if the termination or resignation occurs during the applicable performance period.

In determining the amounts payable upon termination for cause under the Supplemental Retirement Program, we assumed that the termination did not result from competition against us.

Payments Upon Termination Without Cause

Upon the termination without cause of a Named Executive Officer, the Named Executive Officer will receive the Payments Generally Available described above. In addition, if the Named Executive Officer signs a release of all claims against us, the Named Executive Officer will receive a lump sum payment equal to one week s pay for each full year of service up to a maximum of twenty-six weeks of pay and continuation of premium payments for medical and dental insurance based on the applicable COBRA rates for the Named Executive Officer for up to three months.

In determining the amounts payable upon termination without cause reported in the following tables, we assumed that the Named Executive Officer signed a release.

Payments upon a Change in Control

A Change in Control occurs if and when:

- subject to certain exceptions, any person (as such term is used in Sections 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934) is or becomes a beneficial owner, directly or indirectly, of securities representing 20% or more of the combined voting power of our then outstanding securities eligible to vote for the election of the Board of Directors;

- during any period of 24 consecutive months, individuals who at the beginning of such 24-month period were our directors, which we refer to as the Incumbent Board, cease to constitute at least a majority of the Board of Directors, unless the election, or nomination for election, of any person becoming a director subsequent to the beginning of such 24-month period was approved by a vote of at least two-thirds of the Incumbent Board;

- our shareholders approve a plan of complete liquidation or dissolution; or

we enter into a merger, consolidation or other reorganization, or sell all of our assets, unless:

immediately following the business combination, (1) more than 50% of the total voting power eligible to elect directors of the resulting entity is represented by shares that were common shares immediately prior to the business combination, (2) subject to certain exceptions, no person becomes the beneficial owner, directly or indirectly, of 20% or more of the voting power of the entity resulting from the business combination, and (3) at least a majority of the members of the board of directors of the resulting entity were members of the Incumbent Board at the time of the approval by the Board of Directors of the execution of the initial agreement providing for such business combination; or

the business combination is effected by means of the acquisition of common shares from us, and the Board of Directors approves a resolution providing expressly that such business combination does not constitute a Change in Control.

On July 21, 2008, we adopted certain amendments to our deferred compensation plans and arrangements to comply with Section 409A of the Internal Revenue Code. The amendments included certain modifications to the above definition of Change in Control for purposes of those plans and arrangements which were necessary to comply with the definition required by Section 409A.

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A Change in Control, either with or without a qualifying termination of a Named Executive Officer (as described below in Payments upon a Qualifying Termination in Connection with a Change in Control), has the following effects under the executive compensation plans:

- any outstanding unvested Stock Incentive held by an executive officer vests and becomes exercisable immediately upon a Change in Control;
- any outstanding unvested shares of restricted stock issued or unvested Executive Deferral Plan amounts credited to an executive officer pursuant to LTIP Awards vest immediately in the event of a Change in Control;
- any outstanding LTIP Award will be paid in common shares equal to the greater of (i) the target LTIP Award or (ii) the LTIP Award that would be payable at the end of the performance period assuming a level of financial performance equivalent to that existing at the fiscal quarter end immediately preceding the date of the Change in Control;
- upon a Change in Control, all amounts previously deferred by the executive under the Executive Deferral Plan, together with a make whole amount designed to compensate the executive for the lost opportunity to continue to defer receipt of such income (and the earnings thereon) pursuant to elections made under the Executive Deferral Plan, will be paid to the executive; and
- upon a Change in Control, under the Supplemental Retirement Program each participant will receive three additional years of age and service credit, a lump-sum payment equal to the present value of the participant s vested benefit under the Supplemental Retirement Program, and a gross-up payment to offset the effect, if any, of the excise tax imposed by Section 4999 of the Internal Revenue Code on such lump sum payment.

In determining the amounts payable upon a Change in Control reported in the following tables, the following assumptions or principles were used.

- We used the same assumptions in Payments Generally Available described above.
- We assumed that the Change in Control met the requirements of a Change in Control under Section 409A of the Internal Revenue Code unless otherwise noted.
- For restricted stock that vested on the triggering event, we valued the shares at an amount per share equal to our closing stock price on June 30, 2011 ($89.74).
- For Stock Incentives that vested on the triggering event, we valued the Stock Incentives at an amount per share equal to the difference between our closing stock price on June 30, 2011 ($89.74) and the grant price per share for each of the Stock Incentives.
- For lump sum present values for the Supplemental Retirement Program, we assumed a 2.50% discount rate for a Change in Control that meets the requirements under Section 409A of the Internal Revenue Code and a 4.42% discount rate for a Change in Control that does not meet the requirements of 409A. In both instances, we used the life expectancy based on 1983 Group Annuity Mortality Table (80% male) (other than Mr. Marten, whose lump sum was based on the applicable mortality table under IRC Section 417(e) for 2011).

To calculate the value of the LTIP Awards, we assumed a payout of 140.96% of the target LTIP Award and a share price of $89.74 based on our financial performance against the Peer Group and closing stock price as of June 30, 2011.

Payments upon a Qualifying Termination in Connection with a Change in Control

Each of the Change in Control Agreements requires two triggering events to result in any severance payments to the Named Executive Officers:

Change in Control; and

termination of the employment of the Named Executive Officer in connection with a Change in Control.

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Each Change in Control Agreement provides that, if the employment of the Named Executive Officer is terminated during the three years following a Change in Control, or prior to a Change in Control, where the termination was in anticipation of the Change in Control, either by us without Cause (as defined in the Change in Control Agreements) or by the Named Executive Officer for Good Reason (as described below), the Named Executive Officer shall be entitled to receive the Payments upon a Change in Control described above and the following:

- pro rata base salary, unused vacation, and annual cash and long-term incentive compensation for the year of termination of employment;
- severance pay equal to three times the executive s annual base salary and annual cash incentive compensation, other than Converted RONA Bonuses;
- continuation of welfare benefits (e.g., medical, life insurance, disability coverage) for a period of three years;
- to the extent not previously received, all amounts previously deferred under our non-qualified income deferral plans, together with a make-whole amount as described above, where the Named Executive Officer s termination occurs within two years of a Change in Control that constitutes a change in control as defined under Section 409A of the Internal Revenue Code; and
- a gross-up payment to offset the effect, if any, of the excise tax imposed by Section 4999 of the Internal Revenue Code.

Good Reason for termination of employment by the Named Executive Officer includes, without limitation, diminution in duties, reduction in compensation or benefits, relocation, or termination of employment by the executive for any or no reason during the 180-day period beginning on the 91st day after the Change in Control.

Payments to Mr. Pistell

Mr. Pistell received the following in connection with his retirement as an executive officer on March 31, 2011:

- immediate vesting of all of his restricted stock on his date of retirement as reflected in the Number of Shares Acquired on Vesting column in the Option Exercises and Stock Vested for Fiscal Year 2011 table on page 53.
- lump sum payment under the Pension Plan, Pension Restoration Plan, and Supplemental Retirement Program as reflected in Payments During Last Fiscal Year column of the Pension Benefits for Fiscal Year 2011 table on page 54 with the remaining balance in the Pension Plan to be paid as a monthly annuity; and
- lump sum distributions from the Savings Restoration Plan and the Executive Deferral Plan as reported in the Aggregate Withdrawals/Distributions column of the Nonqualified Deferred Compensation for Fiscal Year 2011 table on page 55.

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The following tables illustrate the payments that each Named Executive Officer would have received if any of the triggering events occurred on June 30, 2011.

Donald E. Washkewicz

	Death	Long-Term Disability	Retirement	Termination for Cause or Resignation	Termination without Cause	Change in Control	Qualifying Termination in Connection with a Change in Control
Severance Pay					577,481		9,861,390
Accelerated Vesting of Stock Incentives	10,951,562	10,951,562				10,951,562	10,951,562
Accelerated Vesting of Restricted Stock	6,281,172	6,281,172	6,281,172			6,281,172	6,281,172
Pension Plan	1,001,918	1,976,595	1,976,595	1,976,595	1,976,595	1,976,595	1,976,595
Pension Restoration Plan	7,124,281	14,210,932	14,210,932	14,210,932	14,210,932	14,210,932(1)	14,210,932
Supplemental Retirement Program	11,125,670	7,303,082	7,303,082	7,303,082	7,303,082	13,814,022(1)	13,814,022(2)
Executive Deferral Plan						398,233(1)	398,233
LTIP Awards	7,090,701	7,090,701	7,090,701			20,826,549	20,826,549
Executive Long-Term Disability Benefit		396,000					
Executive Long-Term Disability Premiums							21,512
Medical and Dental Benefits		6,939			3,470		41,637
Officer Life Insurance Benefit	5,775,000						
Officer Life Insurance Premiums		161,756	0				503,359
Excise and Related Income Tax Gross-Up						0	0
Vacation Pay	88,651	88,651	88,651	88,651	88,651	88,651	88,651
Total	49,438,956	48,467,391	36,951,133	23,579,260	24,160,211	68,547,716	78,975,614

(1) If the Change in Control does not meet the requirements of a Change in Control under Section 409A of the Internal Revenue Code, payment at the time of the Change in Control is 0.

(2) If the Change in Control does not meet the requirements of a Change in Control under Section 409A of the Internal Revenue Code, payment at the time of the qualifying termination in connection with a Change in Control is $9,293,381.

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Jon P. Marten

	Death	Long-Term Disability	Retirement	Termination for Cause or Resignation	Termination without Cause	Change in Control	Qualifying Termination in Connection with a Change in Control
Severance Pay					207,686		2,151,969
Accelerated Vesting of Stock Incentives	521,203	521,203				521,203	521,203
Accelerated Vesting of Restricted Stock	149,597	149,597				149,597	149,597
Pension Plan	211,691	440,125	440,125	440,125	440,125	440,125	440,125
Pension Restoration Plan	143,391	302,297	302,297	302,297	302,297	302,297(1)	302,297
Supplemental Retirement Program	1,625,996	1,700,668			1,700,668	5,212,761(1)	5,212,761(2)
Executive Deferral Plan						11,836(1)	11,836
LTIP Awards	931,023	931,023	931,023			3,032,272	3,032,272
Executive Long-Term Disability Benefit		396,000					
Executive Long-Term Disability Premiums							24,385
Medical and Dental Benefits		7,701			3,851		46,209
Officer Life Insurance Benefit	1,350,000						
Officer Life Insurance Premiums		207,670	20,400				185,190
Excise and Related Income Tax Gross-Up						3,310,142	4,523,154
Vacation Pay	28,783	28,783	28,783	28,783	28,783	28,783	28,783
Total	4,961,683	4,685,067	1,722,628	771,205	2,683,410	13,009,015	16,629,779

(1) If the Change in Control does not meet the requirements of a Change in Control under Section 409A of the Internal Revenue Code, payment at the time of the Change in Control is 0. There would also be a corresponding reduction in the excise and related income tax gross-up and in his total payments.

(2) If the Change in Control does not meet the requirements of a Change in Control under Section 409A of the Internal Revenue Code, payment at the time of the qualifying termination in connection with a Change in Control is $4,066,645. There would also be a corresponding reduction in the excise and related income tax gross-up and in his total payments.

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Lee C. Banks

	Death	Long-Term Disability	Retirement	Termination for Cause or Resignation	Termination without Cause	Change in Control	Qualifying Termination in Connection with a Change in Control
Severance Pay					215,863		3,301,791
Accelerated Vesting of Stock Incentives	2,577,605	2,577,605				2,577,605	2,577,605
Accelerated Vesting of Restricted Stock	2,126,928	2,126,928				2,126,928	2,126,928
Pension Plan	102,966	220,533	220,533	220,533	220,533	220,533	220,533
Pension Restoration Plan	318,966	744,765	703,226	703,226	703,226	703,226(1)	703,226
Supplemental Retirement Program	2,896,877	2,852,672				6,363,343(1)	6,363,343(2)
Executive Deferral Plan						2,288,278(1)	2,288,278
LTIP Awards	1,571,033	1,571,033				4,812,724	4,812,724
Executive Long-Term Disability Benefit		396,000					
Executive Long-Term Disability Premiums							13,606
Medical and Dental Benefits		7,047			3,523		42,281
Officer Life Insurance Benefit	1,725,000						
Officer Life Insurance Premiums		64,141					193,994
Excise and Related Income Tax Gross-Up						5,891,691	7,710,787
Vacation Pay	36,277	36,277	36,277	36,277	36,277	36,277	36,277
Total	11,355,652	10,597,001	960,036	960,036	1,179,422	25,020,605	30,391,373

(1) If the Change in Control does not meet the requirements of a Change in Control under Section 409A of the Internal Revenue Code, payment at the time of the Change in Control is 0. There would also be a corresponding reduction in the excise and related income tax gross-up and in his total payments.

(2) If the Change in Control does not meet the requirements of a Change in Control under Section 409A of the Internal Revenue Code, payment at the time of the qualifying termination in connection with a Change in Control is $4,849,882. There would also be a corresponding reduction in the excise and related income tax gross-up and in his total payments.

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Robert P. Barker

	Death	Long-Term Disability	Retirement	Termination for Cause or Resignation	Termination without Cause	Change in Control	Qualifying Termination in Connection with a Change in Control
Severance Pay					277,441		3,024,465
Accelerated Vesting of Stock Incentives	2,113,173	2,113,173				2,113,173	2,113,173
Accelerated Vesting of Restricted Stock	1,069,880	1,069,880	1,069,880			1,069,880	1,069,880
Pension Plan	960,630	2,014,051	2,014,051	2,014,051	2,014,051	2,014,051	2,014,051
Pension Restoration Plan	1,499,427	3,215,009	3,215,009	3,215,009	3,215,009	3,215,009(1)	3,215,009
Supplemental Retirement Program	2,964,117	1,455,779	1,455,779	1,455,779	1,455,779	3,676,061(1)	3,676,061(2)
Executive Deferral Plan						1,327,283(1)	1,327,283
LTIP Awards	1,353,384	1,353,384	1,353,384			3,980,623	3,980,623
Executive Long-Term Disability Benefit		396,000					
Executive Long-Term Disability Premiums							27,993
Medical and Dental Benefits		3,960			1,980		23,761
Officer Life Insurance Benefit	1,573,500						
Officer Life Insurance Premiums		83,800	0				224,318
Excise and Related Income Tax Gross-Up						3,348,339	5,139,432
Vacation Pay	59,582	59,582	59,582	59,582	59,582	59,582	59,582
Total	11,593,693	11,764,618	9,167,685	6,744,421	7,023,842	20,804,002	25,895,630

(1) If the Change in Control does not meet the requirements of a Change in Control under Section 409A of the Internal Revenue Code, payment at the time of the Change in Control is 0. There would also be a corresponding reduction in the excise and related income tax gross-up and in his total payments.

(2) If the Change in Control does not meet the requirements of a Change in Control under Section 409A of the Internal Revenue Code, payment at the time of the qualifying termination in connection with a Change in Control is $2,451,793. There would also be a corresponding reduction in the excise and related income tax gross-up and in his total payments.

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Thomas L. Williams

	Death	Long-Term Disability	Retirement	Termination for Cause or Resignation	Termination without Cause	Change in Control	Qualifying Termination in Connection with a Change in Control
Severance Pay					79,528		3,301,791
Accelerated Vesting of Stock Incentives	2,661,365	2,661,365				2,661,365	2,661,365
Accelerated Vesting of Restricted Stock	1,858,336	1,858,336				1,858,336	1,858,336
Pension Plan	54,873	110,884	110,884	110,884	110,884	110,884	110,884
Pension Restoration Plan	161,537	339,193	332,325	332,325	332,325	332,325(1)	332,325
Supplemental Retirement Program	2,917,052	2,971,484				6,532,042(1)	6,532,042(2)
Executive Deferral Plan						4,294(1)	4,294
LTIP Awards	1,571,033	1,571,033				4,812,724	4,812,724
Executive Long-Term Disability Benefit		396,000					
Executive Long-Term Disability Premiums							17,289
Medical and Dental Benefits		7,590			3,795		45,541
Officer Life Insurance Benefit	1,725,000						
Officer Life Insurance Premiums		118,872					205,779
Excise and Related Income Tax Gross-Up						5,010,101	6,838,790
Vacation Pay	22,637	22,637	22,637	22,637	22,637	22,637	22,637
Total	10,971,834	10,057,395	465,846	465,846	549,169	21,344,708	26,743,797

(1) If the Change in Control does not meet the requirements of a Change in Control under Section 409A of the Internal Revenue Code, payment at the time of the Change in Control is 0. There would also be a corresponding reduction in the excise and related income tax gross-up and in his total payments.

(2) If the Change in Control does not meet the requirements of a Change in Control under Section 409A of the Internal Revenue Code, payment at the time of the qualifying termination in connection with a Change in Control is $5,196,141. There would also be a corresponding reduction in the excise and related income tax gross-up and in his total payments.

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DIRECTOR COMPENSATION FOR FISCAL YEAR 2011

The following table sets forth compensation information for our non-employee Directors for fiscal year 2011.

Name(1)	Fees Earned or Paid in Cash ($)(2)	Stock Awards ($)(3)	Option Awards ($)	All Other Compensation ($)(5)	Total ($)
Robert G. Bohn	93,125	113,594		1,409	208,128
Linda S. Harty	116,250	113,594		6,409	236,253
William E. Kassling	101,250	113,594		6,409	221,253
Robert J. Kohlhepp	121,875	113,594	122,251(4)	11,409	369,129
Giulio Mazzalupi(6)	0(7)	0(7)		0	0
Klaus-Peter Müller	0	216,594		2,174	218,768
Candy M. Obourn	58,125	174,589		1,884	234,598
Joseph M. Scaminace	51,250	131,166		1,607	184,023
Wolfgang R. Schmitt	101,250	113,594		1,409	216,253
Åke Svensson	80,313	134,995		1,552	216,860
Markos I. Tambakeras	101,250	113,594		1,409	216,253
James L. Wainscott	106,875	113,594		6,409	226,878

(1) Donald E. Washkewicz, our Chairman of the Board, Chief Executive Officer and President, is not included in this table because he is a Named Executive Officer and received no additional compensation in his capacity as a Director. The compensation paid by us to Mr. Washkewicz in fiscal year 2011 is reflected in the Summary Compensation Table on page 46.

(2) During fiscal year 2011, Messrs. Müller, Scaminace and Svensson and Ms. Obourn elected to convert a portion of their annual retainers for their one-year term into our common stock under our Amended and Restated Non-Employee Directors Stock Plan. These amounts are reported in the Stock Awards column of this table. During fiscal year 2011, Mr. Kassling elected to defer his annual retainer ($101,250) under our Deferred Compensation Plan for Directors.

(3) This column represents the aggregate grant date fair value for grants made in fiscal year 2011 computed in accordance with FASB ASC Topic 718 of restricted stock awards under our 2004 Non-Employee Directors Stock Incentive Plan and our Amended and Restated Non-Employee Directors Stock Plan. The amount was calculated using the average of the high and low stock price on the date of grant. The grant date fair value for each of the plans is as follows:

2004 Non-Employee Directors Stock Incentive Plan: $113,594 (1,620 shares).

Amended and Restated Non-Employee Directors Stock Plan: Mr. Müller $103,000 (1,205 shares); Ms. Obourn $60,995 (725 shares); Mr. Scaminace $17,572 (227 shares); and Mr. Svensson $21,401 (245 shares).

During fiscal year 2011, Mr. Mazzalupi forfeited 450 shares. As of June 30, 2011, each director had the following aggregate number of unvested stock awards: each of Messrs. Bohn, Kassling, Schmitt and Wainscott 1,620 shares; each of Ms. Harty and Messrs. Kohlhepp and Tambakeras 2,970 shares; Mr. Mazzalupi 0 shares; Mr. Müller 4,169 shares; Ms. Obourn 3,628 shares; Mr. Scaminace 1,841 shares; and Mr. Svensson 1,865 shares.

(4) Amount reflects the aggregate grant date fair value for fiscal year 2011 computed in accordance with FASB ASC Topic 718 of stock option grants under our Non-Employee Directors Stock Option Plan and our 2004 Non-Employee Directors Stock Incentive Plan. The amount was calculated using the Black-Scholes

option pricing model with the following assumptions:

Fiscal Year of Grant	Type of Grant	Risk-free Interest Rate	Expected Life of Award	Expected Dividend Yield of Stock	Expected Volatility of Stock
2011	Reload Grant	0.68%	1.59 years	1.48%	31.2%
2011	Reload Grant	1.11%	2.60 years	1.48%	43.1%
2011	Reload Grant	1.41%	3.59 years	1.48%	41.3%
2011	Reload Grant	2.09%	4.59 years	1.48%	38.0%

During fiscal year 2011, Mr. Mazzalupi had 504 stock options that were under water lapse, and Mr. Schmitt had 243 stock options that were under water lapse. As of June 30, 2011, each director had the following aggregate number of outstanding stock options: each of Ms. Harty and Messrs. Bohn, Kassling, Scaminace, Svensson and Wainscott 0 options; Mr. Kohlhepp 5,235 options; Mr. Mazzalupi 10,229 options; Mr. Müller 3,614 options; Ms. Obourn 10,800 options; Mr. Schmitt 4,938 options; and Mr. Tambakeras 3,302 options.

(5) The amounts reported in this column are the dividends earned on the restricted stock awards granted in fiscal year 2011 reported in footnote 3 to this table and matching gifts under our Matching Gifts Program.

(6) Mr. Mazzalupi retired from our Board of Directors on October 27, 2010.

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(7) Effective January 1, 2010, Mr. Mazzalupi elected to convert his entire calendar year 2010 annual retainer into our common stock under our Amended and Restated Non-Employee Directors Stock Plan and, therefore, received no compensation during fiscal year 2011.

Compensation of Directors

Directors who are also our employees do not receive any additional compensation for their services as Directors. During fiscal year 2011, non-employee Directors received an annual retainer, meeting fees (if applicable), and a restricted stock award. Our non-employee Directors are also eligible to participate in our Matching Gifts Program as described in the Compensation Discussion and Analysis on page 44 of this Proxy Statement. The following annual retainers of the non-employee Directors were approved on August 14, 2008 and August 11, 2010, respectively:

	Approved ***August 14, 2008*** **From 10/01/2008 through 9/30/2010**	***Approved*** ***August 11, 2010*** **Effective beginning 10/01/2010**
Annual retainer for Corporate Governance and Nominating Committee Chair:	$105,000	$127,500
Annual retainer for Audit Committee Chair:	$112,500	$117,500
Annual retainer for Human Resources and Compensation Committee Chair:	$107,500	$112,500
Annual retainer for the Finance Committee:	$105,000	$110,000
Annual retainer for non-chair committee members:	$ 97,500	$102,500

In addition to the annual retainers described above, non-employee Directors were entitled to receive a $1,500 fee for attending each Board of Directors or Committee meeting that exceeds the number of regularly scheduled Board of Directors or Committee meetings in a fiscal year by more than two. During fiscal year 2011, neither the Board of Directors nor any of the Committees met more than two times beyond their regularly scheduled meetings. On August 18, 2011, the Board of Directors increased this fee to $2,000.

During fiscal year 2011, Directors could elect to defer all or a portion of their annual retainers under our Deferred Compensation Plan for Directors or elect to convert all or a portion of their annual retainers into our common stock pursuant to our Amended and Restated Non-Employee Directors Stock Plan. If a Director elected to convert under our Amended and Restated Non-Employee Directors Stock Plan, the applicable portion of his or her retainer was converted into our common stock by using the average of the high and low stock price for our common stock on the beginning date of his or her election to convert under the plan. The Director received restricted shares that vest on the date of our Annual Shareholders Meeting this year. Upon death or disability, a pro-rated portion of the Director s restricted shares will vest immediately and the remaining shares will be forfeited. In the event of a change in control, the vesting of the restricted shares will be accelerated. On August 18, 2011, our Board of Directors repealed our Amended and Restated Non-Employee Directors Stock Plan.

Each Director who was serving as a Director on October 1, 2010 and who was not a current or retired employee was granted shares of restricted stock as of October 1, 2010 under our 2004 Non-Employee Directors Stock Incentive Plan. The original terms of the shares provide that the shares will vest 100% on September 30, 2011, except that if a Director ceases to be a Director for any reason prior to September 30, 2011, a pro-rated portion of her or his restricted shares will vest immediately on the date of termination and the remaining shares will be forfeited. All shares of restricted stock earn dividends payable directly to each Director to whom they are issued.

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ITEM 2 RATIFICATION OF THE

APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of our Board of Directors recommends ratification of its appointment of D&T as the independent registered public accounting firm to audit our financial statements as of and for the fiscal year ending June 30, 2012. D&T served as the independent registered public accounting firm to audit our financial statements as of and for the fiscal year ended June 30, 2011. A representative of D&T is expected to be present at the Annual Meeting of Shareholders and available to respond to appropriate questions, and will have an opportunity to make a statement if he or she desires to do so. Ratification of the appointment of D&T as the independent registered public accounting firm for the fiscal year ending June 30, 2012 requires the affirmative vote of the holders of at least a majority of the shares of our common stock present or represented and entitled to vote on the proposal at the Annual Meeting of Shareholders.

Audit Fees. The aggregate fees billed or expected to be billed by D&T for the fiscal years ended June 30, 2011 and June 30, 2010 for auditing our annual consolidated financial statements, reviewing our interim financial statements included in our Forms 10-Q filed with the SEC and services normally provided in connection with statutory and regulatory filings or engagements were $7.76 million and $7.66 million, respectively.

Audit-Related Fees. The aggregate fees billed by D&T during the fiscal years ended June 30, 2011 and June 30, 2010 for assurance and related services provided to us that are reasonably related to the performance of the audit or review of our financial statements and are not included in Audit Fees above were $111,161 and $264,294, respectively. The fees billed related primarily to audit procedures required to respond to or comply with financial, accounting or regulatory reporting matters and internal control reviews and reporting requirements.

Tax Fees. The aggregate fees billed by D&T during the fiscal years ended June 30, 2011 and June 30, 2010 with respect to tax compliance services such as global assistance in preparing various types of tax returns, were $2.36 million and $1.35 million, respectively, and for tax planning services generally related to our restructurings, were $2.56 million and $2.56 million, respectively.

All Other Fees. The aggregate fees billed by D&T during the fiscal years ended June 30, 2011 and June 30, 2010 that are not included in the above categories were $2,405 for training sessions and $0, respectively.

Audit Committee Pre-Approval Policies and Procedures. In accordance with the SEC s rules issued pursuant to the Sarbanes-Oxley Act of 2002, which require, among other things, that the Audit Committee pre-approve all audit and non-audit services provided by our independent registered public accounting firm, the Audit Committee has adopted a formal policy on auditor independence requiring the approval by the Audit Committee of all professional services rendered by our independent registered public accounting firm. The policy specifically pre-approves certain services up to a budgeted amount to be determined annually by the Audit Committee. All other services require Audit Committee approval on a case-by-case basis.

All of the services described in Audit-Related Fees , Tax Fees and All Other Fees were approved by the Audit Committee in accordance with our formal policy on auditor independence.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE PROPOSAL TO RATIFY THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING JUNE 30, 2012.

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ITEM 3 PROPOSAL TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS ON A NON-BINDING, ADVISORY BASIS

In accordance with the requirements of Section 14A of the Securities Exchange Act of 1934 (adopted under the Dodd-Frank Wall Street Reform and Consumer Protection Act) and the related SEC rules, we are providing our shareholders with the opportunity to vote to approve, on a non-binding, advisory basis, the compensation of the Named Executive Officers as disclosed on pages 18-66 of this Proxy Statement. We encourage our shareholders to carefully read this Proxy Statement in its entirety before deciding whether or not to vote for or against this Item 3.

As described in detail throughout our Compensation Discussion and Analysis beginning on page 18 of this Proxy Statement, and as summarized in the Executive Summary section beginning on page 18 of this Proxy Statement, our executive compensation program features, among other things, the following:

- A pay-for-performance structure which ensures that a significant portion of the compensation for our executive officers is at-risk, is dependent on the short-term and long-term performance of our business and encourages and rewards performance that drives the key goals, operational priorities and metrics that we use to profitably grow our business and enhance shareholder value.

- A structure which ensures that our executive compensation program aligns the interests of our executive officers and our shareholders, is not overly weighted towards annual cash incentive compensation and does not otherwise have the potential to threaten long-term shareholder value by promoting unnecessary or excessive risk-taking by our executive officers;

- A structure consistent with our philosophy of targeting executive compensation at market median, which allows us to remain competitive with companies that compete with us for talented employees and shareholder investment;

- Various executive compensation practices that contribute to good corporate governance, including a claw-back policy, stock ownership guidelines for Directors and executive officers, hedging and other stock ownership restrictions, and an annual compensation risk review; and

- Detailed and effective oversight and decision-making by a highly-independent Board of Directors and a Human Resources and Compensation Committee consisting entirely of independent directors that retains an independent executive compensation consultant.

The vote on this Item 3 is non-binding and advisory in nature, which means that the vote is not binding on us, our Board of Directors or any of the Committees of our Board of Directors.

Our Board of Directors believes that our executive compensation program is reasonable and well-structured, satisfies its objectives and philosophies and is worthy of shareholder support. Accordingly, our Board of Directors requests that our shareholders vote to approve the following resolution:

RESOLVED, that the compensation paid to our Named Executive Officers, as disclosed pursuant to the rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, compensation tables and narrative discussions, is approved on a non-binding, advisory basis.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE APPROVAL OF THE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT.

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ITEM 4 PROPOSAL TO DETERMINE, ON A NON-BINDING, ADVISORY BASIS, WHETHER AN ADVISORY SHAREHOLDER VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS WILL OCCUR EVERY 1, 2 OR 3 YEARS

In accordance with the requirements of Section 14A of the Securities Exchange Act of 1934 (adopted pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act) and the related SEC rules, we are providing our shareholders with the opportunity to vote, on a non-binding, advisory basis, for their preference as to how frequently we should seek future advisory shareholder votes on the compensation of the Named Executive Officers as disclosed in accordance with SEC rules. By voting with respect to this Item 4, shareholders may indicate whether they would prefer that we conduct future advisory votes on executive compensation once every year, once every two years or once every three years, or may abstain from casting a vote on this Item 4.

Our Board of Directors has determined that an annual advisory vote on executive compensation will allow our shareholders to provide timely and direct input on our executive compensation policies and practices as disclosed in our Proxy Statement each year. Our Board of Directors also believes that an annual vote is consistent with our efforts to maintain a dialogue with our shareholders on executive compensation and corporate governance matters.

This vote is non-binding and advisory in nature, which means that the vote is not binding on us, our Board of Directors or any of the Committees of our Board of Directors. Our Board of Directors will, however, take into account the outcome of the vote when considering the frequency of future advisory votes on executive compensation. The Board may decide that it is in the best interests of our shareholders and the Company to hold an advisory vote on executive compensation more or less frequently than the frequency receiving the most votes cast by our shareholders.

Our shareholders will not be voting to approve or disapprove the recommendation of our Board of Directors. The enclosed proxy card instead provides our shareholders with the opportunity to choose among the following four options:

Voting to hold the frequency vote every year;

Voting to hold the frequency vote every two years;

Voting to hold the frequency vote every three years; or

Abstain from voting on the matter. Our shareholders, therefore, will not be voting to approve or disapprove the recommendation of our Board of Directors.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE OPTION OF ONCE EVERY YEAR AS THE PREFERRED FREQUENCY FOR FUTURE ADVISORY SHAREHOLDER VOTES ON THE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS AS DISCLOSED IN ACCORDANCE WITH SEC RULES.

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ITEM 5 SHAREHOLDER PROPOSAL

TO SEPARATE THE ROLES OF CHAIRMAN OF THE BOARD

AND CHIEF EXECUTIVE OFFICER

This proposal has been submitted on behalf of Norges Bank Investment Management with administrative offices at Postboks 1179 Sentrum, 0107 Oslo, Norway. Norges Bank Investment Management is one of our shareholders. We will provide to shareholders, promptly upon receiving an oral or written request, the number of shares of our common stock beneficially held by Norges Bank Investment Management as of August 31, 2011. In accordance with the applicable proxy rules, the proposed resolution and supporting statement, for which our Board of Directors accepts no responsibility, are set forth below.

Proposal Resolution

RESOLVED: Pursuant to Section 1701.11 of the Ohio Revised Code, the shareholders hereby amend the Code of Regulations to add the following text where designated:

To add a new Article IV, Section 3:

Notwithstanding any other provision of these Regulations, the Chairman of the Board shall be a Director who is independent from the Corporation. For purposes of this Regulation, independent has the meaning set forth in the New York Stock Exchange (NYSE) listing standards, unless the Corporation s common stock ceases to be listed on the NYSE and is listed on another exchange, in which case such exchange s definition of independence shall apply. If the Board of Directors determines that a Chairman of the Board who was independent at the time he or she was selected is no longer independent, the Board of Directors shall select a new Chairman of the Board who satisfies the requirements of this Regulation within 60 days of such determination. Compliance with this Regulation shall be excused if no Director who qualifies as independent is elected by the shareholders or if no Director who is independent is willing to serve as Chairman of the Board. This Regulation shall apply prospectively, so as not to violate any contractual obligation of the Corporation in effect when this Regulation was adopted.

Proponent s Supporting Statement

A goal of Norges Bank, the central bank of Norway, is to safeguard long-term financial interests through active ownership. In furtherance of that goal, Norges Bank believes that corporate boards should be structured to ensure independence and accountability to shareholders. The roles of Chairman of the Board and CEO are fundamentally different and should not be held by the same person. There should be a clear division of the responsibilities between these positions to ensure a balance of power and authority on the Board. Approximately 43% of S&P 1500 companies have separate CEO and Chairman positions.

The Board should be led by an independent Chairman. Such a structure will put the Board in a better position to make independent evaluations and decisions, hire management, decide a remuneration policy that encourages performance, provide strategic direction, and support management in taking a long-term view in the development of business strategies. An independently led Board is better able to oversee and give

guidance to Corporation executives, help prevent conflict or the perception of conflict, and effectively strengthen the system of checks-and-balances within the corporate structure and thus protect shareholder value.

An independent Chairman will be a strength to the Corporation when the Board must make the necessary strategic decisions and prioritizations to create shareholder value over time.

We therefore urge shareholders to vote FOR this proposal.

Board of Directors Response

Our Board of Directors unanimously recommends that you vote **AGAINST** this Proposal because it is unnecessary and it is not in our best interests or in the best interests of our shareholders. This is the third consecutive year that Norges Bank Investment Management has presented a similar proposal. The two previous proposals were presented to, but not approved by, our shareholders at our 2009 and 2010 Annual Meetings of Shareholders.

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Our Board of Directors strongly favors a governance structure that includes a diligent and independent Board of Directors. Pursuant to our Board of Directors Guidelines on Significant Corporate Governance Issues, the Chairman of the Corporate Governance and Nominating Committee of our Board of Directors, an independent director, serves as our Lead Director. Our Lead Director serves as chairman of our non-management, independent Directors, who meet regularly in executive session without management. Our non-management, independent Directors met four times during fiscal year 2011. Our Lead Director, a separate and independent position from our Chairman of the Board, calls meetings, supervises the conduct of meetings of our non-management, independent Directors, and facilitates communication between our independent Directors, our Chairman of the Board and our management. Our Lead Director is also involved in various other corporate governance initiatives, such as preparing agendas for meetings of our Board of Directors, identifying and recruiting potential candidates for election to our Board of Directors and composing and structuring the leadership of the Committees of our Board of Directors.

The independent structure of our Board of Directors is also clearly evidenced by the composition of our current Board of Directors and its Committees. Our Board of Directors currently has 12 Directors, 11 of whom are independent based on our Board of Directors consideration of our Independence Standards for Directors and the applicable independence standards of the New York Stock Exchange. In addition, the Human Resources and Compensation Committee, the Corporate Governance and Nominating Committee, the Finance Committee and the Audit Committee are composed entirely of independent directors. Consequently, independent directors directly oversee critical matters such as, among others, the remuneration policy for executive officers, our corporate governance guidelines, policies and practices, our corporate finance strategies and initiatives and the integrity of our financial statements and internal controls over financial reporting.

For example, the Human Resources and Compensation Committee conducts an annual performance review of the Chairman and our Chief Executive Officer and, based on that review, establishes the Chairman and our Chief Executive Officer s annual and long-term compensation, including salary, bonuses, equity awards and other compensation and benefits. Additionally, in August 2009, our Board of Directors, based on the recommendation of the Human Resources and Compensation Committee, adopted a policy on recovery of performance-based compensation from certain executive officers in the event of a restatement of our financial results if certain conditions are met.

In addition, the Corporate Governance and Nominating Committee regularly reviews our corporate governance guidelines, policies and practices and recommends to our Board of Directors modifications or additions to those guidelines, policies and practices. For example, in 2007 we amended our Code of Regulations to eliminate the classified board structure and provide for the annual election of all Directors. In addition, in 2011 we amended our Board of Directors Guidelines on Significant Corporate Governance Issues to include a resignation policy for directors who receive a greater number of votes withheld from his or her election than votes for his or her election.

Separating the role of Chairman and our Chief Executive Officer will not result in strengthening our corporate governance or in creating or enhancing long-term value for our shareholders. All of our Directors, independent or not, are required to exercise their fiduciary duties in a manner they believe to be in our best interests and in the best interests of our shareholders. Splitting the roles of Chairman and our Chief Executive Officer would not diminish or augment these fiduciary duties or enhance the independence or performance of our Board of Directors. Moreover, our Board of Directors does not believe such a requirement would ensure a balance of power and authority on our Board of Directors, as each Director is an equal participant in Board of Director meetings and decisions.

Finally, despite the proponent s preference for an independent Chairman, there is currently no consensus in the United States that separating the role of Chairman from senior executives is a corporate governance best practice or that such a separation enhances shareholder value. Board structures vary greatly among U.S. corporations based on their particular facts and circumstances, and no one-size-fits-all board structure has been shown to enhance or guarantee corporate success. Accordingly, our Board of Directors sees no benefit in limiting its flexibility to choose the person it believes would best serve as Chairman.

The shareholder proposal would eliminate the ability of our Board of Directors to consider whether a member of management is best positioned to serve in the role of Chairman at any given time. Rigid application of

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the proposal would deprive our Board of Directors of the flexibility that it needs to evaluate our particular needs, the specific qualifications of the individuals in question and the particular facts and circumstances affecting our business, as it considers candidates for Chairman. We believe that shareholders are best served by a Board of Directors that can adapt its structure to our needs and the capabilities of its Directors and senior executives. Because this proposal narrows the governance options available to our Board of Directors, we do not believe its adoption is in our best interests or in the best interests of our shareholders.

As a result, in view of our highly independent board structure and our strong corporate governance guidelines and practices, our Board of Directors believes that the shareholder proposal is unnecessary and would not strengthen the independence or oversight functions of our Board of Directors, and is not in our best interests or in the best interests of our shareholders. Our Board of Directors and its independent Corporate Governance and Nominating Committee will continue to evaluate our corporate governance practices on an ongoing basis to ensure that those practices sufficiently address our needs.

FOR ALL OF THESE REASONS, OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE AGAINST THIS PROPOSAL.

Under the Code of Regulations, this Proposal must be approved by the holders of shares entitling them to exercise a majority of the voting power on the Proposal. Accordingly, this Proposal will be approved, and the proposed amendments to the Code of Regulations adopted, upon the affirmative vote of the holders of a majority of our outstanding common shares.

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PRINCIPAL SHAREHOLDERS

The following table sets forth, as of August 31, 2011 except as otherwise indicated, the beneficial ownership of our common shares by our Directors, the Named Executive Officers and all of our Directors and executive officers as a group. We do not believe that any person was a beneficial owner of more than 5% of our common shares as of August 31, 2011.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(a)	Percentage of Class(b)
Robert G. Bohn	1,620	
Linda S. Harty	5,599	
William E. Kassling	22,238(c)	
Robert J. Kohlhepp	25,190	
Klaus-Peter Müller	30,210(d)	
Candy M. Obourn	26,282(e)	
Joseph M. Scaminace	10,559	
Wolfgang R. Schmitt	25,067(f)	
Åke Svensson	1,865	
Markos I. Tambakeras	16,343(g)	
James L. Wainscott	5,620	
Donald E. Washkewicz	1,709,521(h)	1.11%
Jon P. Marten	44,462(i)	
Lee C. Banks	221,684(j)	
Robert P. Barker	252,831(k)	
Thomas L. Williams	141,748(l)	
Timothy K. Pistell	151,964(m)	
All Directors and executive officers as a group (35 persons)	4,250,173(n)	2.76%

(a) Unless otherwise indicated, the beneficial owner has sole voting and investment power.

(b) Other than Mr. Washkewicz, no Director or executive officer beneficially owned more than 1% of our common shares as of August 31, 2011.

(c) This amount includes 6,750 common shares owned jointly by Mr. Kassling and his spouse.

(d) This amount includes 3,614 common shares subject to options exercisable by Mr. Müller on or prior to October 30, 2011 granted under our Non-Employee Directors stock incentive plans.

(e) This amount includes 10,800 common shares subject to options exercisable by Ms. Obourn on or prior to October 30, 2011 granted under our Non-Employee Directors stock incentive plans.

(f) This amount includes 4,572 common shares subject to options exercisable by Mr. Schmitt on or prior to October 30, 2011 granted under our Non-Employee Directors stock incentive plans.

(g) This amount includes 3,302 common shares subject to options exercisable by Mr. Tambakeras on or prior to October 30, 2011 granted under our Non-Employee Directors stock incentive plans.

(h) This amount includes 1,477 common shares that represents Mr. Washkewicz s proportionate interest in his mother s revocable trust, 38,000 common shares owned indirectly by Mr. Washkewicz through the Pamela Washkewicz Revocable Trust, 40,516 common shares as to which Mr. Washkewicz holds voting power pursuant to the Retirement Savings Plan as of June 30, 2011, and 1,112,048 common shares subject to Stock Incentives exercisable by Mr. Washkewicz on or prior to October 30, 2011 granted under our stock incentive plans. Mr. Washkewicz has disclaimed beneficial ownership of 41,458 shares owned by his son.

(i) This amount includes 1,707 common shares as to which Mr. Marten holds voting power pursuant to the Retirement Savings Plan as of June 30, 2011 and 36,589 common shares subject to Stock Incentives exercisable by Mr. Marten on or prior to October 30, 2011 granted under our stock incentive plans.

(j) This amount includes 6,823 common shares owned indirectly by Mr. Banks through the Elizabeth K. Banks Revocable Trust, 865 common shares owned indirectly by Mr. Banks through his three children living in his household, 7,821 common shares as to which Mr. Banks holds voting power pursuant to the Retirement Savings Plan as of June 30, 2011 and 156,409 common shares subject to Stock Incentives exercisable by Mr. Banks on or prior to October 30, 2011 granted under our stock incentive plans.

(k) This amount includes 17,914 common shares owned indirectly by Mr. Barker through the Robert P. Barker and Suzanne Day Barker Family Trust, 7,722 common shares as to which Mr. Barker holds voting power pursuant to the Retirement Savings Plan as of June 30, 2011 and 201,722 common shares subject to Stock Incentives exercisable by Mr. Barker on or prior to October 30, 2011 granted under our stock incentive plans.

(l) This amount includes 1,437 common shares as to which Mr. Williams holds voting power pursuant to the Retirement Savings Plan as of June 30, 2011 and 95,123 common shares subject to Stock Incentives exercisable by Mr. Williams on or prior to October 30, 2011 granted under our stock incentive plans.

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(m) This amount is as of March 31, 2011, Mr. Pistell s retirement date as an executive officer, and includes 1,954 common shares owned indirectly by Mr. Pistell through the Linda S. Pistell Revocable Trust, 7,842 common shares as to which Mr. Pistell holds voting power pursuant to the Retirement Savings Plan as of March 31, 2011 and 121,793 common shares subject to Stock Incentives exercisable by Mr. Pistell on or prior to October 30, 2011 granted under our stock incentive plans.

(n) This amount includes 135,309 common shares for which voting and investment power are shared, 153,722 common shares as to which all executive officers as a group hold voting power pursuant to the Retirement Savings Plan as of June 30, 2011, and 2,846,426 common shares subject to Stock Incentives exercisable on or prior to October 30, 2011 granted under our stock incentive plans held by all Directors and executive officers as a group.

SHAREHOLDERS PROPOSALS

We must receive at our principal executive offices by May 29, 2012 any proposal of a shareholder intended to be presented at our 2012 Annual Meeting of Shareholders, or the 2012 Meeting, and to be included in our proxy, notice of meeting and Proxy Statement related to the 2012 Meeting pursuant to Rule 14a-8 under the Securities Exchange Act of 1934. Such proposals should be submitted to us by certified mail, return receipt requested. Proposals of shareholders submitted outside the processes of Rule 14a-8 under the Securities Exchange Act of 1934, or Non-Rule 14a-8 Proposals, in connection with the 2012 Meeting must be received by us by August 12, 2012 or such proposals will be considered untimely under Rule 14a-4(c) of the Securities Exchange Act of 1934. Our proxy related to the 2012 Meeting will give discretionary authority to the proxy holders to vote with respect to all Non-Rule 14a-8 Proposals received by us after August 12, 2012. Our proxy related to the 2011 Annual Meeting of Shareholders gives discretionary authority to the proxy holders to vote with respect to all Non-Rule 14a-8 Proposals received by us after August 13, 2011.

SHAREHOLDER RECOMMENDATIONS FOR DIRECTOR NOMINEES

The Corporate Governance and Nominating Committee will consider shareholder recommendations for nominees for election to our Board of Directors if such recommendations are in writing and set forth the information listed below. Such recommendations must be submitted to Parker-Hannifin Corporation, 6035 Parkland Boulevard, Cleveland, Ohio 44124-4141, Attention: Secretary, and must be received at our executive offices on or before June 30 of each year in anticipation of the following year s Annual Meeting of Shareholders. All shareholder recommendations for Director nominees must set forth the following information:

1. The name and address of the shareholder recommending the candidate for consideration as such information appears on our records, the telephone number where such shareholder can be reached during normal business hours, the number of common shares owned by such shareholder and the length of time such shares have been owned by the shareholder; if such person is not a shareholder of record or if such shares are owned by an entity, reasonable evidence of such person s beneficial ownership of such shares or such person s authority to act on behalf of such entity;

2. Complete information as to the identity and qualifications of the proposed nominee, including the full legal name, age, business and residence addresses and telephone numbers and other contact information, and the principal occupation and employment of the candidate recommended for consideration, including his or her occupation for at least the past five years, with a reasonably detailed description of the background, education, professional affiliations and business and other relevant experience (including directorships, employment and civic activities) and qualifications of the candidate;

3. The reasons why, in the opinion of the recommending shareholder, the proposed nominee is qualified and suited to be a Director;

4. The disclosure of any relationship of the candidate being recommended with us or any of our subsidiaries or affiliates, whether direct or indirect;

5. A description of all relationships, arrangements and understandings between the proposing shareholder and the candidate and any other person(s) (naming such person(s)) pursuant to which the candidate is being proposed or would serve as a Director, if elected; and

6. A written acknowledgement by the candidate being recommended that he or she has consented to being considered as a candidate, has consented to our undertaking of an investigation into that individual s

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background, education, experience and other qualifications in the event that the Corporate Governance and Nominating Committee desires to do so, has consented to be named in our Proxy Statement and has consented to serve as a Director, if elected.

COMMUNICATIONS WITH DIRECTORS

Our shareholders and other interested parties may communicate with our Board of Directors as a group, with the non-management Directors as a group, or with any individual Director by sending written communications to Parker-Hannifin Corporation, 6035 Parkland Boulevard, Cleveland, Ohio 44124-4141, Attention: Secretary. Complaints regarding accounting, internal accounting controls or auditing matters will be forwarded directly to the Chair of the Audit Committee. All other communications will be provided to the individual Director(s) or group of Directors to whom they are addressed. Copies of all communications will be provided to all other Directors; provided, however, that any such communications that are considered to be improper for submission to the intended recipients will not be provided to the Directors. Examples of communications that would be considered improper for submission include, without limitation, customer complaints, solicitations, communications that do not relate, directly or indirectly, to our business and/or our subsidiaries, or communications that relate to improper or irrelevant topics.

GENERAL

Our Board of Directors knows of no other matters which will be presented at the meeting. However, if any other matters properly come before the meeting or any adjournment, the person or persons voting the proxies will vote in accordance with their best judgment on such matters.

We will bear the expense of preparing, printing and mailing this Proxy Statement. In addition to solicitation by mail, our officers and employees may solicit the return of proxies. We will request banks, brokers and other custodians, nominees and fiduciaries to send proxy material to beneficial owners of common shares. We will, upon request, reimburse them for their expenses in so doing. We have retained Georgeson Inc., 199 Water Street, 26th Floor, New York, New York, to assist in the solicitation of proxies at an anticipated cost of $16,500, plus disbursements.

You are urged to vote your proxy promptly by internet, telephone or mail by following the instructions on the enclosed proxy card in order to make certain your shares will be voted at the meeting. Common shares represented by properly voted proxies will be voted in accordance with any specification made thereon and, if no specification is made, will be voted:

in favor of the election of Robert G. Bohn, Linda S. Harty, William E. Kassling, Robert J. Kohlhepp, Klaus-Peter Müller, Candy M. Obourn, Joseph M. Scaminace, Wolfgang R. Schmitt, Åke Svensson, James L. Wainscott, and Donald E. Washkewicz as Directors for a term expiring at the Annual Meeting of Shareholders in 2012;

in favor of the ratification of the appointment of Deloitte & Touche LLP as independent registered public accounting firm for the fiscal year ending June 30, 2012;

in favor of the compensation of our named executive officers;

in favor of the non-binding, advisory vote on the compensation of our named executive officers to occur every year; and

against the shareholder proposal to amend the Code of Regulations to separate the roles of Chairman of the Board and Chief Executive Officer.

Abstentions and broker non-votes are counted in determining the votes present at a meeting. Consequently, an abstention or a broker non-vote has the same effect as a vote against a proposal which requires the affirmative vote of a certain number of common shares, as each abstention or broker non-vote would be one less vote in favor of a proposal. You may revoke your proxy at any time prior to the close of voting at the Annual Meeting

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of Shareholders by giving us notice in writing, in open meeting, or by internet or telephone as set forth on the proxy card, without affecting any vote previously taken. However, your mere presence at the meeting will not operate to revoke your proxy.

Our Annual Report, including financial statements for the fiscal year ended June 30, 2011, is being mailed to shareholders with this Proxy Statement. If a single copy of the Annual Report and Proxy Statement was delivered to an address that you share with another shareholder, you may request a separate copy by notifying us in writing or by telephone at: Parker-Hannifin Corporation, Corporate Communications, 6035 Parkland Boulevard, Cleveland, Ohio 44124, (216) 896-3000.

You can elect to view our future Annual Reports and Proxy Statements over the internet, instead of receiving paper copies in the mail. Providing these documents over the internet will save us the cost of producing and mailing them. If you give your consent, in the future, when, and if, we elect to provide these documents, over the internet, you will receive notification which will contain the internet location where the documents are available. There is no cost to you for this service other than any charges you may incur from your internet provider, telephone and/or cable company. To give your consent, follow the prompts when you vote by telephone or over the internet or check the appropriate box located at the bottom of the enclosed proxy card when you vote by mail. Once you give your consent, it will remain in effect until you inform us otherwise in writing. If at any time you would like to receive a paper copy of our Annual Report or Proxy Statement, please contact Corporate Communications at the address or telephone number provided above.

By Order of the Board of Directors

Thomas A. Piraino, Jr.
Secretary

September 26, 2011

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c/o Corporate Election Services

P.O. Box 1150

Pittsburgh, PA 15230

Vote by Telephone

Have this proxy/voting instruction available when you call the **Toll-Free number 1-888-693-8683** using a touch-tone telephone and follow the simple instructions presented to record your vote.

Vote by Internet

Have this proxy/voting instruction available when you access the website **www.cesvote.com**, and follow the simple instructions presented to record your vote.

Vote by Mail

Please mark, sign and date this proxy/voting instruction and return it in the **postage-paid envelope** provided or return it to: Corporate Election Services, P.O. Box 1150, Pittsburgh, PA 15253.

Vote by Telephone	**Vote by Internet**	**Vote by Mail**
Call **Toll-Free** using a	Access the **Website** and	Return this Proxy/Voting
Touch-Tone phone:	cast your vote:	Instruction in the **Postage-**
1-888-693-8683	**www.cesvote.com**	**paid** envelope provided

Vote 24 hours a day, 7 days a week!

If you are a participant in one of the Parker-Hannifin Corporation employee saving plans, your telephone or Internet vote must be received by 6:00 a.m. Eastern Daylight Time on October 24, 2011 to be counted in the final tabulation. Otherwise, your vote must be received by 6:00 a.m. Eastern Daylight Time on October 26, 2011 to be counted in the final tabulation.

If voting by telephone or Internet, please do not mail this proxy/voting instruction.

Proxy/voting instruction must be signed and dated below.

Ü **Please fold and detach card at perforation before mailing.** Ü

PARKER-HANNIFIN CORPORATION **PROXY/VOTING INSTRUCTION**
This proxy is solicited on behalf of the Board of Directors for the Annual Meeting of Shareholders on October 26, 2011.

The undersigned hereby appoints DONALD E. WASHKEWICZ, JON P. MARTEN, and THOMAS A. PIRAINO, JR., and any of them, as proxies to represent and to vote all shares of stock of Parker-Hannifin Corporation which the undersigned is entitled to vote at the Annual Meeting of Shareholders of the Corporation to be held on October 26, 2011, and at any adjournment(s) thereof, on the proposals more fully described in the Proxy Statement for the Meeting in the manner specified herein and on any other business that may properly come before the Meeting.

This card also serves as voting instructions to Fidelity Management Trust Company, as Trustee for shares held in the Parker Retirement Savings Plan, and to Sun Life Financial Trust, as Trustee for the Deferred Profit Sharing Plan, Employee Profit Sharing Plan, and the Registered Retirement Savings Plan. The Trustee of the Parker Retirement Savings Plan will vote all uninstructed and unallocated shares in the same proportion as the shares for which the Trustee receives voting instructions.

Please sign exactly as your name appears hereon. When shares are held by joint tenants, both should sign. When signing on behalf of a corporation or as a fiduciary, attorney, executor, administrator, trustee or guardian, please also give your full title.

Signature(s)

Signature(s)

Date:

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ELECTRONIC ACCESS TO FUTURE DOCUMENTS NOW AVAILABLE

You can elect to view future Parker-Hannifin Corporation Annual Reports and Proxy Statements over the Internet, instead of receiving paper copies in the mail. Providing these documents over the Internet can save the Corporation the cost of producing and mailing them. Participation is completely voluntary. If you give your consent, in the future, when, as and if, the Corporation elects to provide these documents, over the Internet, you will receive notification which will contain the Internet location where the documents are available. There is no cost to you for this service other than any charges you may incur from your Internet provider, telephone and/or cable company. Once you give your consent, it will remain in effect until you inform us otherwise in writing.

To give your consent, follow the prompts when you vote by telephone or over the Internet or check the appropriate box located at the bottom of the attached proxy/voting instruction when you vote by mail.

Proxy/voting instruction must be signed and dated on the reverse side.

Ü **Please fold and detach card at perforation before mailing.** Ü

PARKER-HANNIFIN CORPORATION **PROXY/VOTING INSTRUCTION**

IF NO DIRECTIONS ARE GIVEN, YOUR PROXY WILL BE VOTED IN ACCORDANCE WITH THE BOARD OF DIRECTORS RECOMMENDATIONS. THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ITEMS 1 THROUGH 3, 1 YEAR ON ITEM 4 AND AGAINST ITEM 5.

1. Election of the following individuals as Directors for a term expiring at the Annual Meeting of Shareholders in 2012.

Nominees:	(01) Robert G. Bohn	(02) Linda S. Harty	(03) William E. Kassling	(04) Robert J. Kohlhepp
	(05) Klaus-Peter Müller	(06) Candy M. Obourn	(07) Joseph M. Scaminace	(08) Wolfgang R. Schmitt
	(09) Åke Svensson	(10) James L. Wainscott	(11) Donald E. Washkewicz	

¨ **FOR** all nominees listed above *(except as otherwise marked above)*

¨ **WITHHOLD AUTHORITY** *to vote for all nominees listed above*

(Instructions: To withhold authority to vote for any individual nominee, strike a line through that nominee s name.)

2. Ratification of the appointment of Deloitte & Touche LLP as independent registered public accounting firm for the fiscal year ending June 30, 2012.

¨ **FOR** ¨ **AGAINST** ¨ **ABSTAIN**

3. Approval of, on a non-binding, advisory basis, the compensation of our named executive officers.

¨ **FOR** ¨ **AGAINST** ¨ **ABSTAIN**

4. Determination of, on a non-binding, advisory basis, whether an advisory shareholder vote on the compensation of our named executive officers will occur every:

¨ **1 YEAR** ¨ **2 YEARS** ¨ **3 YEARS** ¨ **ABSTAIN**

5. Shareholder proposal to amend the Code of Regulations to separate the roles of Chairman of the Board and Chief Executive Officer.

¨ **FOR** ¨ **AGAINST** ¨ **ABSTAIN**

¨ I consent to view future shareholder communications over the Internet as stated above and in the Proxy Statement

IMPORTANT THIS PROXY/VOTING INSTRUCTION MUST BE SIGNED AND DATED ON THE REVERSE SIDE.