

14th December 2017

Dear Sir/Madam

Re: DSF Refractories & Minerals Price Increase

This year has been a challenging year for the refractories industry and we would like to take this opportunity to say thank you for your continued loyalty and valued business.

We have seen many pressures on our pricing over the last few years and have taken great strides through investments, such as the natural gas pipeline we installed at a cost of £2.5M, and through focus on production efficiency to minimise our costs to remain competitive whilst maintaining the quality of the high-performance products with which DSF are associated.

Unfortunately, due to rising raw material prices and energy costs, we can no longer maintain our current price levels.

As many of you will be aware, raw material availability has been a major issue over the past few months through lower capacities worldwide. Demand has outstripped supply from Europe for many raw materials and Chinese environmental legislation has resulted in plants being mothballed putting further pressure on the market. Magnesite and bauxite shortages in China have put particular pressure on the andalusite market, andalusite is used in many of DSF's products. Despite these global material shortages, DSF have been able to secure higher levels of material, but this has been at extra cost to us.

Energy costs have been steadily rising and we have also had issues with European road transport shortage (used for bringing raw materials into DSF), which again has been overcome but at additional cost.

In many markets DSF have already suffered an erosion in margin through currency fluctuation and we have absorbed this over the past months, but this cannot continue.

Raw material availability and demand is set to continue to be volatile into next year and we have seen further significant increases on all of our raw materials for 2018. DSF is a large purchaser of raw material, not only for our shaped refractory products but also for our minerals business where we process minerals for other refractory customers and road surfacing. As such we are very close to our suppliers and have been working hard to secure a consistent supply, but rising costs for our suppliers and the availability/demand issue will result in significant increases across the industry.



Whilst we have secured supply going into 2018, after reviewing our costs and the price increases imposed, for any new orders for despatch in 2018 our prices will unfortunately be subject to an increase which will vary dependant on the product and the raw materials used.

We would like to once again thank you for your continued business and in our 125th year we hope to continue to have your support as a valued customer and partner for the next milestone anniversary.

Yours Faithfully

Paul Hutchinson
Sales Director
DSF Refractories & Minerals Ltd. UK