

14th March 2017

Dear John ,

During the last four months we have continued to experience significant increases in the cost of raw materials used in the manufacturing process of our slab stock foam grades. We had hoped that this situation would ease but unfortunately this is not the case. Whilst we have attempted to keep you briefed on current developments, Toluene di-isocyanate (TDI) supplies have remained tight. We have limited supply options for this product & currently one supplier is concentrating their sales activity into China, where selling prices are far higher than in Europe. BASF continue to suffer capacity issues taking plants off-line & experiencing production delays at their new 300,000 tonnes p.a. facility in Ludwigshafen, Germany, now not coming fully on-stream until 2018. This only leaves us with Covestro making TDI for the European market & they admit that supply & demand tightness is driving prices up!

For the future, the market place is undoubtedly set to remain both volatile and unpredictable. Unfortunately, as a consequence of this we are not able to offer price stability going forward & it is vital we revise our selling prices to you as follows.

With effect from Monday 3rd April 2017 all block foam deliveries will attract a 8% price increase.

We fully recognise the price pressures that you face within your markets and to that end will continue to do our utmost to limit price increases as much as possible.



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