



March 14, 2018

Tariff Update from Ulbrich

As you are aware, on March 8, 2018, the federal government announced that it is imposing a 25 percent tariff on steel and a 10 percent tariff on aluminum imports from all countries, except Canada and Mexico. We understand there is a lot of confusion about how this will affect our company's, and the broader industry's supply chain. The new tariffs take effect at 12:01 a.m. EDT on March 23. They apply to goods that enter into the customs territory of the U.S. (any location where U.S. customs laws apply) or are withdrawn from a warehouse for consumption on or after that date.

This action by the federal government places a 25 percent tariff on flat, long, semi-finished, pipe and tube, and stainless steel; and a 10 percent tariff on articles of aluminum, including: plate; sheet, strip and foil (flat-rolled products); wire; bars, rods and profiles; tubes and pipes; tube and pipe fittings; castings and forgings.

Due to many objections from all segments of manufacturing, steel and aluminum produced in Canada and Mexico is exempt for now. The tariffs are broad and cover virtually all of the raw materials on which the metalforming industry relies. It is our understanding that several countries also are seeking similar exemptions, which the administration may consider, based on national-security grounds. The Department of Commerce may also exclude any steel or aluminum product "determined not to be produced in the United States in a sufficient and reasonably available amount or of a satisfactory quality", to meet "specific national security considerations." Many companies, individually or through their trade association or coalitions, are working with their Congressional offices and others in Washington, D.C., to put together a petition to exclude certain products not manufactured in the quantity and quality needed to support the U.S. manufacturing supply chain.

Please know that here at Ulbrich Stainless Steels and Special Metals, Inc., we are very closely monitoring these developments. We are committed to continuing to meet our customers' requirements while also delivering a top-quality, globally priced product. However, as you know, a significant tax on any steel or aluminum input will cause a ripple effect throughout the supply chain, regardless of the product manufactured. Many industries and government officials are working to lift these tariffs, provide exclusions, and educate policymakers about the impact these tariffs have on manufacturing in America.

These tariffs are going to create a major market disruption. One of the major services we can provide you is making sure that there is continuity of supply. We will be working closely with our suppliers to ensure that we are able to keep material available for you to be able to make parts.

The other impact that we foresee is an increase in pricing from domestic sources.

Please reach out to us directly if we can answer any questions or to discuss in more detail the impact on the pricing and availability of your materials.

Regards,

Your Team at Ulbrich