

PROGRESS 2007

Vermeer — Taking care of customers worldwide with better solutions in 2006

Vermeer Manufacturing Company embraced the challenges of another year under the vision of "taking care of customers worldwide with better solutions." This total solutions approach required renewed focus on the voice of the customer, and meeting customer demands in the areas of environmental, construction, and agricultural equipment. In 2006, Vermeer product lines include wood waste and hay harvesting machines, trenching and drilling equipment for underground installation, and specialty excavation products. Opportunities for Vermeer to better serve all customers — whether employees or end-users of Vermeer equipment — emerged as Vermeer operated under its "4P" Philosophy (an emphasis on People, Products, Profit, and Principles) throughout 2006.

People & Principles
The people of Vermeer had several unique opportunities to serve others locally and far away in 2006. The Vermeer Disaster Response Plan provides the opportunity for Vermeer people and equipment to assist those facing a natural disaster within a 500 mile radius of the company. That included assistance with clean-up efforts due to tornado damage in Iowa City. The Vermeer Charitable Foundation (VCF) contributed to a long list of others in need. Examples include donations toward an employee mission trip to an underprivileged boys' school in Honduras, the Juvenile Diabetes Research Foundation Walk for the Cure which included employee participation and a fundraising dinner, and employee involvement in the Kloppe Classic for Crossroads of Pella, among many others.

In addition, 35 sons and daughters of Vermeer employees received \$1,500 VCF scholarships, bringing the total number of students having received a scholarship to 299 since 1983. Sons and daughters of Vermeer employees also gained valuable work experience at Vermeer through the summer internship program. Ten teachers from six area high schools participated in the Vermeer teacher intern program to promote educator awareness of the variety of career opportunities within manufacturing, and the skills necessary to pursue those. The three-week summer program also allowed teachers to receive AEA credits. The same goal was integral to a 2006 tech-prep conference sponsored by Indian Hills Community College, hosted by Vermeer, and attended by 41 high

school educators.

The Vermeer Cares program allows people to donate money or Paid Time Off to co-workers in a crisis or life threatening situation. In 2006, Vermeer employees donated 844 hours of Paid Time Off and \$7,105.00 to coworkers in need. Employees also sent care packages filled with donated items to their friends and relatives in military service, as well as their family members. In addition, the holidays provided an opportunity for employees to buy Christmas gifts for people on a local level through Project Angel Tree during the month of December. Company management was also pleased to assist Vermeer families by introducing an adoption reimbursement benefit to employees in 2006.

The 75,000-square-foot Global Pavilion is home to the Vermeer museum, showcasing the accomplishments of the business and the faces of Vermeer. The facility allows space for customer visits, dealer meetings, as well as training and academic opportunities through Vermeer University — demonstrating its commitment to lifelong learning. All Vermeer employees participated in Vermeer Training Camp, which is a half day of training focused on the business and its various facets. Several employees also took the initiative to earn a college degree through the Vermeer Tuition Assistance program. The Vermeer commitment to learning was recognized by the American Society for Training & Development's 2006 BEST Awards Program.

Many people took advantage of educational opportunities in the Global Pavilion throughout the year, as well as "Partnering for a Better You" events. Through these events, Vermeer provided avenues of exploring healthier lifestyles and family activities, including a variety of healthy hobbies. Members of Vermeer as well as their families enjoyed opportunities such as bowling, softball, and golf tournaments; a free family outing to Adventureland, the Iowa State Fair, or the Knoxville races; an Easter

Egg Hunt and involvement in Pella Tulip Time festivities, a Vermeer Employee Biking Adventure, and Lighten Up Iowa; as well as reduced rate tickets to athletic and cultural events. "Thursday Nights in Pella" provided employees with the opportunity to participate in the Corporate Challenge and annual water fight. Vermeer had the unique experience of hosting approximately 500 tractors, their drivers, and support people for the 2006 Great Iowa Tractor Ride, as they were led onto Vermeer grounds by company founder Gary Vermeer. Later in the year, a Vermeer Open House gave employees and family members the opportunity to tour plants, see equipment demonstrations, and enjoy refreshments, door prizes, and social time. Vermeer employees and their family members continued to receive excellent healthcare free of charge through the Vermeer Health Services Center. The clinic offered life-saving health screenings to employees and their spouses. Monthly health topics provided educational opportunities to employees with specific health concerns. The company also helped employees transition as a tobacco-free facility initiative was promoted throughout the year. The Vermeer Family Pharmacy was introduced in April of 2006, providing low cost and convenient prescription and over-the-counter medication solutions to employees and their family members as well. All of these opportunities are part of a comprehensive wellness program developed to promote the health and well-being of employees and their family members for years to come. Employees were encouraged to participate in Continuous Improvement events, as well as to improve their own skills. Continuous Improvement remains a

priority across all of Vermeer, resulting in production of top quality equipment and work processes in the most cost-effective manner. In order to accomplish this goal, groups of people throughout Vermeer are analyzing all areas within the 1.5-million-square-foot Vermeer facility with plans to improve jobs and processes throughout. Employees are also recognized and rewarded for implementing cost savings ideas, or for being recognized by their peers for being exemplary employees, through the Expect the Best program. More than 9,000 cost savings, quality, delivery, and safety ideas were submitted in 2006, with estimated annual savings of more than \$9 million.

The evidence of Continuous Improvement successes, and that of dedicated, hard-working people at Vermeer is clear. Some obvious results include more standardization across the Vermeer mile, increased productivity, and a general war on waste. Specific

improvements include a renewed interest in reinforcing safe behaviors, which have led to a number of positive safety records, focusing on quality, and recognizing individuals for Continuous Improvement event participation with Lean certification awards. Vermeer also introduced a "model line" concept, setting an example and goals for all product lines throughout the company. Vermeer was proud to honor people for their tenure at the company. Vermeer held Service Award dinners honoring one individual for 50 years, two for 40 years, one for 35 years, 17 for 30 years, seven for 25 years, five for 20 years, seven for 15 years, 130 for 10 years, and 17 for five years of service to the company.

Product & Profit
Due to their commitment to each other and the company, Vermeer people brought several positive results to the economic climate, and thus positioned the company for a successful future. Vermeer continued to build upon customer faith in Vermeer brand, quality, and innovation. The company ended 2006 with 5 percent growth over the previous year, setting sales records in environmental and track products, as well as exports.

As a result, employees enjoyed an increased 401(k) match, and mid-year and end of the year cash bonuses. Many of these successes were due to the popular Vermeer line-up of existing products as well as product introductions. Vermeer has gone to great efforts to provide existing and new markets with new products and applications. 2006 product introductions included the Vermeer LM42 Multi-blade Plow, a Vermeer TG7000 Tub Grinder, and a Vermeer HG200 Horizontal Grinder, among many others. Vermeer has more than 100 patents on file due to the hard work and ingenuity of employees, which was celebrated at the annual patent recognition ceremony. The company celebrated milestones such as the new Vermeer S600TX Compact Utility Loader reaching market share goals and production of the 1000th Lely fertilizer spreader. Equipment World magazine applauded the company for the Vermeer Water Plow Blade as an example of what makes "American companies like Vermeer so successful in construction applications around the globe." Product introductions and additional information may be found on the Vermeer Web site (<http://www.vermeer.com>).

Dealers were also rewarded for their commitment to Vermeer as well as recognized for running premier operations with the Mark of Excellence program.

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