

# ELECTRO MOTIVE®

**PROGRESS**  
RAIL SERVICES  
A Caterpillar Company

**CATERPILLAR®**



# EMD Quick Facts

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- Founded in 1922, Electro-Motive Division of General Motors
- Owned by General Motors for most of its history
- Sold to private equity in 2005
- Since then, revenues have more than doubled, exports increased five-fold, 40% aftermarket growth
- Supply base has the majority of its partners located or ship from within a 500 mile radius of Chicago
- Spend in excess of \$1B annually
- Sold to Caterpillar/Progress Rail in August 2010



## **CATERPILLAR®**

- Sales \$52B
- 100,000 CAT Employees / 50 Countries
- 100+ Manufacturing Locations
- 500+ Products
- 1.8M Aftermarket Parts
- 180 Dealers
- 131,000+ Dealer Employees



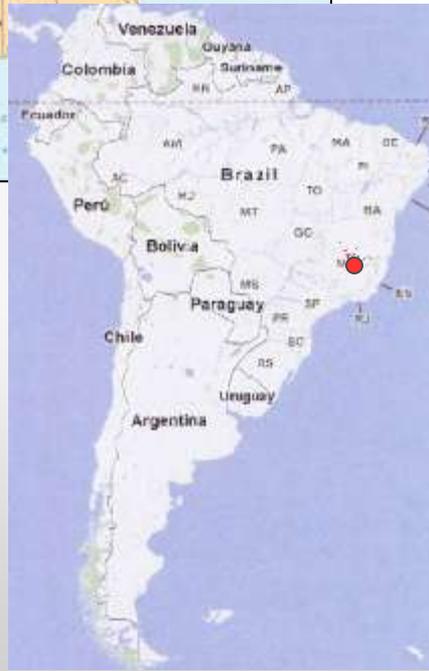
- Subsidiary of Caterpillar
- 110 US Facilities
- 33 International Facilities
- Locomotive Upgrade and Repair
- Railcar Reman
- Rail Repair and Replacement
- Signal Design and Installation



## Manufacturing Locations



- LaGrange, IL
- Muncie, IN
- San Luis Potosi, MX
- Sete Lagoas, Brazil

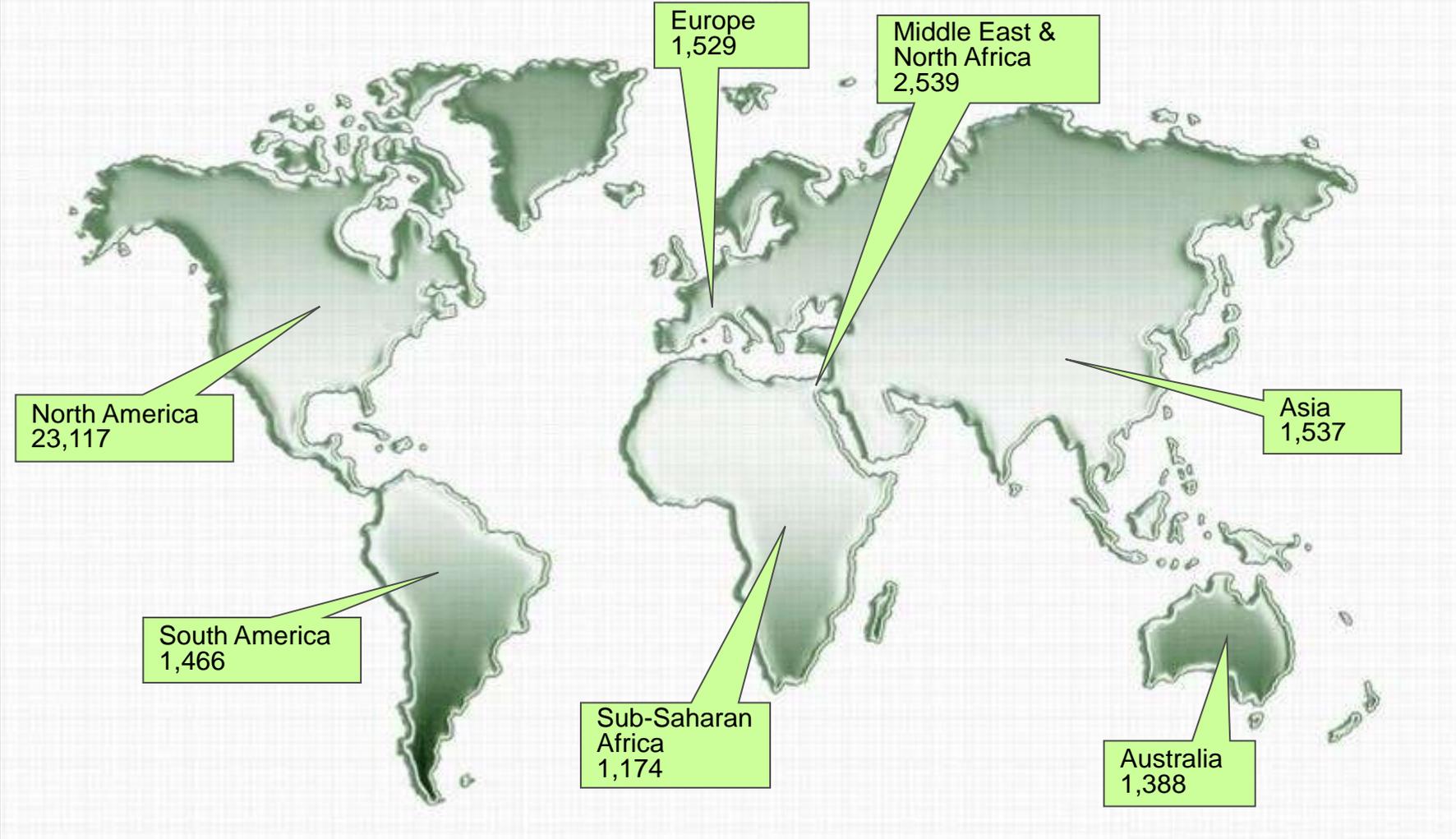


**ELECTRO-MOTIVE**

- 4 Manufacturing Operations
- Locomotives
  - Freight
  - Passenger
- Power Products
  - Marine
  - Stationary Power (Drill Rig)
  - Industrial (Back-up Power Units)
- Aftermarket Components
- 2300 Employees

# EMD Around the World

## Nearly 33,000 active EMD locomotives



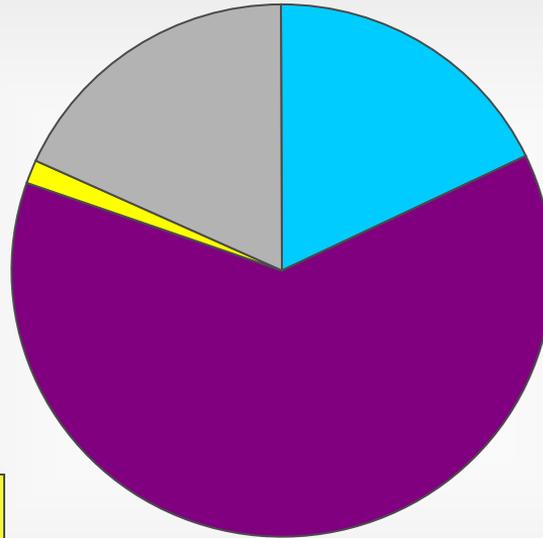
# EMD Product and Service Offerings



Services



Aftermarket Parts



Significant future growth opportunities by focusing on “green”, safety, service and new products



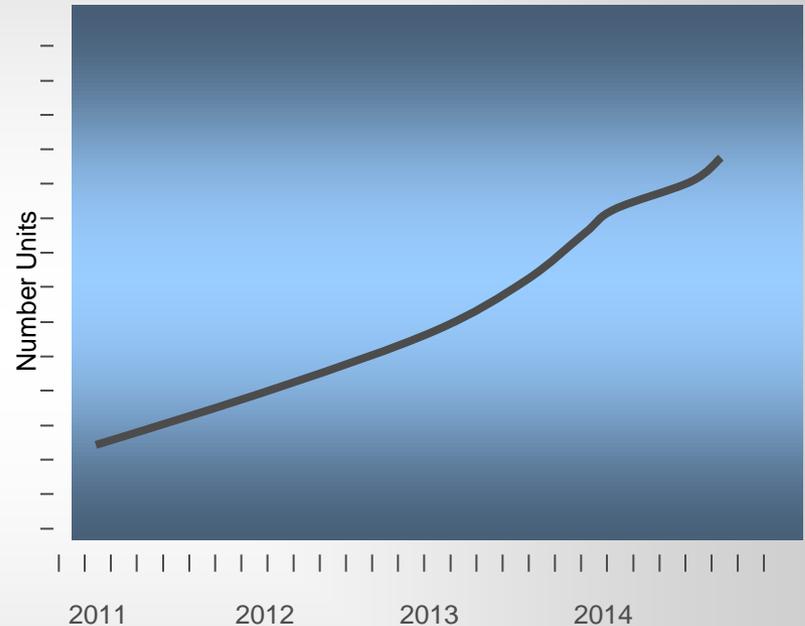
Power Products



Locomotives

# Forecast Demand

- Significant growth in forecast
- <100 locomotives 2010
- >200 locomotives 2011
- Doubling volumes for 2012 forward
- Growth from CAT / PR synergies
- Growth from stronger customer relationships
- Growth from 2015 emissions pre-buy expected
- Growth from further recapturing EMD's aftermarket
- Growth from Transit industry expansion
- Growth from focus on cost out and being more cost competitive

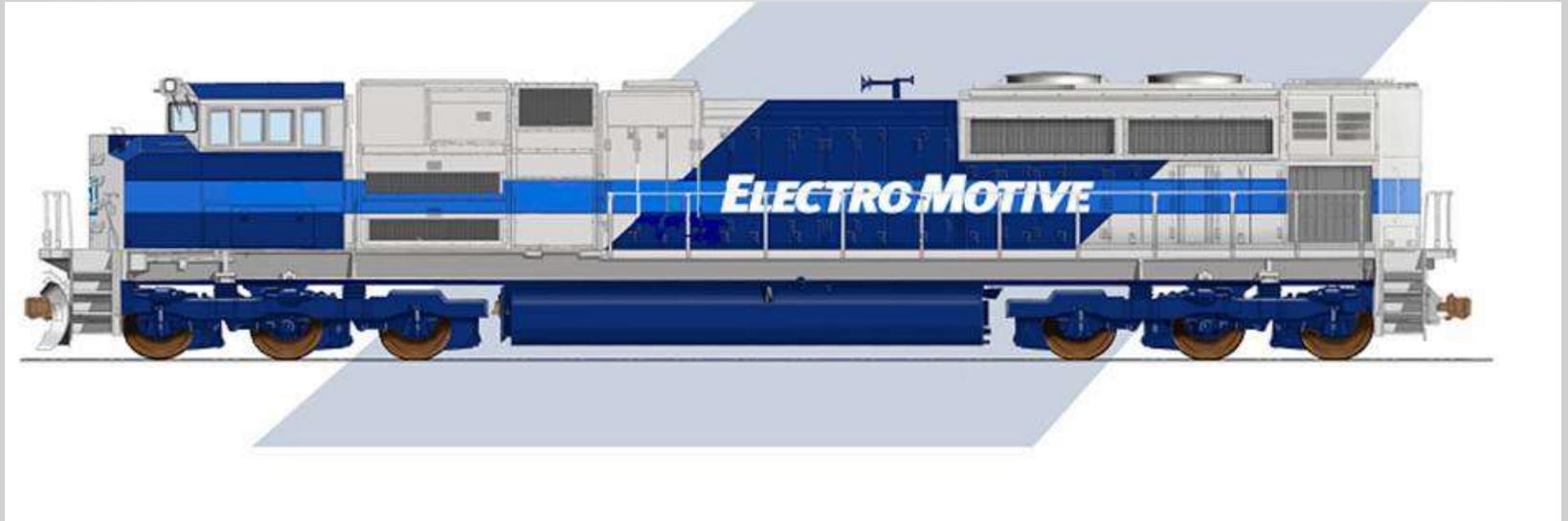


## Overview

- 90/10 targeted 90% common content between customers for a locomotive model
- 85% of locomotive content is the same between AC and DC models

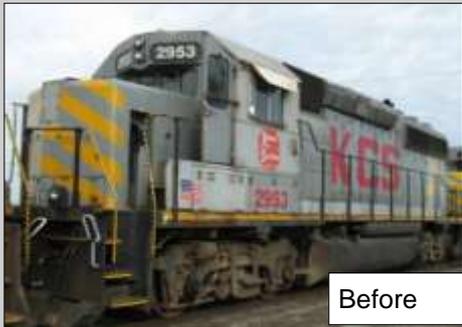


## SD70ACe



- Tier 3 emissions compliance with service proven 710 engine
- Reliable & durable
- Enhanced crew comfort & ergonomics
- Improved diagnostics/prognostics
- High starting & continuous tractive effort
- Designed for maintainability

# Locomotive Rebuild / Repower



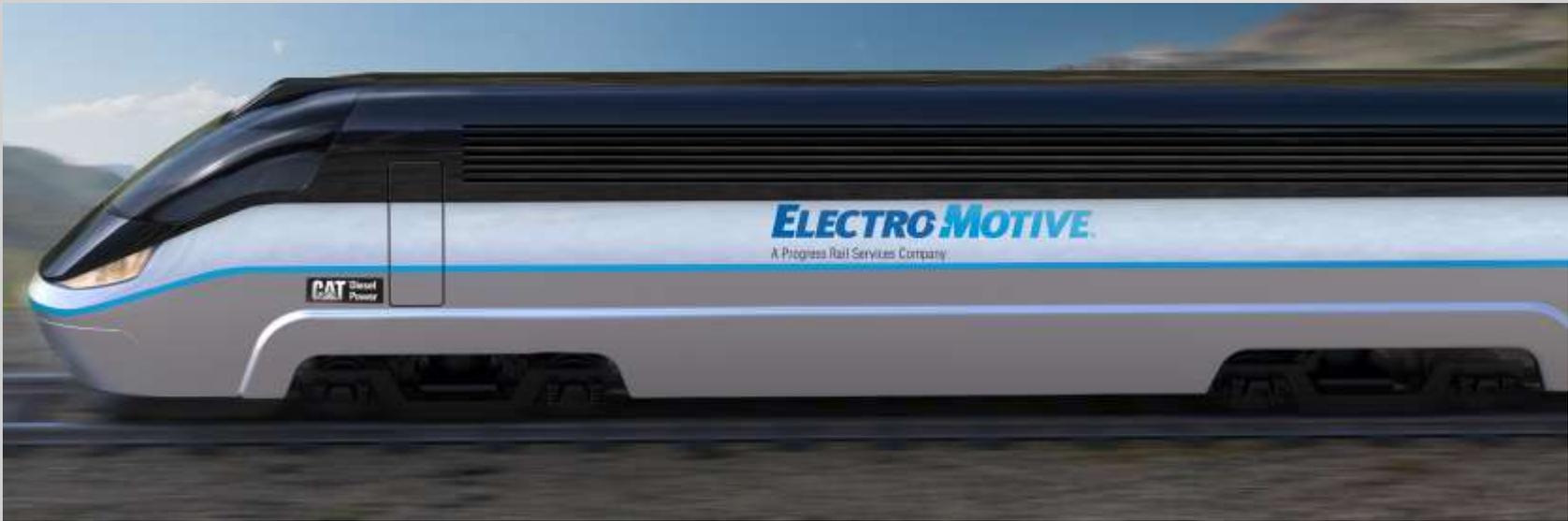
- Freight and Transit customers rebuild in-kind - EMD components, Progress Rail rebuild
- Electro-Motive 710ECO Repowers
- Progress Rail Caterpillar Repowers and GenSets
- Significant quoting activity for rebuild / Repower
- Government funding available due to emissions reduction in Repowers and GenSets

# Aftermarket Parts



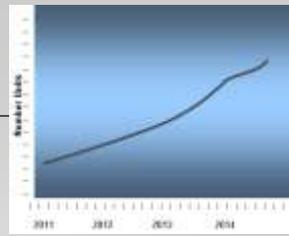
- Stronger position worldwide with association with Progress Rail / Caterpillar
- More coverage for Services and Parts Distribution locally and internationally
- Long term spare parts contracts signed with customers
- Positioned to offer rebuild of major assemblies and components
- Strategic alliances with customers to guarantee supply of materials (one stop shop)
- Strategic alliances with suppliers

# EMD Initial Design Concept Next Generation Passenger Locomotive

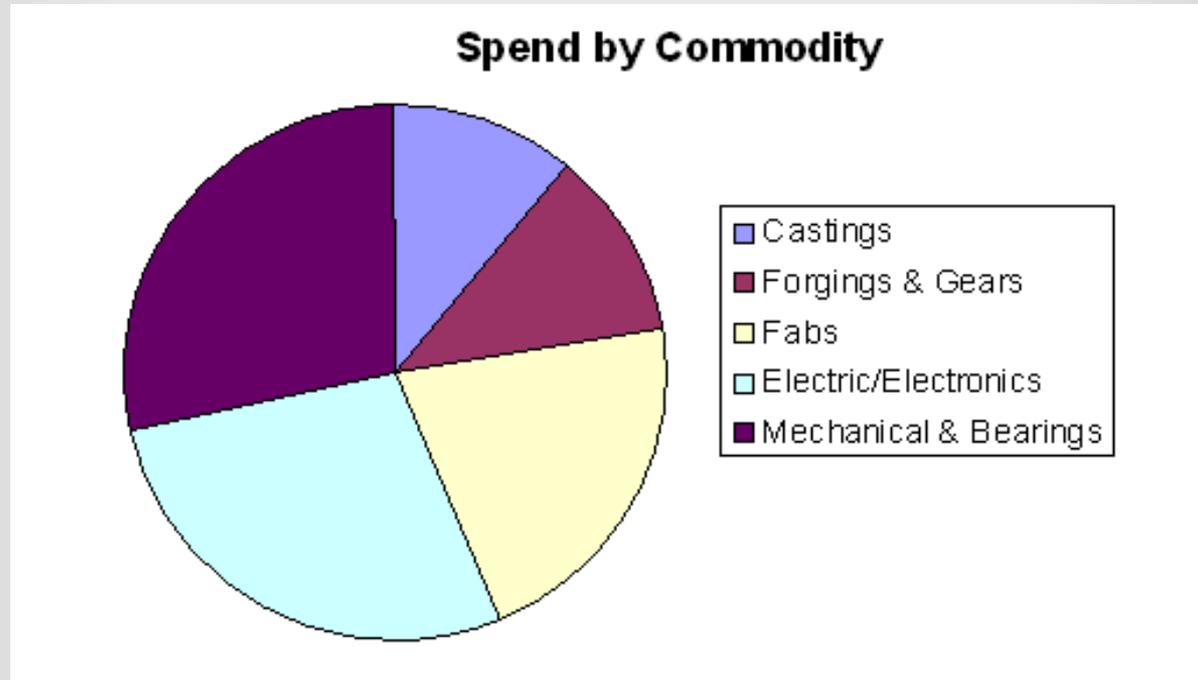


**ELECTRO MOTIVE**

# What does this mean to EMD Suppliers?



Opportunities for EMD suppliers to participate in the growth



Requirements: Quality, Cost, Delivery, Brand Protection

**Collaboration!**

# Summary

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## FAQ

- **How and why are EMD's needs changing in terms of quality, delivery, price and dimension and how can suppliers help?**
  - ✓ EMD has moved from operating in the declining stage of the business model under GM to the embryonic under equity partners and now growth stage as part of CAT/PR
  - ✓ Opportunities for material supply and locomotive manufacture are being sought worldwide
  - ✓ Significant % of the EMD product is externally procured
  - ✓ Collaboration with supplier/partners with the same mentality for growing our businesses together
    - continuous improvement, aggressive cost reduction programs, quality and process improvements to remain the quality leader and stay competitive
  - ✓ EMD must offer lowest cost, highest reliability, quality product and deliver in increasingly shortened leadtimes

# Summary

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## FAQ

- **How can suppliers better position themselves for the changing environment?**
  - ✓ Today, EMD works closest with only those suppliers that can help us grow and we reward that effort with LTAs and volume
    - Optimize product and process design to eliminate defects and rework
    - Increase material utilization and flow
    - Raw material aggregation, cost transparency
    - Work with engineering during design process to design costs out and reliability in, up-front
    - Be creative in solutions

# Summary

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## FAQ

- **What key factors would enable domestic suppliers to compete with low cost economies?**
  - ✓ EMD evaluates suppliers based on Total Landed Cost
  - ✓ Includes transportation, duty, taxes, VMI programs, quality and delivery history, absorbing NRE, ease of doing business
  - ✓ Process optimization
  - ✓ Same quality processes, PPAP
  - ✓ Participate in low cost economies sourcing within your own supply chain if benefits prove out
  - ✓ Identify benefits of re-shoring in US

# Summary

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- **What value “adders” can suppliers bring?**
  - ✓ **Open communication, ease of doing business, openness to change**
  - ✓ **Design for manufacturability**
  - ✓ **Using latest cost saving technology**
  - ✓ **Returnable containers**
  - ✓ **Price efficiency, year over year price productivity**
  - ✓ **Cost savings sharing, cost transparency**
  - ✓ **Vendor managed inventory**
  - ✓ **Longer warranties**
  
- **Collaboration is key to our mutual success**

**CATERPILLAR®**

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**ELECTRO·MOTIVE**

**We believe in the future of  
passenger rail transportation!**