THIS IS CATERPILLAR

Presented by:
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May 11, 2007
CATERPILLAR IS...MAKING PROGRESS POSSIBLE

— World’s largest manufacturer of construction and mining equipment, diesel and natural gas engines and industrial gas turbines

— Technology leader in construction, transportation, mining, forestry, energy, logistics and electric power generation

— #1 or #2 for each industry we serve with a 2010 goal of market leadership for every major product group on every continent
CATERPILLAR IS...MAKING PROGRESS POSSIBLE

— The most technologically advanced products and services
— A passion for exceeding our customer’s expectations
— A long history of financial strength

Most important ... a global team of over 200,000 talented individuals – including employees, dealers and suppliers – committed to enabling progress and opportunity
THE HISTORY OF OUR PROGRESS: 1925

— Caterpillar Inc., established in 1925 with merger of Holt and Best tractor companies
— First diesel tractor model built in October 1931 in East Peoria, Illinois
— Cat machines served in World War I and II
— World headquarters in Peoria, Illinois
THE HISTORY OF OUR PROGRESS: 2006

— Global Enterprise
  • Nearly 95,000 employees
  • Nearly 300 operations in 40 countries
  • Over 500 products sold in every country

— Fortune 100 Company / Fortune 500 Global Company
  • Sales and revenues of $41.5 billion for 2006
  • Sales and revenues of $50 billion projected by 2010
  • Profit per share of $5.17 in 2006 vs. $4.04 in 2005
  • Invested over $1.35 billion in research & development in 2006
WORLD-CLASS PRODUCTS AND SERVICES

Our three principal lines of business:

— Machinery

— Engines

— Services –
  • Logistics
  • Financial Products
  • Remanufacturing
  • Rail-Related
WORLD CLASS PRODUCTS

- Excavators
- Track-type tractors
- Trucks
- Wheel loaders
- Engines
- Backhoe loaders
- Motor graders
- Paving products
- Compact construction equipment
WORLD-CLASS SERVICES

Cat Remanufacturing: Since 1970

— Advanced form of recycling – returning end-of-life components to same-as-new condition
— 2.3 million units (139 million pounds) recovered in 2006
— Full line of Cat Reman parts for Cat machines and engines
— Remanufacturing services for OEMs and others
COMMITMENT TO PROGRESS

A legacy of innovation…

— Over $5 million invested in research and development each working day – $1.35 billion in 2006

— Hundreds of Ph.D. scientists

— More than 2,500 patents in last 5 years

— Recognized for developing ACERT® Technology
Technical Center
THE POWER BEHIND THE PROGRESS: OUR DEALERS

— Collectively employ over 100,000 employees in a global network spanning the globe
  
  • 1,587 Dealer rental outlets
  • 1,741 Dealer branch stores

— 24-hour service to customers around the world

— More than 400 FG Wilson, MaK, Perkins and Solar distributors
THE FUTURE OF PROGRESS

— Our Values in Action – Caterpillar’s Worldwide Code of Conduct
— Vision 2020: an admired global leader
— CPS: Caterpillar Production System
— Sustainable development: enabling progress and improving quality of life in a more efficient, environmentally sensitive manner
— World-class brand: corporate reputation campaign
— Growing globally: China, India, Russia
THE FUTURE OF PROGRESS

“Our commitment to being a leader in sustainable development will keep us focused on what really matters—making the intelligent choices that will drive the growth of our business and help create a more sustainable world.”

--Jim Owens, Caterpillar Chairman and CEO
Sustainable Development as a Strategic Area of Improvement
**Why Discuss Sustainability?**

**United Nations**
- Unchecked economic development can lead to deterioration in quality of life
- Base of the Pyramid Needs

**Industry Trends**
- Facing increased environmental, community, and regulatory pressure
- Looking for sustainable solutions

**Caterpillar**
- Sustainability makes business sense
- Opportunity to influence and lead
- Attract the Best Talent
"Forms of progress that meet the needs of the present without compromising the ability of future generations to meet their own needs."

If You Only Remember One Thing...

- People
- Planet
- Profit

It's All About Balancing "The Triple Bottom Line"
Increasing Pressure on the Planet

“Business cannot succeed in a world that is failing”

Bjorn Stigson, WBCSD, 2004
Emissions regulations are proliferating
- Numerous cycles
- Unique certifications
- Near-zero levels
- Cat responsible for in-use emissions
- On-board electronic emission monitoring
- Nonregulated countries becoming regulated

Firsts and Highlights:
1970 - US smoke regulation
1972 - European smoke regulation
1973 - First gaseous emission regulation in US
1982 - First gaseous emission regulation in Europe
1988 - First PM regulation in US
1992 - First PM regulation in Europe
1993-1994 - Brazil, Chile, Mexico & Japan on-highway
1996 - US & Japan nonroad
1996-1997 - Argentina, India, China & Malaysia on-highway
1998 - Canada on-highway
1999-2000 - EU, India & Russia/CIS nonroad
2000 - Israel, Russia/CIS & Thailand on-highway
2000 - IMO marine
2001 - US underground mine
2001 - Singapore on-highway
2002 - US locomotive
2002-2003 - Australia, Korea & Phillipines on-highway
2003 - Rhine River marine
2003 - UIC locomotive
2004 - Korea nonroad
2004 - US large nonroad SI
2004 - US & Japan marine
2005 - EU rail/locomotive
2006 - EU marine
2006 - US stationary
2007 - US on-highway in-use testing & OBD
2007 - China nonroad
2010 - US on-highway near-zero emissions
2014 - US & EU nonroad near-zero emissions
Opportunity

Sound Regulations

Sampling of Regulations
1970- OSHA Noise regulations
1974- Europe Noise Regulations
1981- Canada Noise Regulations
1985- ISO 6393 for Earth Moving Equipment
1986- Canadian Regulations
1990- Increasing ISO standards
1991- Additional EU Directives
1992- Japanese Regulations
1995- Australian Requirements
1996- Chinese Earth Moving Regulations
1998- Additional EU Directives
2000- Europe Exterior Sound Directives
2000- EU Exterior Earth Moving Directives
2001- Increased Australian Regulations
2002- India creates Noise Emissions regulations
2003- Sweden External Vehicle Noise Law
2003- EU Directives
2004- Australian Regulations
Opportunity

Material Management Regulations

Regulations To-Date
1998 Japan Home Appliance Recycle
2002 EU Restriction of use of Certain Hazardous Substances Directive 2002/95/EC
2005 Japan proposed Automotive Take-back Legislation
Future?
Strategic Fit

VISION 2020
T&SD Mission

STRATEGIC PROFILE

STRATEGIC GOALS
People  Performance  Profitable Growth
Product  Process

CRITICAL SUCCESS FACTORS
People  Quality  Product  Trough

STRATEGIC AREAS OF IMPROVEMENT
New Product Introduction  L1-L8 Strategy
Encoding & Sigma  Technology Transfer
Sustainable Development  Knowledge Application
Growth Beyond Core  Global Reach
Validation  IPI Process Deployment

Our Values in Action – INTEGRITY, EXCELLENCE, TEAMWORK, COMMITMENT
WORLDWIDE CODE OF CONDUCT
Benchmarking … What We Learned

- **Sustainable Development is about business sustainability**
- **SD initiatives should grow out of risks**
- **World class companies engage stakeholders**
- **General agreement that SD adds to business value**
- **SD must be embedded in the culture**
Pre Work

- Secured Executive Office Support

- Engaged External Advisors

- Strategic Intent Matrix based on SRI

- Contracted Professional Consultants

- Five Year Vision / Plan
We are developing a comprehensive, coherent strategy and dedicated staff to focus on sustainable development as we design our products, run our operations and work with our customers and communities. Key elements of our strategy will include:

- **Education** – employee and key managers

- **Facility metrics & goals** safety, energy, material management, emissions and water consumption

- **Business Unit metrics & goals** profitable growth generated by products & solutions supporting SD

- **Development of processes to support innovation & collaboration** leveraging outside expertise

- **Working with existing & new customers, dealer network & industry groups** to understand & address needs

- **Continued engagement from the world outside Caterpillar**
Sustainability Target & Goals

- Safety
- Environment
- Charitable Giving
- Engine Emissions
- Solar Turbines
- Remanufacturing

Reported 2002-2005 with 2010 targets established
Evaluation Standards

- Dow Jones Sustainability Index
- Carbon Disclosure Project
- Climate Leaders
- External Advisor Board
- New! – USCAPS
Report Card

Published Second Report in 2007

Metrics Have Raised Healthy Concerns

Eight Goals in 2006 Report
1 Complete
1 Incomplete
6 In Progress
Under the Umbrella of Sustainability

- Policy
- Operations
- Product
- R&D
- Dealer / Customer Affairs
- Education
The Future
Innovation & R&D

Research Portfolio

SD Portfolio

Funding

STN

LCI
Business Case

- $$

- Tangible

- Intangible

- Capital Project Competition

- Labeling & Product Declarations
External Trend Projections

**Corporate Governance**
- Enron, Worldcom, Tyco
- Arthur Andersen
- Swissair

**Climate Change/CO2**
- Implementation of Kyoto Protocol by 2008
- National CO2 emission reduction targets
- Renewable energy
- Adoption strategies

**Asbestos**
- Massive damage claims in the US
- Royal & Sun Alliance: accrual of 371 Million GBP
- ABB: accruals exceeding 1bn USD

**Demographics**
- Ageing population in industrialized countries: health care, pension systems, scarcity of workforce
- Population growth in developing countries: Resource scarcity: Energy, water, food

**Nano-technology**
- Implementation of CO2 reduction targets
- Renewable energy
- Adoption strategies

**Potential for economic damages/revenues**

1960 1980 2000 2020
Sustainability…

**The Progression**

- ECO-EFFICIENT OPERATIONS
- DESIGN FOR ENVIRONMENT PRODUCTS
- SUSTAINABLE SOLUTIONS WITH CUSTOMERS
  - Forestry
  - Mining
  - Transportation
  - Paving
  - Waste Management
  - Renewable Power

**SHAREHOLDER VALUE IMPACT**

**ENVIRONMENTAL IMPACT**