

# CITATION News

## A letter from the CEO

Doug Grimm



I recently returned from the Management Briefing Seminars in Traverse City, Mich., where I was part of an executive panel discussing "Money Talks: A Suppliers Guide to Thriving in the Auto Industry's New Financial Landscape."

Preparing for this event gave me the opportunity to outline and share Citation's positive transformation story, even in the midst of a difficult time in the auto industry – decreased production, especially for trucks, rising material costs and a banking crisis that has tightened lending.

Our transformation is bolstered by 3 key ingredients:

- Strong shareholder support – Our board and shareholders are the same, which helps in aligning goals and allows us to move quickly. Members include representatives from GSC Group, General Electric, Wayzata Partners and The Trust Company of the West.

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## Citation Takes Proactive Steps to Address Market Conditions

Citation is proactively re-evaluating its business processes to maximize efficiencies, as part of its long-term business strategy to remain competitive in today's market.

The company recently completed the closing of its Butler, Ind., permanent and semi-permanent aluminum molding operations and will reduce capacity at its Lufkin, Texas, foundry.

"While these decisions were difficult for us, it is critical for Citation to be proactive in refining our business and

manufacturing strategies to meet our financial objectives in light of the forecasted downturn of the automotive industry," said Citation CEO Doug Grimm. "These foundry consolidations have enabled us to focus on our core competencies, capitalize on investments we've made in growing sectors of our business and better serve our customers."

At Citation's Butler plant, equipment and production was transferred to facilities located in Bristol, Ind.,

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and Milwaukee, owned by Diversified Machine Incorporated (DMI).

Citation is reducing its workforce at its Lufkin facility, and select products are being transferred to its Brewton, Ala., foundry. The company expects the consolidation to be complete in September.

## Citation Completes Green Belt Certifications

Citation has completed 3 waves of Six Sigma Green Belt certifications, a statistically based problem solving methodology, as part of a company-wide initiative to certify 42 Six Sigma Green Belts at its castings facilities this year.

"Six Sigma certification is helping us reduce process variation and drive continuous improvement throughout

our manufacturing operations," said Citation COO Cary Wood. "With these certifications, we are planning double-digit improvements in quality indicators. Additionally, Six Sigma methods will add support to our existing Lean initiatives already underway, aimed at strengthening our position as a world-class supplier."

Training and project mentoring is provided by a Master Black Belt team from General Electric.

This initiative brings the total count to 81 employees, or 18% of the salaried workforce, including 21 members of senior management, who have gone through some level of Six Sigma training in the past 6 months.

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- De-levered balance sheet – Our 2007 recapitalization filing significantly reduced our debt and put us in a stronger position to compete in the market and grow our business.
- Diverse customer base – Our mix of customers is moving from a 50/50 split of auto and industrial/heavy truck, to an even mix that will include these and new industrial markets.

In the automotive market, we're looking to continue to increase business with GM, Ford and Chrysler and new domestic manufacturers. Our plan is to grow organically and through possible strategic acquisitions, doubling in size over the next 5 years.

In addition, we're rightsizing capacity to meet demand and leveraging the advantages of the weak dollar. We've successfully negotiated 100% monthly recovery from all our customers on the increased cost of steel scrap.

I believe we'll succeed because we have the right focus, capital and platform for change.

Sincerely,



Doug Grimm  
Chief Executive Officer

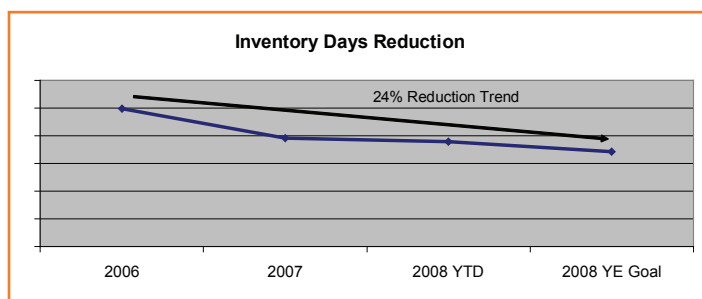
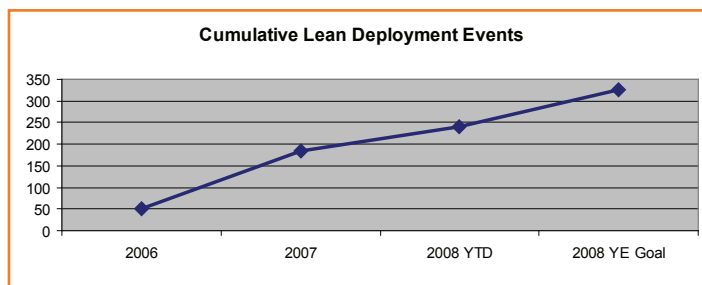
## Citation Improves Lean Deployment Strategy

It has been 3 years since Citation began aggressively implementing its Lean deployment strategy – Citation Corporation Production System (CCPS). CCPS provides a consistent structure and process to transform and continuously improve operations by eliminating waste or non-value added activities. The production system is driven by 5 key initiatives: safety, cost, delivery, people and quality.

Troy Haynes, director of Manufacturing Engineering, is working with divisional Lean Masters to help Citation achieve best-in-class operational performance, Lean deployment and productivity investments.

Citation has conducted more than 255 Lean events across its 11 facilities since October 2006. These events have helped improve material flow corporate-wide resulting in a 24% reduction in days-on-hand inventory levels, as well as other significant quality, delivery and cost improvements.

According to Haynes, CCPS is greatly exceeding expectations and he credits the success of the system to a dedicated leadership team and divisional Lean Masters, an aggressive roll out campaign and implementation plan.



## Retired Citation Employee, A.C. Riley, Receives Distinguished Service Award

A.C. Riley, recently retired engineering and maintenance director for Citation's Lufkin, Texas, facility, has been awarded the Norris B. Luther Distinguished Service Award by the American Foundry Society's (AFS) Engineering Division.

"Citation is proud of A.C.'s professional engineering accomplishments and congratulates him on earning this prestigious industry award," said Citation CEO Doug Grimm. "Employees of A.C.'s caliber provide us a competitive advantage by enabling us to exceed our customers' expectations."

The award recognizes individuals for distinguished service and contributions to the Engineering Division of the AFS and the metalcasting industry. Riley was honored for his contributions at a luncheon held in conjunction with the 112th Metal Congress in Atlanta, Ga.

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