



# THE ProgRESsive

## Mission

*"Our mission is to be the best-in-class provider of precision metal stampings, assemblies and value-added services. Res will operate safely, ethically and profitably to benefit its customers, associates, shareholders, and suppliers."*

Res Manufacturing is a contract manufacturer of metal components for

**SHAPE CRITICAL**  
**SURFACE CRITICAL**  
and  
**HIGH STRENGTH**  
applications.

We specialize in:

- ◆ PROGRESSIVE DIE STAMPINGS
- ◆ DESIGN ASSISTANCE
- ◆ PROTOTYPES
- ◆ TOOL BUILD
- ◆ HEAT TREATING, WELDING, TAPPING, MACHINING
- ◆ AUTOMATED ASSEMBLY

**ISO/TS 16949**  
**Certified**

## MANAGEMENT VIEWS

### A Steel Market Update— The “Perfect Storm” Keeps Blowing

It was my hope that the Summer 2004 edition of *ProgRESsive* would contain a positive message regarding the cost and availability of steel. Unfortunately, the nightmare continues, and the realization of lower prices and an abundant supply of steel remains an elusive dream. The much-anticipated Summer of 2004 improvement has fallen victim to negative domestic and global factors:

- Industry consolidation has helped to solidify the pricing power of domestic and foreign mills. Three companies control approximately 50% of the U.S. market, 43% of the European market is controlled by 3 companies, and 65% of the Japanese market is controlled by 3 companies. Mill pricing power is projected to be sustained for the next 5 years.
- U.S. mills are operating at an average rate of 90% of capacity and demand is expected to remain strong.
- The global coke shortage continues: the U.S. could face a coke shortfall of 3 million tons in 2005.
- The weak dollar has limited foreign investment in the U.S., and allows domestic pro-

ducers to raise prices by limiting foreign competition.

- Furnace relines (maintenance) at WCI Steel and U.S. Steel in July have eliminated any hope of building up recovery inventory during the “shutdown” period of automotive companies.
- Scrap surcharges are on the rise again. This may be a precursor to larger surcharges in the second half of 2004.
- Adding fuel to the fire, the automotive shutdown has greatly reduced the supply of available scrap for melt.
- An unscheduled outage at ISG is expected to last through the majority of July, limiting availability and extending lead times.
- The price of iron ore continues to climb.
- Chinese demand for steel is projected to remain firm through 2004.
- There is a shortage of rail cars and trucks to deliver steel and transport scrap.

While the bad news continues to dominate, there are some positive developments to note:

- YTD Imports of steel are up 10% over same period 2003, and are expected to increase to 20% by the

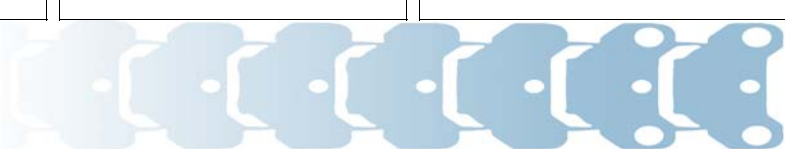
end of 2004.

- The Chinese economy is easing from 9-10% annual growth to a 6-7% growth level.
- New steel making technology will be commercially licensed by the end of 2004. “Castrip” technology directly casts from liquid metal sheet steel to .033” thick. This new approach to steel making has the potential to accelerate cost cuts due to a comparatively inexpensive and lower economy of scale.
- Some metals industry speculation exists that meaningful reductions in steel costs will begin in 2005.

What are key actions companies should take?

- While costs continue to be a major concern, availability is projected to decline, posing a bigger problem. All companies should urgently review requirements through the end of 2004, and wherever possible, place production orders early.
- Where possible, broaden and/or change specifications to allow a greater range of metal types, coatings, thicknesses, etc. to be used. This approach will help with availability and potentially lower cost.

(Continued)



**(Continued—"Perfect Storm")**

- Project and communicate 2005 requirements early in the second half of 2004. With the current market conditions, it is important that sufficient time be allowed for 2005 sourcing decisions.

As a service to our customers and prospective customers, I offer all of you the opportunity to send in your questions regarding the metals market. Whether the questions are for clarification, or new information, my group and I will leverage our industry contacts to find answers and information. Hopefully, by Res providing this service, our current and prospective customers will be better informed and prepared to effectively adjust to the changing market conditions.



David J. Tomczek,  
Vice President of Marketing and Sales

**Congratulations Res Associates!**

Res received supplier recognition from two of our valued customers! **The Vollrath Co, Inc.** honored Res as a "2004 Premiere Supplier." **Kawasaki Motors Manufacturing Company** also recognized Res as an exceptional supplier by awarding us the "2004 Outstanding Supplier Award." Without the contributions of each of our conscientious, hard-working team members, Res could not have achieved such prestigious honors.

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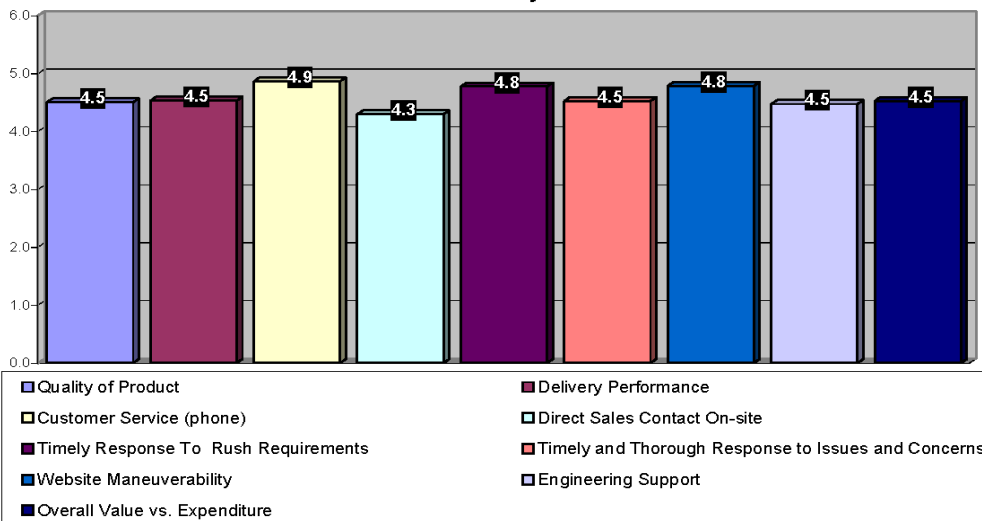
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To obtain a free copy of the Res Manufacturing Company Design Guide, visit our Website at [www.resmfg.com](http://www.resmfg.com).

1st Half Survey Results--2004

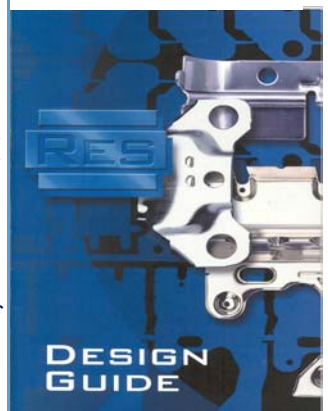


Res received ISO / TS 16949 Certification in March of 2004. The primary goal of Res' TS Certification is continual improvement. One of the tools we use to monitor our continual improvement efforts is our Quick Customer Survey.

The feedback from our spring survey revealed solid overall scores. Res' customers continue to report that they believe their companies are receiving good value for their money. Customer service, timely response to rush requirements, and website maneuverability received high marks.

The area showing the largest opportunity for improvement was Direct Sales Contact On-Site. Res is experiencing exceptional growth, and the sales group has been spread thinner than Res and our customers would like. To remedy this, Res is adding an additional sales team member in the second half of 2004.

Res makes every effort to respond quickly to any comments or low ratings from survey respondents. We also monitor the response rate for each survey. The more people who respond, the more meaningful the survey results. Our survey response rate in Spring, 2004 was 55%. Our goal is a 70% response rate in the Fall. Our thanks to those who gave us your feedback in the Spring. We look forward to hearing from more of you this Fall. Your feedback and communication is our best chance for continual improvement.



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