Overview

- Cat Logistics heritage
- Caterpillar culture
- Cat Logistics overview
  - Cat Distribution Services
  - Manufacturing Logistics
  - Transportation
  - External Client Business
- Atlanta DC Overview
- Data Files
- Review of Concepts
Logistics – Part of Caterpillar’s Heritage

- Producing and supporting high-value, durable goods working in time-sensitive, critical environments around the world
  - Caterpillar manufactures more than 500 products to serve construction, mining, forestry and power generation applications
  - More than 170 manufacturing facilities and thousands of suppliers around the world
  - Distributes products in more than 190 countries
- World-class logistics increases customer loyalty and improves shareholder value
The Differentiator

- What sets Caterpillar apart?
  Superior customer service through 180 Dealers
  1,890 Dealer branch stores
  1,467 Dealer rental outlets

- Enabled by… world class parts distribution
  Cat Logistics distributes more than 750,000 unique
  Caterpillar part numbers, with worldwide parts
  availability of 99.7%

- Caterpillar’s ability to get the right part in the right place at the
  right time separates us from the competition

Caterpillar Culture
Our Values in Action

- Documents high ethical standards our company has upheld for more than 80 years
- First published in 1974
- Global company with global standards and expectations
- Living Our Values in Action is an individual choice

Our Values in Action and Leadership

Through living Our Values in Action, Caterpillar Production System (CPS) will be an enabler for Caterpillar to achieve its Vision 2020 and business strategy

- Leadership imperatives
- Leaders building leaders
- Making great leaders
- Employee Opinion Survey (EOS) and action planning

Integrity
Excellence
Teamwork
Commitment

LEAD with values
BUILD customer focus
SET high expectations
DELIVER results
DEVELOP inspire and engage
CPS and Three Systems

The Caterpillar Production System is the common Order-to-Delivery process being implemented enterprise-wide to achieve our Safety, Quality and Velocity goals for 2010 and beyond.

CPS and Eight Wastes

The ultimate goal of CPS is the elimination of waste. Waste is any activity that consumes resources, but creates no value for the customer.
Caterpillar’s Supply Chain

Supply Chain is the flow of materials, information, and finances as they move in a process from the origin point to the end consumer.

Logistics involves all of the planning, execution & control required to successfully deliver the product to the end consumer.

The goal is to optimize this flow to achieve low cost and high customer service.
Caterpillar Distribution Services

- 80+ year history of providing Caterpillar machine & engine owners efficient and effective global logistics support through Cat parts distribution network
- 22 facilities in 9 countries
- Serving Cat dealers world wide
- Modernized Cat Parts Network (MCPN):
  - Americas, EAME and AP
  - Multi-functional facilities
  - Located closer to dealers and suppliers
- Service Parts Management (SPM) software / processes
- Strategically placed inventory
- 24 x 7 x 365 operations
Manufacturing Logistics

- Parts entering manufacturing facilities (inbound logistics)
- Inbound Logistics Centers (ILCs):
  - Only hand-weight items (<35lbs or <16kgs / part)
  - Warehousing, inventory management, sequencing, assembly processing, kitting and sub-assembly
  - 2 ILCs supporting 130 facilities (Belgium and Illinois)
- Logistics Service Centers (LSCs):
  - Consolidating demand, planning, ordering, staging & sequencing and storing
  - Quick (overnight) delivery to geographically proximal manufacturing plant(s) / Points of Use (POU)
  - 19 LSCs supporting 21 manufacturing facilities

Transportation

- Transportation of finished products and parts across all modes – truck, rail, ocean and air
- Caterpillar and external clients
  - One of the largest freight movers in the world:
    - Transportation spend managed – $1.8 billion
    - Carriers providing service – 600
    - Country to country lanes managed – 900
- Track and trace tool enhancing visibility
- Sustainable development strategy

- Product Distribution Centers (PDCs):
  - Supporting Caterpillar’s finished goods multi-lane distribution strategy of product configuration simplification and increased availability
  - Strategically located PDCs (Australia, Belgium and UAE)
  - Product examples – wheel loaders, excavators, track-type tractors, wheel loaders and skid steers
  - Modeling, implementation and operations
Leveraging our Core Competency

- In 1987, Cat Logistics was formed as a wholly-owned subsidiary to offer logistics services to external clients.
- Providing logistics solutions to clients with needs similar to Caterpillar’s—time-sensitive, service-critical, unpredictable demand—leverages our capabilities and represents a significant growth opportunity.
- Today, Cat Logistics is one of the fastest growing divisions within Caterpillar:
  - 15% CAGR 2002 – 2008
  - 3X growth projected from 2000 – 2010
  - More than 80% of our growth is with current clients.
- Logistics knowledge gained by serving 60+ clients has allowed us to constantly improve the logistics solutions and competitive advantage for all our clients.
Significant Growth & Long Term Relationships

AUTOMOTIVE

INDUSTRIAL

CATERPILLAR®

OTHER SERVICE PARTS

(Aerospace & Defense, Technology, and Consumer Durables)

Significant Growth & Long Term Relationships

Provide Our Competitive Advantage

- 80 years of global product support heritage
  - Globally integrated aftermarket approach with sound, proven business practices

- Empathy – we live what our customers live
  - We are the only major 3PL that has origins in manufacturing and prime product support

- Solution leader
  - Co-developer of state-of-the-art flexible supply chain IT system built by market-leader SAP

- Talented people and proven processes
  - Subject matter expertise and years of experience in the many facets of supply chain management

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Atlanta DC Overview

- Facility Overview (opened in 2001)
  - 320,000 sq. ft.
  - 185,000 stocked parts / 222,000 locations
  - 110 employees, 3 shift operation

- Volume Overview
  - 7,000 outbound lines/day (down 30% from peak)
    - 75% stock orders processed on 3rd and 1st shift
    - 25% emergency orders processed on 1st and 2nd shift
  - 2,000 inbound lines/day
  - 2-3 cross dock trucks/day

- Customers
  - Facing facility for dealers in North Carolina, South Carolina, Georgia, Tennessee, Mississippi, Alabama, North/Central Florida
  - Secondary facility in search tables for any other dealers
  - 95% of outbound is shipped on daily trucks to facing dealers
  - 5% of outbound is shipped parcel or LTL to non facing dealers

Problem Statement

- Need to develop 5 year space solution for facility with implementable plan to achieve 90% maximum utilization. Plan for 10,000 additional parts to store each year across all concepts. Current utilization:

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- In scope: Improved use of current concepts, new storage concepts, possible expansion
- Out of scope: Yard and bins (except to relocate crib area), process areas
Facility Storage Areas

- GLS
- ELN
- CTRL
- FLR
- HRK
- FLR
- LRK
- FLT
- Crb
- Bin
- Bin Expansion

Data Files

- Dem Master (parts stocked in Atlanta) (format: zipped .csv file, 3.4MB)
  - Part number
  - Recommended Storage Quantity (RSQ)
  - Min
  - Max
  - Pieces per entry
  - Forecast annual demand
  - Forecast annual entries (base)
  - Package quantity
  - Weight
  - Length
  - Width
  - Height

- Sales History (more than 400,000 pick lines from 01 May to 07 August) (format: zipped .csv file, 5.1MB)
  - Part number
  - Country of Origin
  - MR Qty
  - Customer Code
  - Pack Width ID
  - Order Class
  - Weight
  - Volume
  - Required completion date
  - Pick (impact of package quantities)

- Bin Map (format: zipped .csv file, 1.7MB)
  - Location
  - Part # (if occupied)
  - Country of origin
  - Location Storage Quantity (LSQ)
  - Facility Stock Available (PSA)
  - "Concept" type (CAT term for "slot")
  - Concept size (slot size)
  - Concept sector
BIN

Full quantity in one location
Parts under 30 lbs
Current expansion plans to add 20,000 locations by November
Future expansion into crib for another 20,000 locations

CRB

High theft prone items
Parts under 50 lbs, except for load and go on A elevations
Parts may have multiple locations, secondary locations have X at end of location in system