



CROSSLINK TECHNOLOGY INC.

Formulated Epoxies, Urethanes ▪ Custom Cast
Parts

www.crosslinktech.com

9001
REGISTERED
QUALITY SYSTEM
SINCE 1981

Epoxy and Polyurethane prices outlook

The current situation:

Considering the fact that Epoxies and Polyurethanes are oil based materials;

1. Oil prices are hovering at an all time high.
2. Oil based raw material prices have increased in the neighbourhood of 30% in 2004.
3. The US dollar is dropping in value and will continue its slide due to the current account deficit, ever increasing debt load and the cost of maintaining internal security.
4. Manufacturers are struggling to compete with the emerging countries such as China.
5. Manufacturers are moving off-shore or outsourcing labour intensive operations to third world countries slowing job creation on the North American continent.
6. China has a great appetite for raw materials pushing raw material prices up due to the increased demand.

This is not a pretty picture. These conditions bring about serious inflationary pressures. Governments attempt to control inflation by raising interest rates making borrowing money more expensive. Manufacturers cut back as demand for goods drop due to the higher cost of borrowing. The housing market will falter as mortgage interest rates climb higher. Real property values will drop reducing the equity supporting mortgage loans. Customers will squeeze their suppliers, demanding lower prices to keep a bottom line, while suppliers will continue to face ever increasing raw material costs.

Our projections for 2005

As costs escalate, we will see a slowing economy along with slow or negative job creation. There will be frequent incremental price increases necessitated by increasing raw material prices. Off-shore economies with their low labour costs will gain market share further reducing local manufacturing. Some governments, hurt by low cost imports, will become more protectionists, imposing tariffs on imported goods.

We expect a tough economy, several price increases during the year and a highly competitive market.

November 3, 2004