

September 17, 2018

Dear Valued Customer,

The various import tariffs imposed by the United States Trade Representative (USTR) this year, and those still pending, present unique challenges and fluid conditions for many US companies.

The USTR has imposed tariffs on imports of steel and aluminum from a number of countries (Section 232 tariffs), and has separately imposed tariffs on a wide variety of Chinese imports (Section 301 tariffs). Section 301 tariffs have already been imposed on two separate lists of products, representing approximately \$50 billion worth of Chinese imports, and tariffs on a third list, representing an additional \$200 billion worth of Chinese imports, are currently pending.

We are reaching out today to share an update on the impact these tariffs have had on Caplugs.

- Section 232 Tariffs – No direct impact on our business
- Section 301 Tariffs
 - o List 1 – Moderate Impact
 - o List 2 – Mild Impact
 - o List 3 – Still pending, but if implemented, will have a severe impact

To date, we have been able to hold prices and manage these added costs. We are continuing to monitor developments and working to mitigate the impact of these tariffs in every area of our business. However, if the tariffs on products contained in List 3 are implemented as proposed, we will need to pass along tariff charges to our customers. We will continue to update you as new developments are reported. We greatly appreciate your business and your patience during this time.

Sincerely,

A handwritten signature in black ink, appearing to read "Hans Nilarp".

Hans Nilarp
Director, Masking and OEM Rubber
Caplugs