



October 19, 2021

To Our Valued Ulbrich Customer,

The market we find ourselves in today is riddled with challenges that seem to change on a week to week and month to month basis. As such, Ulbrich is committed to keeping our customers up to date in this ever-changing environment we face.

On October 1st, the USW union workers for Special Metals Corp out of Huntington, West Virginia, went on strike. Although this doesn't have an impact on our source of supply for stainless steels, it will have an impact on our special metals sourcing. In addition to this we received a Force Majeure notification from suppliers due to a supply interruption of oxygen. Thankfully this was withdrawn however it shows how fragile the entire supply chain is in all products and how these issues can compound.

Still, the long-term impact of ATI's decision to remove 500 million pounds per year of their stainless business remains to be seen. These issues will take time to resolve themselves and the supply chains will struggle to normalize.

On a national and global basis there continue to be significant shortages of material. Ulbrich Stainless Steels focuses on providing materials to our customers; however, this is not an easy task. As we've communicated many times before the industry as a whole is on allocation. In many cases the allocation provided is a fraction of the demand. This requires Ulbrich to pay extra careful attention to how we distribute the raw material we are able to procure for our customers. Many of the alloys and dimensions our customers require are complex and unique, making offshore sourcing challenging.

We do not think this situation will be resolved in the near future. Based on backlog, market information and supplier feedback, we anticipate these issues to persist at least through late 2022. Additional pricing increases are expected as well. The material shortages started prior to the strike announced by ATI and the decision to reduce capacity has not changed. This has put a tremendous strain on all Integrated Mills, Re-Rollers and Service Centers. On-Time performance from all mills has dropped to extremely low levels.

Transportation is an ongoing and growing concern. Containers from Asia have increased 5 times from where they were prior to Covid. For example, a typical container cost previously was \$7,000.00. Today that same container is \$25,000.00. Container costs from Europe are up significantly as well. Ports have delays of up to 30 days to unload ships. Transportation to and from ports is plagued by both trucking and rail delays domestically and internationally.

One of our Four Tenets at Ulbrich is Total Customer Responsiveness. The Ulbrich family and all our employees remain focused on shipping our valued customers material and are working on your behalf on a daily basis. This includes our entire team comprised of Sales, Purchasing, Technical Support and Operations. All aspects of our organization continue to strive to provide the service you need and in today's environment it requires all areas to be on task each and every day.

As we work through material shortages, your ability to provide forecasted demand is critical. This allows us time for material planning. Your continued efforts are appreciated and is an integral part of our combined success.

In closing, we would like to thank all of our customers for their business during these very unpredictable times.

Best Regards,

Gregg Boucher
President Distribution Group