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10th March 2011

Mr Mark Robinson
KC Controls Ltd
17 Bell Centre
Newton Road
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West Sussex
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Dear Mark

28th March Material Surcharges

Increasing global demand for raw materials has, unfortunately, placed us in a situation where our suppliers are continuing to impose substantial surcharges on many key materials on which we are dependant for the production of our products.

In the last few months we have seen numerous raw material surcharges from our suppliers which we have had no alternative but to accept. This unfortunately leaves us with no other option than to pass on a portion of these increases to our customers in the form of a surcharge from Monday 28th March 2011. In an effort to minimize the impact of this surcharge we have applied this at the product level rather than as a blanket increase.

Based on feedback from our customers we have applied the surcharge in the form of a price increase which will apply to both list and net prices. You will therefore be able to see the exact price of each part number on your invoice. This will prevent the problem that can occur when a blanket surcharge is just applied to the bottom of an invoice which is often an issue for both our systems. The new list price or your new net price detail will follow shortly.

The average increase by Parker Division is shown in the attached document; this will be effective on all orders placed from 28th March 2011. Orders received prior to the 25th March 2011 will be at the existing price providing the acknowledged ship date is before 25th April 2011.

We have included additional information relating to the above points, by providing detail of the changes in the raw materials index over a 24 month period between January 2009 and January 2011.

As a world-class manufacturer we continue in our efforts to contain costs and ensure continued supply of our products in every way possible. Based on discussions that continue with material suppliers at the present time, we do not see any immediate letup in the escalation of purchasing costs due to a reluctance on the part of suppliers to commit to prices beyond the next month. While we are hopeful that stability will return to commodity markets we are not anticipating this in the short term and may well need to contact you again on this issue.

Once again we thank you for your understanding of this difficult situation, and be assured we are grateful for your business and your partnership, and are hopeful of a speedy return to pricing stability.

Yours sincerely

Nigel W. Judd
Regional General Manager, UK & Ireland

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Parker Material Surcharge increases by Product Line – March 2011

Product Range	Surcharge Price Inc
SSD Drive products – DC Drives	3.8%
SSD Drive products – Parvex Pancakes, NX & EX Servomotors, TM & TK Torque Motors	4%
PDE – Pneumatic products to include Cylinders, Valves, FRL's	2.5%
Origa Division – Valves only	2% – 5%
Hydraulic Filtration	3% – 5%
Racor Filtration	3% – 5%
Fluid System Connectors – Parker and Legris Brass products only	4%
Fluid System Connectors – Nylon Tube	7%
Hose Products	5%
Industrial Hose Products	5% – 7%
Polyflex products – All Tubing and PTFE hose (7%)	4% – 7%
Quick Coupling	4% – 5%
Tube Fitting products	5%
Accumulators	3%
Cylinders	3%
Calzoni Motors	2%
Electronic Controls	2.5%
Hydraulic Cartridge Valves	3%
Hydraulic Control Valves	2%
Hydraulic Pumps & Motors	3.5%
Mobile Control Valves	3%
Vane Pumps	2%
Seal Group products	3%
Fluid Controls Division – SCEM & Lucifer ranges	3%
Fluid Controls Division – Skinner Spares, Gold Ring and Sinclair Collins	6%
Instrumentation products	4%

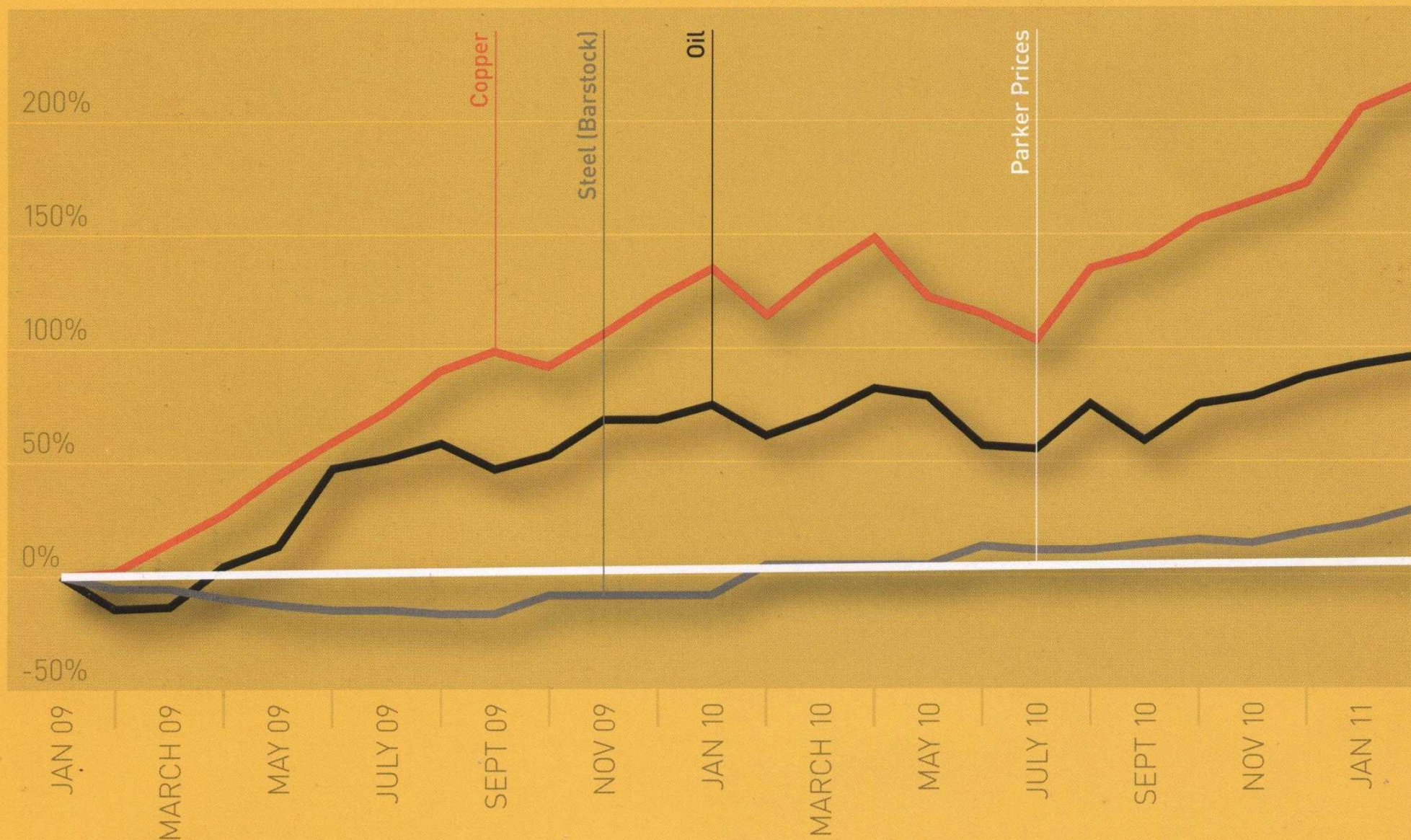
THE RISING PRICE OF RAW MATERIALS

ISSUE: March 2011

Over the last 2 years global raw material prices have risen significantly, especially those of steel, steel wire, copper and oil. These are the most heavily used commodities in our product manufacturing processes. Since the start of this year our key suppliers of these materials have introduced further surcharges that we have been forced to accept; and the problems in the middle east have resulted in oil prices soaring to more than \$114 per barrel.

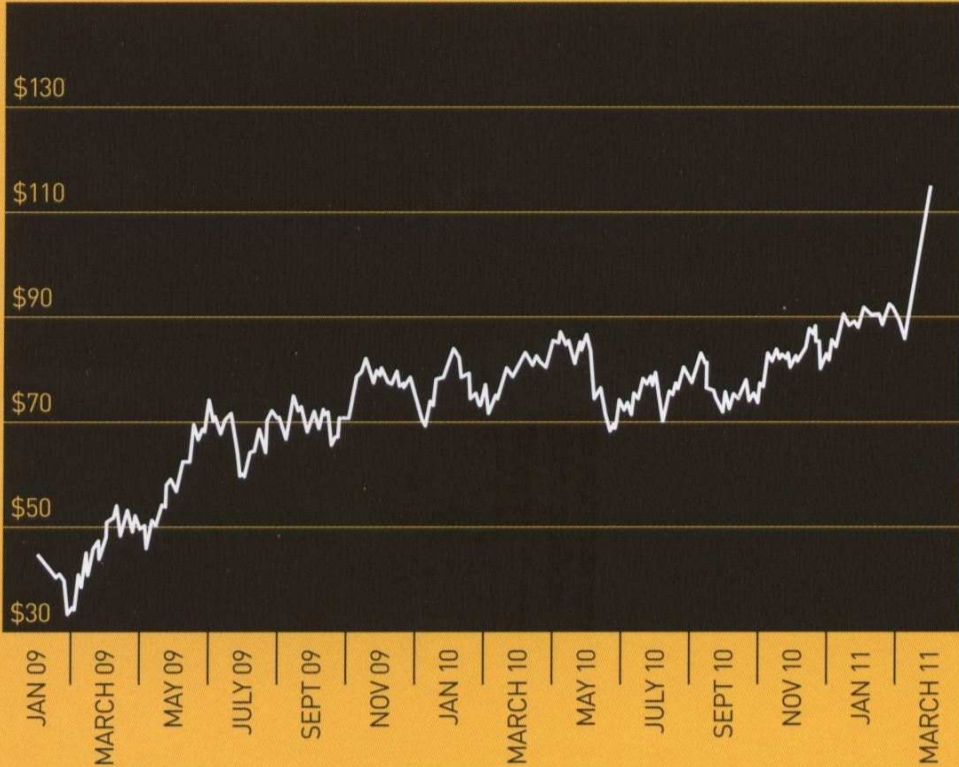
Since January 2009 Parker has striven to protect customers from rising raw material costs by improving production efficiencies and absorbing much of the potential financial impact. For example some of our key raw materials have increased in cost during this period by well over 100% - whilst our average product prices have increased just 5.2% in the same period.

Hopefully, the following data will clearly show why we are now forced reluctantly to pass on the latest raw material surcharges where necessary.



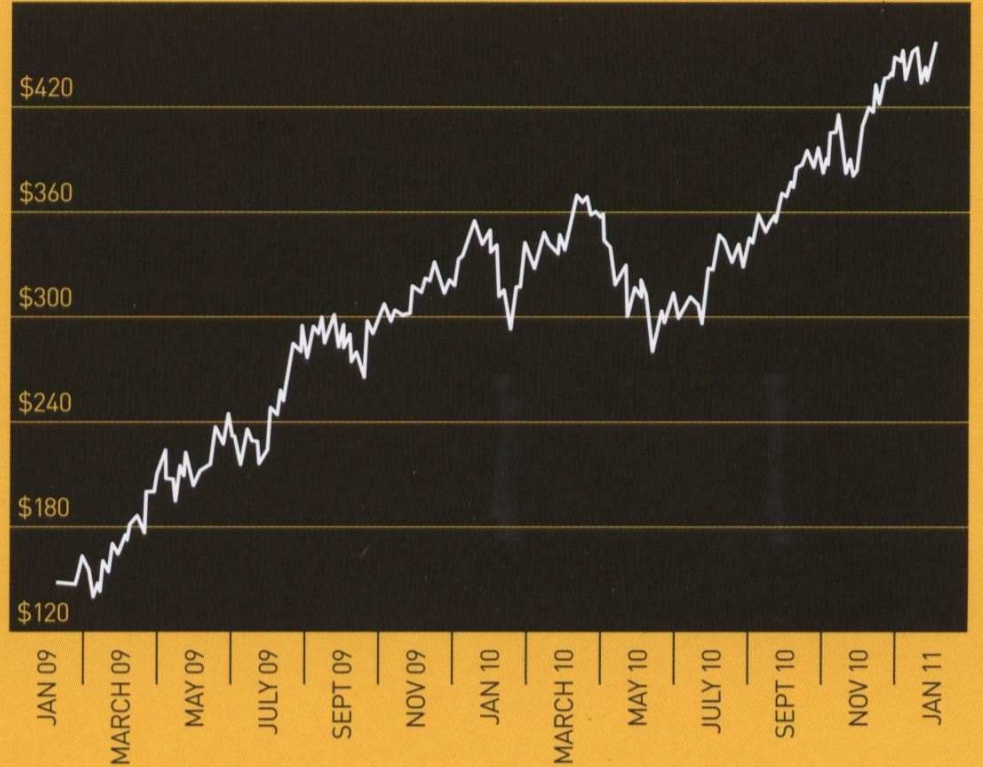
THE RISING PRICE OF CRUDE OIL

Oil prices have been rising steadily from around \$40 per barrel at the beginning of 2009. However the civil unrest in the middle east in 2011 have caused the price to escalate to \$114 per barrel at the beginning of March this year. This not only affects our energy and transport costs but oil is also the key raw material for all our plastics based production and components.



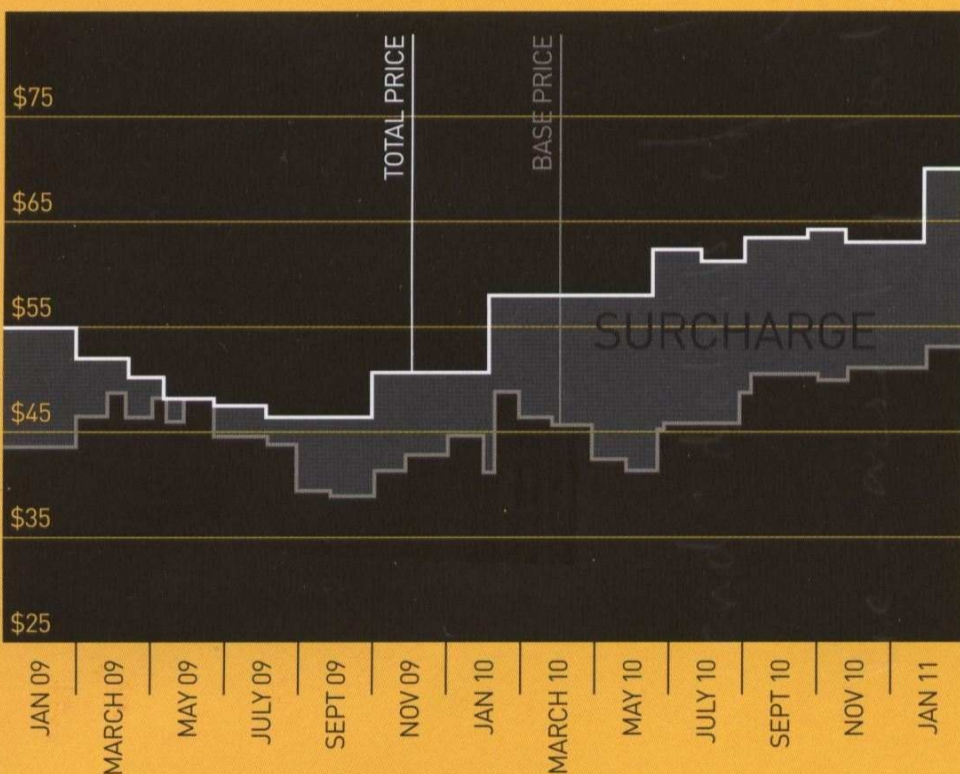
THE RISING PRICE OF COPPER

The London Metal Exchange spot price for copper has more than trebled from around \$143/100lbs to over \$450 over the last 2 years. Supply problems and increased demand have led to claims that 'Copper is the new gold' and experts are forecasting continued increases throughout 2011.



“The price of copper climbed Monday extending its upturn from last Friday after an earthquake affected Chile, the biggest producer of the red metal worldwide. Cooper’s futures to be delivered in 3 months at the London Metal Exchange increased to \$9,795 per ton on Friday, when it rose almost 3%.”

International Business Times - February 3, 2011 7:31 PM GMT



INCREASING SURCHARGES

The chart on the left shows the published baseline price of 12L14 - 1” Round Barstock - Cold Finished Steel plus the EMJ surcharges applying. It shows how combined prices have increased from \$46.5/100lbs to \$70.5 since August 09 – an increase of over 50%.

The prices of both cold and hot rolled carbon steel have also doubled over the past two years. Barstock and carbon steel are significant component elements across our product ranges with steel wire being especially critical to our hose products.

“Oil prices soar to more than \$114 highest for two-and-half-years The oil price breached \$114 a barrel for the first time in more than two-and-a-half years as unrest in the Middle East spread from Libya to Iran.”

Guardian.co.uk - Tuesday 1 March 2011 19.12 GMT

If you have any questions regarding our price surcharging then please contact your Account Manager.

