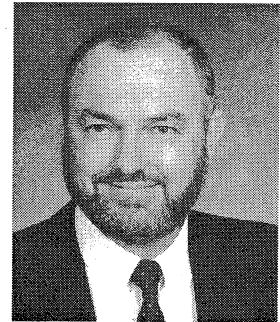


## Greetings from America.

VP Sales and Marketing  
Hoosier Magnetics  
Wayne Goodwin



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Greetings from America.

As 1998 comes to an end and the new millennium approaches the market for bonded magnets is still growing in the United States and around the world. Although the economies of Japan and other Pacific Rim nations have fallen on hard times lately, it looks like the bottom has been reached and that governments have begun to take the necessary actions to reverse the severe conditions of 1998. Although recovery may be slow, it most certainly has begun. Although China seems to be doing very well, the same economic problems that recently effected other Far East countries may soon hit China. This could slow the recoveries being made by other countries in the Far East. In both the United States and Europe the economies, except for the manufacturing sectors, are doing very well and are quite stable. The forecast for the future is for continued growth.

The severe conditions in the Far East in 1998 have had an effect on United States bonded magnet producers. The devaluation of currencies made purchasing magnetic materials from the United States very difficult, if not impossible, thereby significantly reducing exports from the US to the Far East. This same devaluation made foreign goods much less expensive to US purchasers thereby placing extreme cost pressures on domestic producers. This situation continues today. As a result US producers must work diligently to reduce costs in every area while at the same time making investments to create technological advances and develop a more global perspective of markets.

As the world market for bonded magnets grows and matures there is the inevitable vertical integration and consolidation within the industry. In Europe two manufacturers dominate the automotive sound deadening market compared to the seven or eight manufacturers only 10 years ago. In the US there are only two manufacturers of refrigerator gaskets compared to five only 6 years ago. In the US there are only three flexible sheet manufacturers compared to the four that existed just last year. There are now large ferrite users who have or are thinking about backward integration into the ferrite production business. And there are many magnet materials producers who have recently integrated forward into the compound or magnet making business. In the next millennium it may be necessary to be a company that is vertically integrated from raw material production through finished products just to survive. This change of industry structure is putting severe cost pressures on today's producers all over the world.

Association members face the great challenge of providing our customers with products and services that reduce the customer's total costs not just in the area of purchase price of current products, but also in areas that help improve their productivity by providing materials that process more quickly at the same price they are now paying or increase the technical value of their products by providing materials with higher magnetic strength at the same price as current products. Association members have always been the world leaders in the advancement of the technology of bonded magnets, and we must continue that leadership role.

The market is still strong, growing and changing and I believe that Association members will take steps necessary not only to survive but also to prosper well into the next millennium. I am very proud to be a member of the Association and wish you all a happy and prosperous 1999.

Wayne Goodwin  
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