

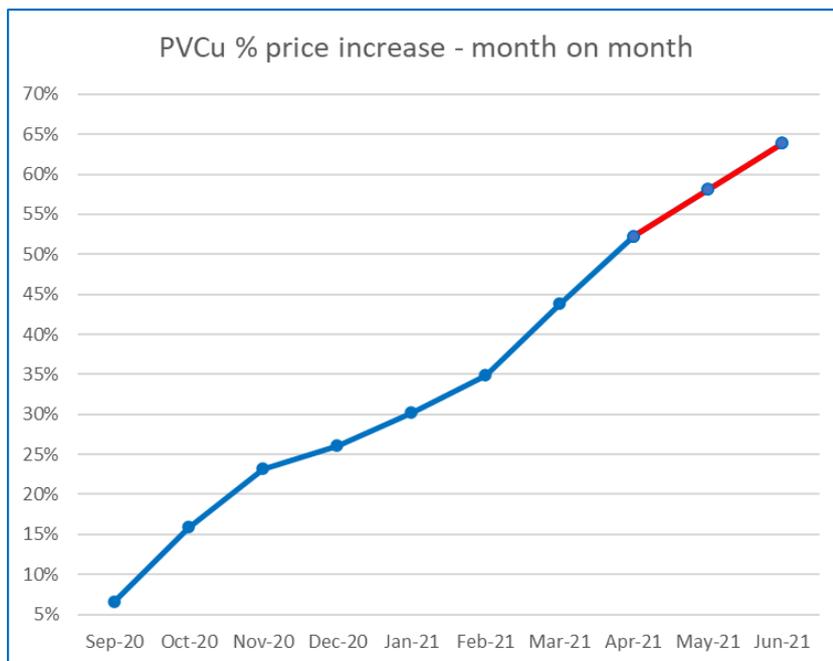
11 March 2021

Dear Customer

**4% PVCu Surcharge to be applied from Tuesday 6<sup>th</sup> April 2021**

You may have already read various communications within our industry (including from our competitors) relating to the need to introduce a temporary PVCu surcharge.

Liniar is directly affected by the same unprecedented inflationary pressures as they impact on core raw materials within our industry’s entire supply chain. The graph below illustrates the increases we have been subjected to within the last six months, together with forecast price inflation to June.



As you are no doubt aware, PVCu availability and costs have been particularly problematic over the last several months as global demand outstrips capacity. The key drivers are strong demand since mid-2020 coupled with Force Majeure notifications resulting from hurricanes in the US, flooding in parts of Europe and the requirement for plants to close in order to undertake emergency maintenance work.

Many plants took the decision to delay such maintenance activities in late 2020, expecting demand to soften in Q1 2021. This has not been the case and now plants risk breaking legal covenants if they do not urgently complete large scale annual maintenance schedules. This means multiple plants and/or manufacturing lines now being out of action, thus further reducing global capacity.



Whilst PVCu prices in the UK are always unpredictable and volatile, imports into the UK (when there is a global excess in capacity) do act as a crude instrument to partially regulate prices within our domestic UK market. In the current climate of global under-capacity, manufacturers are not importing excess volumes into the UK – instead they are supplying their own local high demand markets where they can achieve typically \$250-350 more per tonne. Hence availability in the UK is restricted - and where it is available, UK customers must pay premium prices to secure supply on a “take it or leave it” basis.

Fortunately Liniar, due to its significant purchasing volumes and long-term supplier relationships, has been able to secure the necessary volumes to service its customers even as demand peaked at 50%+ usual volumes. Many of our competitors have not been so fortunate, resulting in significantly reduced service levels. We believe Liniar and its customers have directly benefited from this as installers and end consumers seek alternative and more reliable supply options.

All of these global capacity and demand factors provide the perfect conditions for record levels of raw material cost inflation and volatility. PVCu prices have already risen by over 40% with suppliers forecasting further unprecedented monthly increases during Q2 and potentially Q3. It is a fact that PVCu prices are now at their highest ever. In the medium term, prices are not expected to significantly decrease but at least stabilise. We therefore see the current situation as temporary.

During this period of high cost inflation and volatility we are therefore advising you of the need to apply a variable monthly PVCu surcharge to your prices from Liniar. We are able to fix resin prices on a monthly basis and will therefore be able to notify you on a monthly basis of the percentage surcharge being applied. **Please note that this surcharge is expected to vary by month.**

April’s surcharge will be **4% on all PVCu components**. We will notify you of the following month’s percentage surcharge towards the end of each month thereafter - e.g. notification by the end of April for May’s surcharge, end of May for June and so on. We are unable to advise you sooner or for a longer period than one month as we simply do not know ourselves (frustrating we know – but unfortunately this is the nature of the PVCu supply chain dynamics during these truly unprecedented times).

Future surcharge notifications will be made via email newsletter, LiniarConnect and posted on our website. Please ensure you receive Liniar’s regular email campaigns in order to stay updated – **please complete the enclosed form** and email it to [marketing@liniar.co.uk](mailto:marketing@liniar.co.uk) to ensure we have your most up-to-date details.

Although Liniar’s inventory levels are at a record high, thanks to £2M additional stock manufactured during the Christmas shutdown, demand for our products also remains at record levels. We will therefore need to monitor sales versus usual customer run rates to avoid any potential pre-ordering or bulk buying – we want to service all Liniar customers fairly.

In the interests of clarity, we should advise that Steel and Aluminium costs also continue to rise at unprecedented levels as global supply chain factors seriously affect availability. We have been fortunate in avoiding the immediate impact of these increases as we were able to fix some short term prices for Q1 2021 – however, as these contracts end we are being advised to expect significant double-digit cost increases from the 1<sup>st</sup> April 2021. We are currently trying to find ways to mitigate this and will update you very soon once the true impact is known.

We fully appreciate how challenging these times are and the impact these extraordinary inflationary pressures have on you, **our customer**. We are working tirelessly to minimise the impact but we will, regrettably, be unable to completely absorb all of the cost pressures. Please rest assured that we will absorb the vast majority as we try to protect our customers and take a long term, non-opportunistic view (“Doing The Right Thing” – one of our core values).

Our immediate priority remains to secure core raw materials on both a short and a long-term basis. This will enable us to consistently maintain our own high levels of customer service.

Thank you for your ongoing support and understanding. If you have any questions in the meantime, please don't hesitate to speak to your usual sales contact.

Yours sincerely

A handwritten signature in black ink, appearing to be "MT", with a large, sweeping flourish extending from the end.

Martin Thurley  
**Group Managing Director**

A handwritten signature in black ink, appearing to be "NB", with a large, sweeping flourish extending from the end.

Nigel Bishop  
**Group Sales Director**