



CRENLO, INC.

Thomas E. Bell
President



Products, Markets, Customers



Operator Cabs:

75%

- CAT
- John Deere
- CNH
- Buhler
- AGCO

Flat to up

Down

Down

Up

Up



CATERPILLAR



• **#1 North America Market Position**



Enclosures:

25%

- Business Down sharply in '01 & '02
- Follows telecommunication, computer markets





Core Competencies

★ Technology Leader

- ROPS Structures
- Cab Design
- Enclosure Design, Rapid Modification
 - High-Quality, On-Time Delivery Reputation
 - Assembled, Experienced Workforce - 50 years
 - Strong Financial Backing - Dover Corp.

Rochester, MN



Florence, SC





Business Conditions 2000/01

- ✦ Growth/Decline Cycle
- ✦ New Business System
- ✦ New Plant in South Carolina

As a result: Finances Worsened



Recovery Strategy 2002 – Lean Manufacturing “Do Right Things Right”

★ Energized Organization

- Management team re-tooled
- Steeped in lean manufacturing principles
- Basis for action – “Do it Now”
- Responsibility for action
- Act as owners for:
 - Customers Interests
 - Employees Interests
 - Stockholders Interests
 - Community Involvement



Lean Principles

☀ Right-sized Resources to Needs

- 37% Reduction in 2001
- \$20 Million personnel cost reduction
- Attrition in 2002 - not replaced - needs satisfied by improved methods

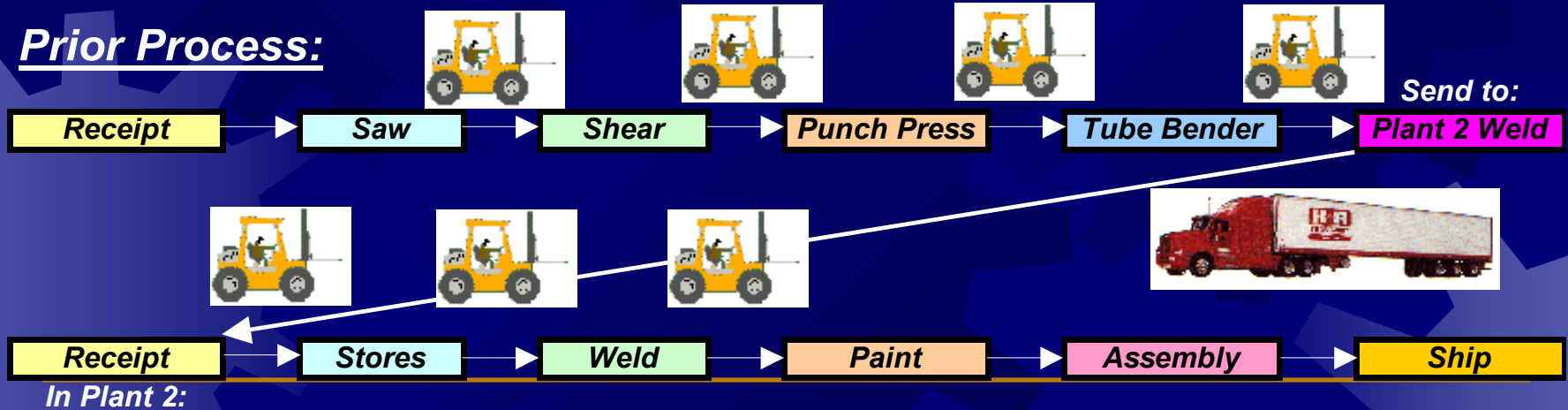
☀ Do Right Things, Right - First Pass Yield (FPY)

- Work groups defined issues
- Established work out team to correct - Continuous Improvement (C.I.)
 - Design Engineering
 - Manufacturing Engineering
 - Plant Supervision
 - Work Group
- Results - 31 C.I. Teams - FPY improved by 1/3 - No longer a barrier



Examples of Lean Manufacturing

Established Production Cells



New Process:



*Flow directly from piece part fabrication to weld
Moved 16 pieces of equipment from Plant 1 to Plant 2
– tube benders, saws and press equipment*



Compliment to Lean

☀ Procurement Strategy

- ☀ Purchase 60% of Value

- ☀ Organized for Performance

- Tactical – day-to-day expediting, scheduling
- Strategic - Supplier Management Program
 - Value Improvement
 - Cross Functional Team
 - Supplier Engineering
 - Crenlo Engineering
 - Financial Analyst
 - Procurement Manager

☀ Consolidated Supply to Qualified Suppliers

- ☀ On-time Quality Delivery

- ☀ Cost Efficiencies

- ☀ Corrective Action Program

- As example: 12 Steel Suppliers 1/02 to 5 now

- ☀ Actual Cost Reduction - \$3.2 Million annually



Market Strategy

☀ Customers Want:

- On-time Delivery
- Quality is a Given
- Reduced Total Cost

☀ Crenlo Performance:

- Shipment Performance nearly 100%
- Quality is a Given
- Lean Manufacturing Effectiveness provides price room

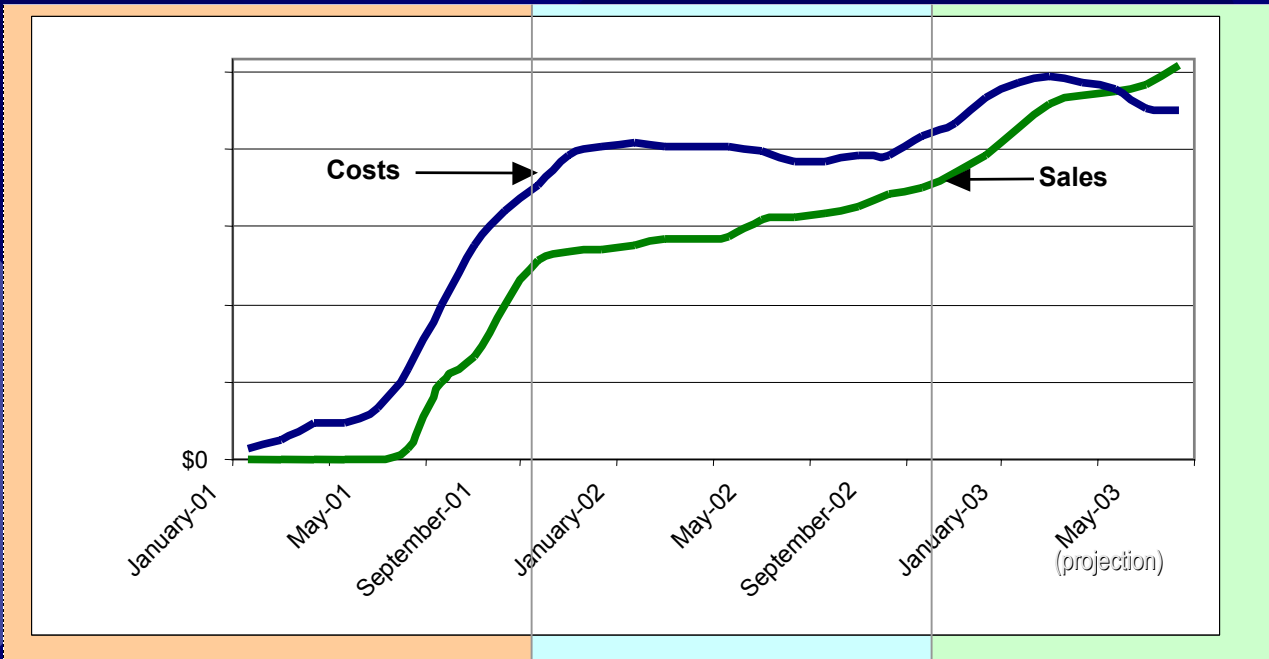
☀ Strategy: Share a portion of Lean Manufacturing cost reduction to achieve new projects

☀ Results:

- | | |
|--------------------------------------|-------|
| • Motor Grader cab start production | 11/02 |
| • Wheel Loader cab start production | 3/03 |
| • Skid Steer Canopy start production | 6/03 |
| • Backhoe cab | 9/03 |



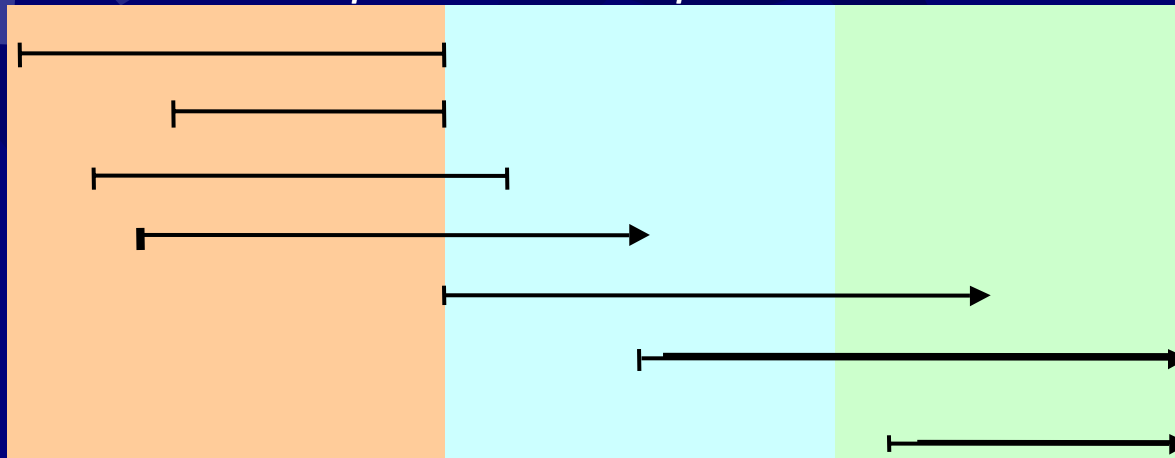
Florence Life Cycle



Construction / Startup

Build Up

Market Growth



- Site & Equipment Selection
- Equipment Install-Validation
- Employee Recruitment
- Employee Training
- Process Refined
- Lean Manufacturing Cells / Process Improvement
- Market Growth





Summary

★ 2002

- Heritage Operations in Rochester, MN achieving double-digit operating earnings from loss in 2001
- Florence Plant presents positive organic growth potential and is entering cadence production and soon breakeven operating earnings
- Enclosure business is nicely profitable at low top line

★ **Crenlo, Inc. is a solid company with solid products with improving earnings and a bright future that a general economic recovery will make even better.**