

**North American Parts Improvement Project  
Flash Report # 20**



## 2009 Forecast Favorable to Budget Expectation Due to Strong Sourcing Results and Economics Mitigation

### 2009 Income Contributed Improvement Forecast (Millions)

Workstream	Original Commitment	Budget w/ Overlay	Current Forecast	F/(U) v. Budget	Comments
Pricing	\$8.2	\$10.1	\$9.5	(\$0.6)	Continuation – AP Support
Volume Growth	\$4.9	\$3.1	\$1.5	(\$1.6)	Continuation – AP Support
Sourcing <sup>1</sup>	\$2.0	\$2.1	\$3.0	\$0.9	Continuation – AP Support
Warehousing	\$0.9	\$1.3	\$1.3	\$0.0	
Economics Mitigation	—	—	\$0.0	\$0.0	New Initiative – AP Support
Heritage Strategy	—	—	\$0.0	\$0.0	New Initiative – AP Support
Inventory Capital Charge:					
Scrap Program	\$1.3	\$1.0	\$0.7	(\$0.3)	
GLOBE/F&P <sup>2</sup>	\$1.3	\$1.3	\$1.3	\$0.0	
<b>Total</b>	<b>\$18.7</b>	<b>\$18.9</b>	<b>\$17.3</b>	<b>(\$1.6)</b>	

**Current forecast reflects favorable economics, P&L impact due to twine in 2009**

- (1) Will not realize additional \$.5MM in 2009 sourcing benefits (income contributed) due to accounting rule requiring variances to be capitalized. Categories affected include filters, bearings, metal parts and hydraulics (all non-direct ship categories). Cash savings, however, will still be realized based on price reductions achieved.
- (2) GLOBE forecasting & planning benefits/status tracked via GLOBE Advisory Board

## Parts Improvement Project Forecasting ~\$25.5 MM+ Bottom Line Improvement

### 2010 Income Contributed Improvement Forecast<sup>1</sup>

(Millions)

Workstream	Original Commitment <sup>2</sup>	Current Forecast <sup>3</sup>	F/(U) v. Commit	Comments
Pricing <sup>4</sup>	\$9.3	\$12.7	\$3.4	Continuation – AP Support
Volume Growth <sup>5</sup>	\$10.3	\$3.1	(\$7.2)	Continuation – AP Support
Sourcing <sup>6</sup>	\$4.4	\$5.0	\$0.6	Continuation – AP Support
Warehousing	\$1.6	\$1.6	\$0.0	
Economics Mitigation <sup>7</sup>	—	\$0.0	\$0.0	New Initiative – AP Support
Heritage Strategy	—	\$0.3	\$0.3	New Initiative – AP Support
Inventory Capital Charge:				
Scrap Program	\$1.7	\$0.7	(\$1.0)	
GLOBE/F&P <sup>8</sup>	\$2.1	\$2.1	\$0.0	
<b>Total</b>	<b>\$29.4</b>	<b>\$25.5</b>	<b>(\$3.9)</b>	

(1) Annualized figures

(2) 4Q estimate. Target benefit range of \$20.9 - \$28.9 million established during QuickStrike (Revised upon further analysis of current economics)

(3) Forecast net of \$0.6 MM recurring expenses associated with sustainability plan

(4) Pricing benefits based on \$8.5MM target for 8/1/09 price book, extrapolation of 2009 YTD volumes, net of economics (\$7.8MM) and capital charge (\$0.3MM). Economics forecast composed of \$4.8MM carryover from 2008, \$1.0MM in new economics and \$2.0MM related to economics mitigation program

(5) Volume growth benefits reduced due to reduced forecast, working capital charges, lower machinery sales volumes, recasting and sustainability costs

(6) Sourcing benefits based on extrapolation of 2009 YTD volumes. Includes \$0.5MM in GLOBE benefit realization (inbound freight, global economics control, etc.)

(7) Economics Mitigation includes economics control and supplier “clawbacks” but has been reclassified as cost avoidance netting out non-contribution

(8) GLOBE forecasting & planning benefits/status tracked via GLOBE Advisory Board

# Deep Dive Schedule

## Weekly Schedule

Date	Pricing	Volume Growth	Sourcing	Economics Mitigation	Heritage Strategy
7/15/2009		x			
7/22/2009			x	x	
8/5/2009	x				X
8/19/2009					
9/2/2009		x			
9/16/2009			x	x	
9/30/2009					x
10/14/2009	x	x			
10/28/2009				x	
11/11/2009	Project Debriefing				

