

CATERPILLAR®

THE MARKET

Big. Strong. Yellow. You know one when you see one. Those giant, powerful machines that literally move mountains have become universal symbols of the heavy machinery industry. That's a brand with power.

But if you only see heavy machinery, you're not seeing the big Caterpillar picture. Through diversification, Caterpillar product lines include not only the heavy construction sector, but also road building, mining, quarry, forestry, and industrial waste handling. The company also makes compact construction equipment, diesel and natural gas engines, and industrial gas turbines, which satisfy an ever-growing need for power sources in the marketplace.

Caterpillar has built one of the industry's and the world's most efficient and responsive parts, service, and support organizations. It also develops and produces fluids for its machines, remanufactures used machines, and leads in the equipment rental business.

Caterpillar offers varied financing options through its Financial Products Division. Moreover, Caterpillar Logistics Services, Inc. offers logistics management services worldwide, leveraging one of Caterpillar's internal strengths to serve external clients.

ACHIEVEMENTS

In 2001, Caterpillar — a Fortune 100 and Dow 30 company — stood atop its industry with worldwide revenues of more than \$20 billion and an investment of nearly \$700 million in research and development.

But the financial side doesn't paint the full picture. Caterpillar attributes much of its success to aligning itself with the work its customers do



rather than with the products they own — and to helping customers by solving problems, providing support, and offering financial and technical expertise. The company prides itself on its track record of keeping its customers up and running, maximizing their productivity, and reducing their cost of operation through a global dealer network that provides customer support, parts, and service in nearly 200 countries, literally overnight.

Among Caterpillar's other recent achievements:

- In the August 5, 2002, issue of *Business Week*, Caterpillar was ranked among the top 100 global brands. In order to qualify for this ranking, brands had to be global in nature, and the brand had to have a value in excess of \$1 billion.
- Caterpillar is committed to the Six Sigma philosophy. Caterpillar has done something no other global company has been able to do: achieve greater benefits from Six Sigma in the first year than it spent. No other company has simultaneously launched across all its global divisions and been able to break even in year one.
- Caterpillar Inc. has been designated as one of "America's Healthiest Companies" by the Wellness Councils of America. The company

received the Gold-Level Workplace Award for the accomplishments of the Healthy Balance® program as the centerpiece of successful health promotion efforts.

- Caterpillar Inc. on-highway truck engines received the highest customer satisfaction rankings for the third year in a row from J.D. Power and Associates. According to the study, 50 percent of customers "definitely" would recommend Caterpillar engines, compared to 43 percent for the industry average.

HISTORY

Caterpillar leads its industry for good reason. It invented the industry in 1904 with the introduction of the first tracked machine that could lay down its own roadbed, allowing farmers to work in slippery fields without getting stuck up to their axles in mud. The product took hold, and Caterpillar endured.

The history of Caterpillar reads like a page out of the history of world events for the past 75 years. The company's machines have gone to war from World War II's battlefields in Europe and the Pacific Rim to the jungles of Vietnam to the Gulf War's blazing oil fields of Kuwait.

With their global presence, Caterpillar products are at work to make progress around the world possible. That work is most publicly visible



in such high-profile projects as the Hong Kong airport, Egypt's massive efforts to green its vast deserts, and the building of the Three Gorges Dam in China. People also see Caterpillar at work helping to develop sustainable techniques in the tropical rainforests and bringing

newfound prosperity and growth opportunities to communities as far flung as Piracicaba, Brazil, and Xuzhou, China. Caterpillar puts its strength behind this big world and helps to make it a better one.

THE PRODUCT

Caterpillar manufactures more than 300 different types of machines. The company also makes engines, power systems, and solar turbines, as well as providing parts, services, Power Electric Measurement (PEM) components, and work tools. Its equipment and other products are used worldwide across a range of industries as well as by government and military forces.



RECENT DEVELOPMENTS

People think of Caterpillar as a business-to-business company, not a consumer products one. That work-related connotation, however, has allowed Caterpillar to successfully extend its brand to other products, even into consumer markets. Because of the company's reputation for high-quality, durable products, its attributes carry over into other product lines. Perhaps the most successful extension of the Cat brand has been into the work boot market.

Caterpillar's licensing manager, Dan Hellige, notes that the extension into retail consumer markets has been slow and deliberate. "The team, first and foremost, has always had a goal of staying true to the Cat brand, only looking at extension opportunities that have a meaningful fit with Caterpillar. Caterpillar's licensed merchandise must have a connection back to Caterpillar; they must carry the brand's attributes such as being rugged, durable, and authentic; and they must be uniquely designed for Caterpillar. The licensed merchandise program is about creating a positive brand impact with both current and future decision makers. Caterpillar has the rugged construction work boots to appeal to our equipment customer and also a rugged casual line of footwear which introduces Caterpillar to a younger audience — those who will be the planners and influencers of tomorrow."

PROMOTION

The Peoria, Illinois-based corporation is Caterpillar Inc., but many simply refer to the company as Cat. Caterpillar has seen the value in flexing its brand, rather than trying to rigidly insist that only its corporate name be used.

As a result, both the Cat and Caterpillar names identify the company and its products and services. Having two equally established names was an important factor in the redesign of the company's logo in 1989. As a result, Caterpillar has two design marks, one incorporating the longer version of the name and one using the shorter version. While both are used to mark Caterpillar products, the flexibility of having a shorter version enables representation in a larger, more visible size. Therefore, the Cat brand usually takes the more dominant position in product promotion and identification.

BRAND VALUES

Caterpillar has a highly developed sense of what the company is and what it stands for. When the company reorganized in the early 1990s, a founding principle was to make sure the corporate image



was well defined and consistently communicated. Caterpillar works hard to instill a common understanding of its strategy and objectives not only to employees, but throughout its worldwide dealer network and its allied organizations.

The message comes through loud and clear in the company's statement of its attributes: Down-to-Earth, Straightforward, Gritty and Rugged. Enduring. Accessible. Honest. Responsive, Global, Serious, Thorough, and Industrious. Commanding. Highest Quality. Competitive. Industry Leader.

Bonnie Briggs, manager of Caterpillar's Brand Identity and Communication, travels the globe to spread the message of the importance of protecting and enhancing the brand's strength and value. She says, "Brands should stand for something. To be believed, they must be lived."

Caterpillar's more than 70,000 employees worldwide certainly understand what "living" Caterpillar means. Many often refer to themselves as having "yellow blood," a metaphor that sums up the pride they take in the company and their individual contributions to it.

In some cases, the strong work heritage associated with "yellow blood" has been passed from one generation to another. Kim Neible, manager of Caterpillar's Marketing & Brand Management Department, "grew up with Cat. Everyone in my family has worked for this company at one time or another. So, what Caterpillar represents and its



values are almost instinctive to me. The long-standing culture defined by its attributes is as prevalent within the organization as those yellow machines and engines in the factories. It sets Caterpillar's standards, drives its performance, and differentiates Cat from the rest of the industry."

Caterpillar has a strong commitment to meeting high ethical standards and has numerous measures in place to protect it. The company's Office of Business Practices and Code of Worldwide Bus-

ness Conduct set a high standard for honesty and ethical behavior by every employee. In addition, the Caterpillar Board developed guidelines on corporate governance, which included the establishment of a fully independent board of directors, with the sole exception of its chairman, and a fully independent compensation committee. While not required by law, Caterpillar established share ownership guidelines in connection with stock option grants for corporate officers and directors over a decade ago. Shareholders have approved all of Caterpillar's equity-based compensation plans, and Caterpillar has never offered golden parachutes to any company officers.

THINGS YOU DIDN'T KNOW ABOUT CATERPILLAR

- The Caterpillar family had reason to celebrate in 2002. NASCAR driver Ward Burton won the 44th Daytona 500 in Daytona Beach, Florida, in the Caterpillar-sponsored #22 Dodge.
- Caterpillar employees earned more than 2,800 patents in the past six years.
- The technology behind many Cat products is now available to outside companies through Caterpillar Technology Licensing.
- Caterpillar is developing ACERT™ Technology for introduction in its truck engines in 2003. The technology is a "total" systems approach to emissions reductions. It relies on Caterpillar's leadership in four areas: combustion air technology, fuel injection systems, totally integrated and enhanced engine controls, and a simple, yet effective, after-treatment process.
- Caterpillar has again been selected as a component of the Dow Jones Sustainability World Indexes (DJSI). This selection recognizes Caterpillar's leadership in meeting DJSI's stringent economic, environmental, and social criteria.
- Caterpillar was named Company of the Year by the American Chamber of Commerce in Russia.
- The Cat Tough Loader from Power Wheels by Fisher Price was rated number three in the *Duracell Kids Choice Survey* and was featured on the *Today* show in November 2001.