



We Provide What Our Customers Need So They Can Provide

What the World Needs

2011 YEAR IN REVIEW



3 CHAIRMAN'S MESSAGE

8 MORE CONSTRUCTION

From highways to housing, our customers are helping to build the infrastructure necessary to support the world's growing population.



16 NATURAL RESOURCES

We're helping our customers reach and extract minerals and other resources that are critical to the Earth's 7 billion plus inhabitants.



26 ENERGY & POWER

Our power solutions are helping meet the world's energy needs.



33 GLOBAL REACH

Our worldwide dealer network makes it possible for us to be wherever our customers are in the world and is the foundation of our intense focus on meeting customer needs.



39 FINANCIAL STRENGTH

Strong financial viability and expert corporate resources are essential to ensuring that we have what it takes to meet customers' needs so that they can meet the world's needs.



45 CHANGING LIVES

The Caterpillar Foundation invests in programs worldwide to make sustainable progress possible around the world.

51 EXECUTIVE OFFICERS

53 OFFICERS

54 BOARD OF DIRECTORS

57 PERFORMANCE METRICS

66 FORWARD-LOOKING STATEMENTS & TRADEMARK INFORMATION

“...we know what we need to do. Our strategy is working. All we have to do is execute and maintain an absolute focus on our customers. We are here to help them succeed. It's as simple as that.”

Message From Our Chairman

Doug Oberhelman, Chairman and CEO

There are many who will look back at 2011 as a record year. It was certainly a great year, and I'm proud of the entire Caterpillar team from employees to dealers to suppliers. We've renewed our focus on customers and delivered some impressive results. But it's not a record I want to celebrate – it's a record I want to break. I look at 2011 as a foundational year. It's a stake in the ground, a line in the sand, a milestone on our way to achieve our Vision 2020.

Throughout the recession that began in 2008 and lingered until 2010, we kept investing and said we wanted to hit the ground running as soon as possible when the economy and demand stabilized. We certainly did that! We've been acquiring, investing, expanding, growing, developing – those are the kind of words you want to hear in business. But those words indicate starting points, not end points. That means Caterpillar has a lot of work to do!

Fortunately, we know what we need to do. Our strategy is working. All we have to do is execute and maintain an absolute focus on our customers. We are here to help them succeed. It's as simple as that.

But, our customers are anything but simple. They are literally powering and building the world. Our customers operate in every corner of the globe. They range in size from a small residential contractor with one Caterpillar machine to large multinational global mining customers with hundreds of machines working 24 hours a day seven days a week. Our power systems are used to power huge ships and oil rigs, and they provide back-up power to hospitals, just to name a few applications.

Our customers are diverse, but all have something in common – they all expect the best from Caterpillar. They expect the best quality, the best performance, the best productivity and more than anything, they expect the best value for the price they pay. We've got our work cut out for us to deliver on these expectations. That's why we have to set the bar high.

As good as 2011 was, it's not the new normal. We can do even better.

(continued)



Message From Our Chairman *(continued)*

When we introduced our 2011–2015 strategy, we talked to our teams about the need to look outside of Caterpillar. We often compare our performance to ourselves – not our competitors – from year to year. We compare our new products to older models. We compare results from Division to Division. There's nothing wrong with that – it's an effective way to show improvement. But it doesn't help us figure out what our customers need, and it certainly doesn't show us what the world needs.

Business has changed. The industries we serve have changed. Competition is tough, customer requirements are demanding, and the industries we serve are booming, and they are complicated. Outperforming ourselves simply isn't good enough anymore.

That's why asking the question – what does the world need? – is so important.

By 2020 the world population is expected to be 7.6 billion people. What are all those people going to need? They are going to need food, water, energy, housing, roads, schools – everything you and I have today and probably some new things we haven't even thought of yet. That means infrastructure, construction, mining and power systems are growing industries. Demand for our products is strong, and we think the big macroeconomic trends will mean good global growth for our industries for the next 25-30 years. 2011 was about getting us ready to capitalize on all of that growth.

In 2011, we announced new distribution centers to keep up with growing parts demand. We completed the acquisitions of Bucyrus and MWM, which expands our mining and power systems portfolios. We introduced over 50 new Tier 4 products that not only meet emissions requirements, but deliver added value in terms of power, efficiency, safety and more. These new products run with the cleanest diesel engines ever made. We built new factories around the world and significantly expanded capacity in existing factories. In fact, in some cases we doubled capacity. Comparing ourselves from year to year, we did an amazing job. But the world wants more.

Despite the increases in capacity and expected additions in 2012, we are still very tight on many products and are currently quoting extended delivery times for some products. For example, we are now quoting delivery times into 2014 for some large trucks and track-type tractors.

That's why we are setting the bar even higher for 2012.

While we have much to do in 2012, we'll be particularly focused on four things – continuing to improve quality, our investment in product development, integrating our acquisitions and adding production capacity. In 2011 our investment in capital expenditures was \$2.6 billion. In 2012, we expect capital expenditures of about \$4 billion. We are transforming Caterpillar with an intense focus on customers, driving a reinvigorated sense of urgency as we invest and grow the company like never before.

We are also taking a close look at some areas that need improvement. When we developed our new Enterprise Strategy in 2010, we started by taking an honest look at ourselves. We asked: what are we doing well, and what do we need to work on? That's not a one-time exercise, but something we need to do all the time.

(continued)

Message From Our Chairman *(continued)*

When we compare ourselves to the best in the auto industry, we just don't stack up well when it comes to managing our inventory turns. Inventories have grown in our own factories, with our dealers and in our product distribution centers too. We came out of the recession with growth much stronger and faster than expected. I'm not one for passing up sales, so we really had to ramp up production quickly. I'm pleased that we are doing better at meeting demand, but I feel we can improve inventory turns and use less cash.

Again, we know what we need to do – we need to collaborate better with our suppliers. Sounds easy enough, but it requires a change in our culture. Caterpillar has been known to be arrogant in the past. Our customers have said it. Our dealers have said it. And our suppliers have probably felt it more than anyone. We're changing that. Our suppliers are the best in the business, and we are going to leverage their expertise, communicate better and ensure we have the capacity and quality we need from our supply base. This is something I'm really going to push in 2012. I'm going to personally visit more suppliers, and I'm encouraging the rest of the Caterpillar team to do the same.

As I said, we are prepared to take a good, hard look at our company. It's something we have to do in order to be successful. We encourage our dealers and suppliers to do the same – we can all work together better that way.

Governments also need to review their policies to ensure growth. "Business as usual won't allow us to retain our leadership position. But extraordinary commitment – when backed by an external environment that fosters enterprise – will help Caterpillar and other U.S. firms compete successfully in the decade ahead." That's a quote from Caterpillar's Chairman Lee Morgan and President Bob Gilmore in our 1981 Annual Report. It's amazing that those very words still apply today. But I imagine they will also be valid 30 years from now. The world is constantly changing, and businesses, individuals and governments need to change with it.

The world is recovering from a global recession. Some economies have come back pretty strong, like Asia. Things are looking up in South America, but we've still got an uphill climb. And Europe is really struggling.

We are all watching to see what happens around the world. But at Caterpillar, we don't like to just watch, we feel an obligation to get involved. That's why wherever we do business around the world, we actively promote many pro-growth policies. In terms of policy and governance there's a lot we can do to be competitive. And many of the issues we are facing in the United States apply anywhere in the world that wants to compete in the global economy. Here are some things we feel strongly about:

- 1. Freer trade.** Time and again, free trade is a proven winner for both sides. At Caterpillar, we promote freer trade wherever we can get it, but we also recognize that expanding global free trade agreements through the World Trade Organization is a once in a generation opportunity to open markets and increase worldwide economic growth.
- 2. Better infrastructure.** Being able to participate in the global economy means being able to get your products out and get supplies and products in. That requires a robust, modern infrastructure. Many developing nations are investing heavily in infrastructure and it's paying dividends. And many developed countries are in need of updated infrastructure to accommodate a growing population and changing needs. Yes, infrastructure is expensive and it's hard to justify any spending when a country is struggling or in debt, but sound infrastructure is an investment that – when done right – will eventually pay for itself.

(continued)

Message From Our Chairman *(continued)*

- 3. More energy.** The world population is expanding and so is the middle class. Growing, modern economies need energy. This is why we promote a broad energy portfolio. Alternative fuels and advanced technology offer some exciting possibilities, but we also need to invest in tried and true resources like coal and natural gas. These fossil fuels can be very efficient, clean and sustainable, and companies like Caterpillar are hard at work to deliver sustainable solutions in terms of traditional resources and alternatives – we need both.
- 4. Lower corporate tax rates.** The United States currently has one of the highest corporate tax rates, and it's affecting investments. When you look around the world, those countries with lower corporate tax structures have a distinct advantage when attracting investment.
- 5. Improved education system.** We talked about how policies and governments need to change with the times, and the same is true for our education system. Today's jobs are high-tech. We need scientists, engineers, mathematicians, but we also need more people going into the skilled trades. These aren't the jobs they were before. They are high-tech, skilled, safe jobs that can provide a good living. It's true all over the world.

Quite a list, right? We've got work to do here in the United States, and around the world. These aren't easy issues and there are no quick fixes, but there is a proven path for success – partnerships between the public and private sectors and individuals. At Caterpillar, we make our positions known. We educate our employees, our communities and government officials. If we don't tell our side of the story, who will? If we don't look out for the best interests of our company, our employees, our communities and our customers, who will? It's up to all of us to become educated, to get involved and to work together – that includes the private sector, the public sector and individuals.

Will 2012 be the new normal? Probably not. We will be focused on growth and investment in our products, our processes and our people. These are all investments that pay dividends well into the future.

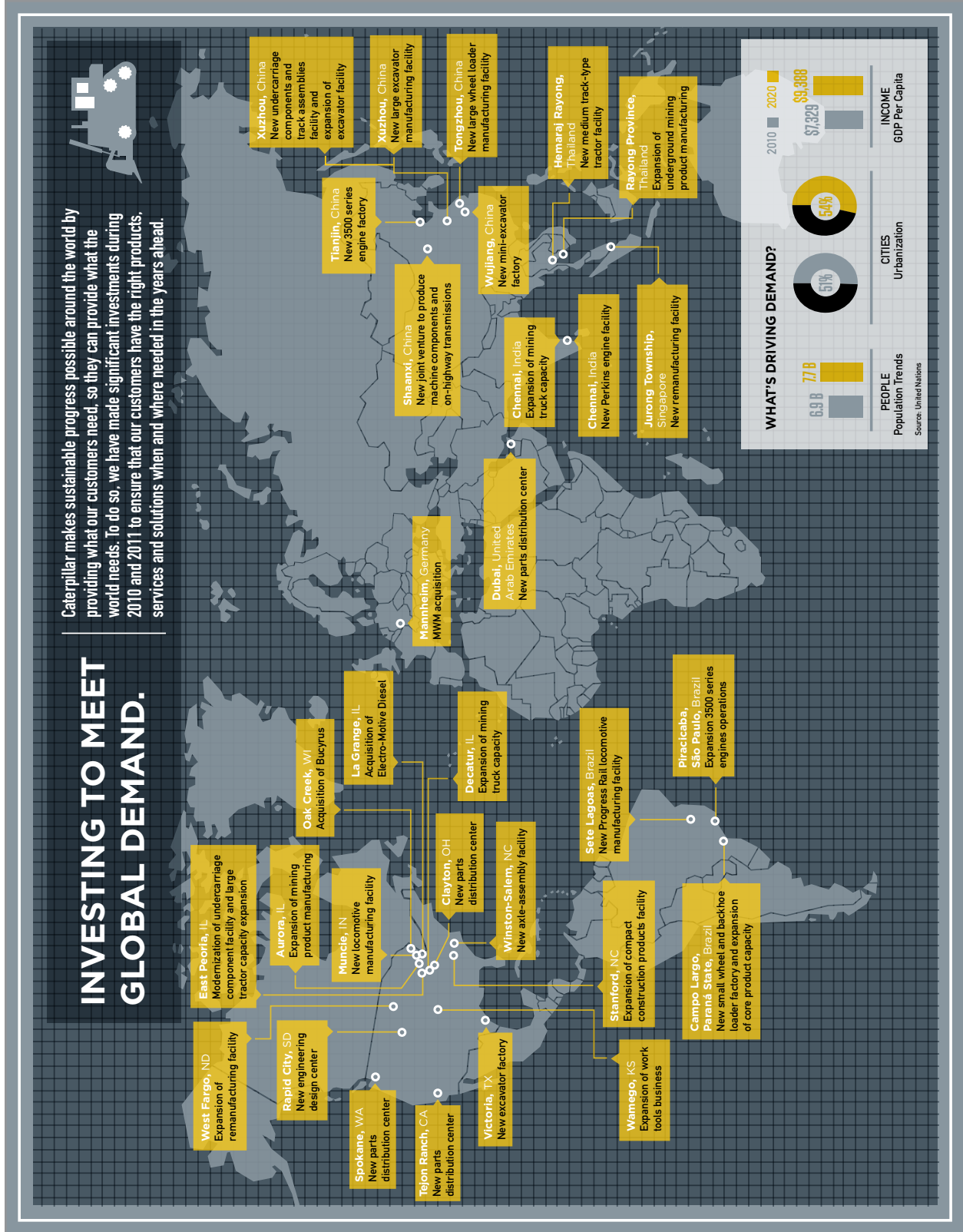
So what is the new normal? The new standard will be a flexible, agile Caterpillar that is squarely focused on our customers and on what the world needs. Our opportunities are limitless – we just have to go after them.



Douglas R. Oberhelman
Chairman and CEO
Caterpillar Inc.

Caterpillar makes sustainable progress possible around the world by providing what our customers need, so they can provide what the world needs. To do so, we have made significant investments during 2010 and 2011 to ensure that our customers have the right products, services and solutions when and where needed in the years ahead.

INVESTING TO MEET GLOBAL DEMAND.





Construction Industries

Our Construction Industries segment is focused on helping our customers build what the world needs – new highways, railroads, airports, water systems, housing, hospitals and schools, to name a few. The need for new infrastructure is especially acute in the world's fastest-growing economies. This segment, led by Group President Rich Lavin, designs, manufactures and markets construction machines, including backhoe loaders, small and medium wheel loaders, small and medium track-type tractors, track-type loaders, skid steer loaders, multiterrain loaders, mini excavators, compact wheel loaders, select work tools, small, medium and large track excavators, wheel excavators, motor graders and pipelayers.

Paving the Way

Caterpillar is scoring big wins in the world's largest cement market.



China has a staggering list of infrastructure needs to fulfill by 2025, when its urban population is expected to reach 350 million people. An estimated 600,000 miles of new roads, 170 mass transit systems and 97 new airports are on the list, for starters. These types of projects, along with new housing and power projects, continue to present Caterpillar and Cat® dealers with enormous opportunities in the Chinese market. So much so that one of eight strategic imperatives for Caterpillar to achieve between 2011 and 2015 is to, quite simply, “Win in China.”

A key to realizing this goal is to focus on specific industries playing central roles in China's growth. This focus, along with the strong support of local Cat® dealers, is enabling Caterpillar to make significant strides in our participation in the growing Chinese Quarry & Aggregate industry, which accounted for 50 percent of global cement production in 2011.

During 2011, China Engineers Ltd., the Cat® dealer in southern China, won a critical fleet deal with China Resource Cement (CRC), a major Chinese cement producer, closing equipment sales of 27 units of quarry trucks, wheel loaders and excavators. This transaction led to breakthroughs with two other Chinese cement producers for a combined 23-unit sale of similar equipment. In addition, Conch Cement, the largest cement producer in China, entered into a field trial arrangement of 772 off-highway trucks. Conch is already one of the largest customers of Cat large wheel loaders in China and owns more than 120 Cat engine products.

The 2011 successes represent a growing shift in priorities by Chinese machine purchasers, who traditionally have valued initial purchase price over total operating costs. The passage of time is helping to underscore Caterpillar's value proposition of providing the lowest operating costs over the life of the product.

The growing Chinese Quarry & Aggregate industry accounts for 50 percent of global cement production.

Conch bought its first 988 unit in 1997 and, as Chairman Guo Wensan noted, “It is still working well.” He added, “Over the years, Cat® products have helped us to improve productivity and efficiency, and to keep operation costs down.”

As more customers in China develop similar appreciation for Cat products, Caterpillar's mandate to “Win in China” moves closer to becoming reality.

Big Project, Big Win

“Yellow iron” is the only equipment on the job at one of the largest hydroelectric projects in history.



With one of the world's fastest-growing economies, Brazil is expected to add approximately \$150 billion to its economy within the next five years and attract millions of visitors as it hosts the World Cup in 2014 and the Summer Olympics in 2016. To help meet future energy needs, Brazil has begun construction of the world's third-largest hydroelectric dam – Belo Monte – a massive project that will depend 100 percent upon Cat equipment for its construction and infrastructure support.

The sheer scale of the project represents a major win for Caterpillar. To date, Brazil-based Cat® dealer Sotreq has sold 685 Cat machines and 77 generator sets for the project. There is potential for an additional 300 machines to be sold over the project's duration, as well as a significant aftermarket parts sales opportunity.

Bernadette Manso, region industry manager for the Global Construction & Infrastructure group, credits teamwork and commitment for giving Caterpillar the edge to win 100 percent of the project. “Our product groups, distribution services team and Cat Financial worked as one to present a comprehensive solution, and Sotreq put together an amazing product support proposal,” explains Bernadette Manso, who worked closely with Sales Supervisor Dennis Ventura, Corporate Product Support Manager Edgard Reis and Corporate Account Manager Augusto Azevedo to pull together the Caterpillar bid.

Not only is Belo Monte dam one of the largest construction projects in all of Latin America, but it's also a challenging one.

Located on the Xingu River deep in a remote area of the Amazon, a single dirt road is the only connection between the area and the port 40 kilometers away. Even before winning the business, Sotreq was purchasing land to establish an onsite branch.

Another major component of the project for Caterpillar and Sotreq is operator and safety training for up to 26,000 eventual onsite employees. Already six simulators are in place to assist with operator training, service practice, maintenance and under-carriage management. In addition, Sotreq has 200 employees supporting the project and even a project manager living on site to anticipate project needs.

Belo Monte is the type of project that supports Caterpillar's Vision 2020 strategy perfectly, contributing to profitable global machine leadership and executing the business model fully. As Manso notes, “When you look at this project, it represents everything that Vision 2020 shows us we must accomplish.”



Moving Mountains

That's what it takes to build a mission-critical railroad through the challenging terrain of Sierra Leone.



Iron ore is used to make everything from steel products for construction to utensils for eating. It is so commonplace that many believe iron ore to be the most important global commodity after oil. To keep up with global demand for this essential material, companies often have to establish worksites in remote areas with no developed infrastructure.

The mountainous jungle of Sierra Leone is a place not many companies have ventured. When African Minerals Limited (AML) decided to develop an iron ore mine in Tonkolili, a district in the Northern Province of Sierra Leone, it quickly became apparent that a 125-mile railroad would be needed to connect the mine to the nearest port. AML commissioned WBHO, a civil contractor based in South Africa, to build the railroad, and Caterpillar became the sole equipment provider for this formidable project.

Challenges were plenty. The Tonkolili project was slated to begin active mining in just 12 months, and of those, four months were during Sierra Leone's rainy season. The dense jungle and mountainous region created topographical issues since railroads cannot be built with more than a 4 percent ascending grade. The aggressive timeline and challenging terrain meant jobsite efficiency and machine performance were of the utmost importance.

Caterpillar developed a plan for WBHO to purchase and rent equipment through Mantrac, the Cat® dealer in West Africa. Of a total fleet of 1,608 mobile plant items, Caterpillar supplied 412 machines and 20 power generation units. In addition, a Caterpillar applications specialist worked closely with WBHO to

ensure machines were working efficiently to keep productivity at the highest level. Articulated truck drivers, for example, were given special training in order to operate fully loaded trucks on steep grades so as not to damage the brakes. Caterpillar's complete presence at Tonkolili paid off. WBHO moved a staggering six million cubic meters of earth and constructed the railroad successfully within the 12-month timetable.

6 Million M³

WBHO moved a staggering six million cubic meters of earth and constructed the railroad successfully within the 12-month timetable.

Caterpillar's support also reached the local population, who were in need of jobs after years of war and hardship. The training that local residents received from Caterpillar specialists has provided life skills that can be used long after the railroad has been commissioned. The now accessible mine provides thousands of jobs, not only helping satisfy the world's need for iron ore, but also Sierra Leone's citizens' need for a better livelihood.



2011 Highlights

Construction Industries

Recently Announced Facilities

- A new manufacturing facility in North America for small track-type tractors and mini hydraulic excavators that shifts production from Japan to be closer to Caterpillar's large base of customers in North America and Europe.
-

New Facilities Under Construction for Production in 2012 or 2013

- New facility in Xuzhou, China, for large hydraulic excavators.
 - New facility in Victoria, Texas, for small, medium and large hydraulic excavators.
 - New facility in Rayong, Thailand, for medium track-type tractors.
 - New facility in Wujiang, China, for mini hydraulic excavators.
 - New capacity being installed in Chennai, India, for medium hydraulic excavators.
-

(continued)



2011 Highlights

Construction Industries (continued)

Major Capacity Expansions in 2011 versus 2010 include:

- New facility opened in Campo Largo, Brazil, for production of backhoe loaders and small wheel loaders.
- New facility opened in Thiruvallur, India, dedicated to the production of backhoe loaders.
- Increase in small wheel loader unit capacity at Clayton, N.C.
- Increase in medium excavator unit capacity at Jakarta, Indonesia.
- Increase in motor grader unit capacity at North Little Rock, Ark., as the facility ramps up to full production, including the transfer of the majority of existing motor grader capacity from Decatur, Ill.
- Increase in SEM brand wheel loader unit capacity at Qingzhou, China.
- Increase in motor grader and medium wheel loader unit capacity at Suzhou, China, as the facility ramps up to full production.
- Increase in small, medium and large excavator unit capacity at Xuzhou, China.
- The expansion opening of the Sanford, N.C., facility that provides increased logistics and fabrications capacity to meet global demand.

(continued)



2011 Highlights

Construction Industries

(continued)

Product Model Introductions and Enhancements

- New models of the PL83 and PL87 Cat® Pipelayers.
- Four E Series Hammer models – H110Es, H115Es, H120Es and H130Es – for use on small and medium excavators and the Cat® 450E Backhoe Loader.
- The addition of mini-excavator models with operating weights of 2,061 lbs (935kg), 3,340 lbs (1515kg) and 5,886 lbs (2,670kg).
- The enhancement of the K-Series Tier 4i medium wheel loaders with product improvements that help with customer productivity and fuel efficiency. Early customer and dealer feedback has been positive.
- Tier 4/Stage IIIB E Series hydraulic excavators were also well received by dealers and customers.
- Introduced new Tier IVi track-type tractor models (D7E, D6T and D8T) and Tier IVi motor grader models (140M2 and 160M2).

Other Key Highlights

- The Excavation Division Supply Chain Optimization (SCR) process won the 2011 Chairman's award.
- 2011 safety performance was nearly 40 percent better than best-in-class standards (Bureau of Labor Statistics top quartile for Recordable Injury Frequency for the Manufacturing Industry is 1.0 or better).
- Construction Industries received four 2011 Chairman's Product Quality Awards:
 - 226 Skid Steer Loader – Small Cat Machine winner.
 - 320 Hydraulic Excavator – Medium Cat Machine winner.
 - D8R/T Track-Type Tractor – Large Cat Machine winner.
 - SEM 650 Wheel Loader – Complementary Product category winner.



Key Metrics

Construction Industries

SALES

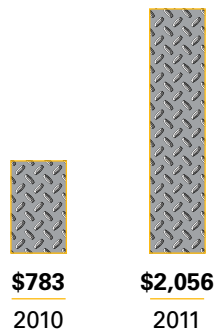
(in millions of dollars)



Sales increased 45 percent from 2010 to 2011 as a result of significantly higher sales volume in all geographic regions and across all major products.

SEGMENT PROFIT

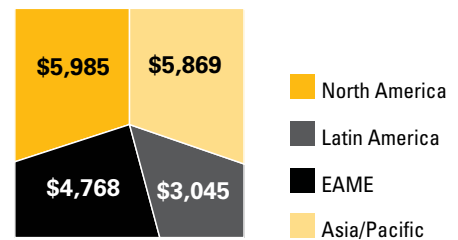
(in millions of dollars)



Higher sales volume and improved price realization enabled segment profit to more than double.

2011 SALES BY GEOGRAPHY

(in millions of dollars)



New machine sales were above or near record levels across much of the developing world.



Resource Industries

The world needs resources such as coal, iron ore and lumber in order to grow and thrive. The Resource Industries segment, led by Group President Steve Wunning, makes it possible for our customers to mine and harvest these resources in a profitable and sustainable way. The business units within Resource Industries design, manufacture and market products from large track-type tractors and large mining trucks, to underground mining loaders, to paving and forestry equipment, to machinery components and electronics and control systems.

The acquisition of Bucyrus International, Inc. (Bucyrus), in 2011 expanded the mining product portfolio into the broadest product line in the industry. Caterpillar's Product Development & Global Technology and Advanced Component & Systems Divisions are also a part of Resource Industries. These two divisions include a global workforce of over 10,000 people working in multiple technical centers and facilities in the U.S., Mexico, Europe, China and India and product proving grounds in the U.S. and China. Resource Industries is also home to the Caterpillar Production System group, which is responsible for driving manufacturing excellence throughout the company.

From Day One

Caterpillar Global Mining unveils broadest product line in industry



When regulatory clearance for Caterpillar's acquisition of Bucyrus came through on July 8, 2011, months of planning fell swiftly into place. The transaction closed later the same day and by "Day One," July 11, these two leading suppliers to the global mining industry became one company.

The idea of one customer face, one team, one distribution model and one brand was the guiding philosophy driving the integration. On Day One, approximately 10,000 Bucyrus employees became part of Caterpillar Global Mining, led by a team that includes both Caterpillar and former Bucyrus management.

"This acquisition brought together the two best teams in the mining industry," said Luis de Leon, corporate vice president and president of Caterpillar Global Mining Products. "The results are already showing through the successes we are achieving in product design and implementation."

With the acquisition of Bucyrus, Caterpillar Global Mining now offers an unparalleled range of equipment and services to the mining industry. In addition to providing customers with a "one-stop-shopping" option, working with Caterpillar as a strategic supplier with a comprehensive product line enables customers to reduce supply chain complexity. It also improves jobsite safety, a major issue for miners, by reducing the number of support people and vehicles on site.

The breadth and depth of mining products today reflects how highly complementary the Caterpillar and Bucyrus product lines were to each other, with only very limited overlap. A number of synergies are being implemented, such as Cat components being added to legacy Bucyrus machines. For example, just six months after Bucyrus was acquired, a Bucyrus AC truck with a Cat engine was delivered to a work site.

"The teams have definitely exceeded our expectations with the speed at which we got this done, which has also enabled us to increase our production," explains David Rea, manager of Caterpillar Mining Truck & Business Integration. "It really reflects how well we were able to combine the experience of both teams and their product strengths."

The same could be said of the entire Bucyrus product integration, and bodes well for the future of Caterpillar Global Mining.

Mining Product Breadth

Caterpillar's next steps in mining



Today, mining is key to providing what the world needs. Countries must build infrastructure to serve the growing demand for reliable power, transportation, housing, clean water and sanitation. And at every step along the development journey, Caterpillar is there with solutions that fuel sustainable growth.

As the demand for mined minerals grows, so does the need for a broad range of equipment and solutions to support the mining industry. With the broadest product offering in the industry, Caterpillar is proud to offer customers a one-stop shop for surface and underground mining equipment.

Caterpillar is taking a multipronged approach to building and maintaining a top spot in the mining industry: expand capacity and production to meet demand, build product depth, develop mining solutions and leverage the Caterpillar dealer network to provide the broadest range of products and customer support.

Caterpillar has recently announced billions of dollars in investments to expand, build and update mining facilities and products around the world. And by embracing the Caterpillar Production System, Caterpillar is driving manufacturing excellence and optimizing efficiencies in each of these facilities to effectively meet customer demands.

In terms of product depth, Caterpillar is closely reviewing its full product portfolio to identify potential gaps at the model level. As an example, the Large Mining Truck and Hydraulic Mining Shovel product lines are being reviewed to optimize the loading-hauling match for all models. In addition, with Caterpillar's announced intent to acquire a leading Chinese manufacturer of underground mining roof support systems, the company expects to have a Longwall Mining platform to begin building a portfolio to better meet the needs of customers in the China coal industry.

As for developing solutions, Caterpillar is identifying ways to leverage machine and mine level data in new and innovative ways. The Cat® MineStar™ System, introduced in 2011, is the industry's broadest, most comprehensively integrated mine operations and mobile equipment management system. Configurable to suit any mine operation, the system helps customers manage everything from material tracking to sophisticated real-time fleet management, machine health systems, autonomous equipment systems and more. Autonomous mining solutions eliminate the need for human machine operators, which can improve safety, equipment availability and overall productivity on a mine site. And that's particularly important for remote operations where attracting and retaining skilled human labor is a challenge.

Mining Product Breadth

Continued



And finally, Caterpillar believes that its dealers, together with Caterpillar and Bucyrus expertise, are an unstoppable combination. Cat dealers are world-class organizations that deliver unmatched service, integrated solutions, after-sales support, fast and efficient parts fulfillment, world-class remanufacturing capabilities and more. As Caterpillar combines the proven strengths of each organization, it's creating a unified team unlike any other in the mining industry.

"We're poised like never before to deliver comprehensive solutions to our customers around the world," said Chris Curfman, corporate vice president and president of Caterpillar Global Mining Sales and Support. "The power of our people, our products, our culture and our dealers is unmatched by anyone. We are leveraging our strengths to better support our customers and define how we can help drive profitable and sustainable mining worldwide."

Virtual Reality, Virtual Iron

Advanced technologies are saving time, cutting costs and resulting in better-designed products and facilities.



The Caterpillar Technical Center in Mossville, Ill., is home to Caterpillar's Immersive Visualization Center. The Center houses a four-screen, three-dimensional, walk-in virtual reality system comprised of three walls, a floor and 12 high-definition digital 3D projectors. With a useable work area over 20' wide and 10' high and deep, it is one of the largest such systems in North America.

Immersive visualization allows product development teams to identify any human-machine interaction issues in the early stages of design, well before prototypes are built. For example, a service technician can use this technology to "work" on a virtual machine and perform a service procedure while evaluating ergonomics. Immersive visualization is also used by manufacturing engineers to "walk through" virtual factories to assess line layout and material flow in the facility. This early exploration enables multiple design alternatives to be evaluated, allowing the engineers to identify an optimal design.

Immersive Visualization is key to the continuing effort to broaden the impact and expand the applicability of virtual product development (VPD) at Caterpillar. "We want to be able to make decisions before a design is committed to iron," explains Dr. Valerie Wiest, division manager in the Product Development & Global Technology Division at the Tech Center. "The goal of virtual product development is to fully validate designs using computer models as prototypes. Caterpillar saves on development time and cost, and the customer gets a better machine, faster."

Dr. Wiest and her VPD deployment team envision a day when virtual reality technology will be used at all Caterpillar design facilities as a standard tool for product and process development. Immersive visualization engineers Galen Faidley and Abhishek Seth are making that vision a reality. "We have launched this capability in several facilities in the U.S., Europe and Asia," Faidley noted. "It's a great time to be a VPD engineer at Caterpillar."

Diversified Products

Unique, purpose-built products and services that offer the enterprise access to important markets and customers



Nowhere within Caterpillar is its broad range of products and solutions more apparent than in the Diversified Products group. This group manages a portfolio of strategic businesses and serves the market and product needs of customers in a variety of distinct industries.

The division has six businesses: Paving Products, Forest Products, Work Tools, Tunneling, OEM Solutions and Defense & Federal Products. In late 2011, Caterpillar signed an alliance agreement with Exodus Machines Inc., a purpose-built manufacturer of scrap/industrial material handlers. This alliance led to the creation of a new diversified products business called Caterpillar Industrial & Waste.

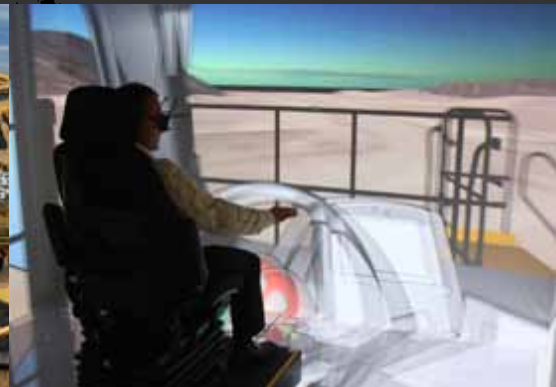
Highlights from 2011 include:

- Paving Products is dedicated to supporting the asphalt and paving industry all over the world. This industry is a critically important part of building and maintaining the world's infrastructure. The paving group opened a new customer support and learning center at its headquarters in Minneapolis, Minn.
- Forest Products also serves a dedicated group of customers. It's focused not only on designing and manufacturing purpose-built forestry machines, but also on enabling Caterpillar to offer a full line of traditional machines configured for forestry applications. In 2011 the division introduced a new product line of Tier 4i Wheeled Feller Bunchers. These machines were developed with an innovative rear-mounted transverse engine

design that delivers the best stability in the woods, with improved fuel consumption.

- Caterpillar Work Tools are designed to improve the productivity of Cat machines. Growth in the work tool business led to plant expansions at facilities in Waco, Texas, and Wamego, Kan. The Waco facility is home to a new line of Caterpillar engineered and designed hydraulic hammers for use in the demolition industry.
- OEM Solutions and Defense & Federal Products are businesses that leverage Cat machine and power system products, designs and technologies to achieve incremental growth by serving other unique and discrete customers and industries. As an example, OEM Solutions sells components and partially built machines to other OEMs in foundation drill, material handling, mining, industrial and demolition markets. The mobile hydraulic power unit, configured from the hydraulic excavator platform, now has an active population of over 2,000 units in the field today.

"We've been given a great opportunity to bring people together to serve a wide array of diverse customers and businesses," said Bill Springer, vice president with responsibility for Diversified Products. "We manage our businesses independently and allow our leaders to lead and our experts who know their businesses to thrive and grow. We place a priority on learning, and we leverage our diversity to teach one another how to solve problems and to accelerate our mutual business success."



2011 Highlights

Resource Industries

Business Expansion Announcements

- The acquisition of Bucyrus International, Inc., which combined two leading suppliers of mining equipment. The acquisition positions Caterpillar to offer the industry's broadest range of surface and underground mining products and solutions to customers.
- Caterpillar invested \$426 million in the Axle Manufacturing facility in Winston-Salem, N. C., and celebrated its grand opening November 2011. The 850,000-square-foot, state-of-the-art facility supports the company's growing global mining operations and employs over 400 people.
- A \$300 million dollar investment in Decatur, Ill. facilities and a \$340 million dollar investment in East Peoria, Ill. facilities to increase capacity for large mining trucks and production of large track-type tractors for use in mining applications around the world. When completed, capacity expansion projects in Decatur and supporting plants will increase Large Mining Truck production by over 100 percent of our 2010 capacity.
- A new 645,000-square-foot manufacturing facility in the Rayong Province of Thailand to produce a full range of mining articulated trucks and loaders for use in hard-rock underground mining applications. The facility is expected to employ about 800 people when at full capacity.
- A new customer support and learning center for Paving Products near Minneapolis, Minn.
- A Work Tools plant expansion in the Waco, Texas, facility, which is now home to a new line of Caterpillar engineered and designed hydraulic hammers for use in the demolition industry.
- An additional \$62 million dollar investment in an existing off-highway truck manufacturing facility in Chennai, India, to expand truck capacity and efficiency. This is in addition to the \$108 million investment announced in 2010.
- A \$150 million dollar investment for a new manufacturing facility in Indonesia to build a range of mining truck chassis and bodies for shipment to customers in the Asia/Pacific region.

2011 Highlights

Continued

- The expansion of operations at the Tosno, Russia, manufacturing facility to accommodate the 773E off-highway trucks now being produced.
- Caterpillar and Shaanxi Fast Gear established a joint venture in April 2011 to produce components and on-highway automatic transmissions in China.
- The Wuxi, China components campus, producing hydraulic components and operator stations, increased volume by four times and increased employment by 100 percent in 2011. The campus is set to double both volume and employees again in 2012 as drivetrain and additional hydraulic components are added. By 2015, Wuxi will be Caterpillar's largest components campus.
- The China-based hydraulics joint venture with Liyuan commenced operations in 2011.
- The announcement in November 2011 that Caterpillar will make an offer to acquire ERA Mining Machinery Limited, which primarily designs, manufactures, sells and supports underground coal mining equipment in mainland China through its wholly-owned subsidiary Zhengzhou Siwei Mechanical & Electrical Equipment Manufacturing Co., Ltd.
- Announced expansion plans for the company's multifunctional research and development (R&D) center and proving grounds in Wuxi, China. The expansion will enable full product development and validation capabilities.

Product Model Introductions and Enhancements

With Tier 4 initiatives, Caterpillar successfully implemented 50 on-time programs, which equates to more than 3,500 machines and over 1.25 million running hours in 2011. We are on track with our reliability initiatives, and have more opportunities ahead with 65 scheduled machine introductions for 2012.

Additional products and solutions introduced in 2011:

- Ten new product lines of surface and underground mining equipment with the acquisition of Bucyrus
- New model of the 789D Cat Mining Truck
- New H series Wheel Tractor-Scrapers for mining
- New Cat 390DL Hydraulic Excavator for mining applications
- Introduction of the 795F AC, Caterpillar's first AC electric drive truck
- The 994H Large Wheel Loader updated for fuel efficiencies and technology enhancements
- 568 FM Forest Machine, a Tier 4 Interim machine used for logging
- New Tier 4 Interim C series Wheeled Feller Buncher

2011 Highlights

Continued

- New AP1055E Asphalt Paver

- E Series Hammers to be used in the demolition industry

- CL15 Compact Loader used in underground mining Room and Pillar applications

- Command for hauling, autonomous mining technology that provides customers with a vertically integrated system, including the base truck, onboard components and systems technology, off-board site infrastructure and communications systems, and dealer distribution and support



Key Metrics

Resource Industries

SALES

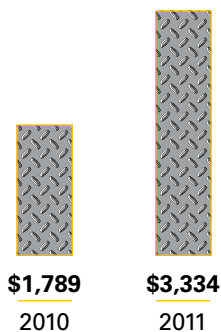
(in millions of dollars)



Sales increased 80 percent from 2010 to 2011 as a result of higher sales volume and the acquisition of Bucyrus during the third quarter of 2011.

SEGMENT PROFIT

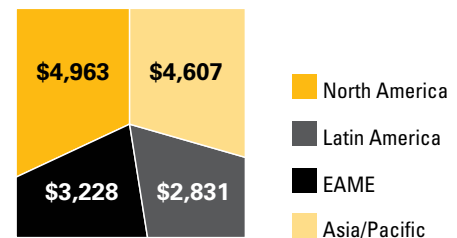
(in millions of dollars)



Segment profit increased primarily due to higher sales volume, the acquisition of Bucyrus and price realization.

2011 SALES BY GEOGRAPHY

(in millions of dollars)



Growth in the global economy increased demand for commodities and kept commodity prices at levels that encouraged investment, supporting higher sales of equipment for mining.



Energy & Power Systems

The world's energy needs are expected to grow significantly over the coming decade. Our Power Systems segment, under the leadership of Group President Gerard Vittecoq, is focused on helping to meet these needs through a variety of solutions and applications across multiple industries. This segment designs, manufactures and markets products including generator sets, integrated systems and solutions for marine and petroleum industries and reciprocating engines supplied to global Original Equipment Manufacturers (OEMs) for a variety of diverse applications as well as Cat® machinery. Power Systems also includes the operations of Progress Rail and Solar Turbines, both subsidiaries of Caterpillar.

Natural Strength

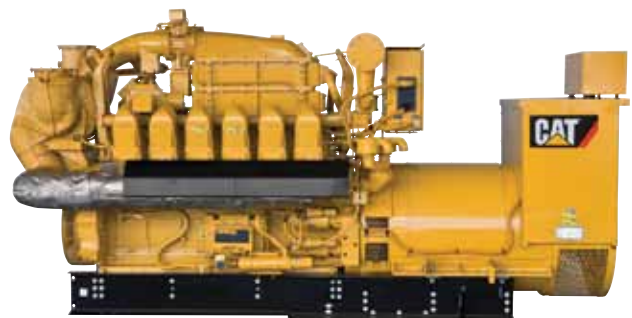
Caterpillar is poised to become a leader in supplying diesel and natural gas energy solutions.



The world needs energy, but it does not need the potentially negative impacts that may accompany energy production and consumption activities. As a primary energy source, natural gas offers an increasingly attractive solution to these challenges. Comprised primarily of methane, natural gas is one of the purest forms of energy available. Moreover, vast reserves of natural gas around the world, including those in the U.S., provide energy security and cost benefits.

Caterpillar has recently enhanced its position in the natural gas segment of the energy market by acquiring MWM Holding GmbH, a leader in natural gas and alternative-fuel engine development. MWM is a global provider of sustainable diesel, natural gas, low energy gas and biogas generator sets, as well as integrated power systems involved in the generation, control and supply of electricity. MWM generator sets are designed for maximum electrical and thermal efficiency, low operating and service costs and high reliability and availability. This translates into cleaner and more efficient power options for Caterpillar customers.

The acquisition of MWM pairs two strong companies, both of which have significant potential for innovation within the energy sector. Through continuous research and development, MWM has almost tripled the power density of its engines over the past 20 years. At the same time, efficiency has been increased by 30 percent, along with very low emission levels. In this way, MWM makes a valuable contribution to the conservation of resources and guarantees high efficiency of its products. Always focused on the customer, MWM provides customers with comprehensive advice on the best economic and ecological handling of products, to fulfill or surpass customer requirements.



Fertile Ground

Our engines and generators help to transform barren desert into bountiful farmland.



Agriculture is big business in Tabuk, Saudi Arabia. Since 1983, the Tabuk Agricultural Development Company (TADCO) has grown a wide variety of crops, including wheat, alfalfa, dates, potatoes, stone fruits, grapes and olives. TADCO's more than 86,000 acres provide the farm with the distinction of being the largest supplier of potatoes for french fries in Saudi Arabia and the home of one of the world's purest olive oils.

Producing bountiful harvests in the middle of the Arabian Desert, however, requires overcoming numerous challenges, including irrigating crops properly. To do so, TADCO has been relying on Cat® generators to power its irrigation systems for over 20 years. TADCO also uses Cat® industrial engines to pump water from underwater reservoirs to reach reservoirs in the area.

In order to supply food year round, TADCO grows crops through a process known as center pivot, or circle, irrigation. This process hangs an irrigation system above the field, which takes on a circular shape due to the water placement. Although Tabuk has mild winters, temperatures can reach 140F degrees in the summer. During this time, crops must be watered continuously for up to 12 hours daily to prevent plants from drying out. TADCO's loyalty to Cat® equipment reflects the superior durability and reliability of our engines that keep the irrigation system running well, even in a harsh climate. TADCO also appreciates the service and support provided by local Cat® dealer Zahid.

Caterpillar supports TADCO as a successful farm as well as a community. TADCO's farmers and their families live on site. "Our engines are really powering their livelihood," explains Mitch Colgan of Caterpillar Power Systems. By providing solutions for TADCO, including supplying vehicles, power and engines, as well as maintenance, Caterpillar keeps a loyal customer in business, while also supporting the development of much-needed resources for the world.



On Track

The combination of Caterpillar, Progress Rail and EMD is going to take us far via rail.



For nearly two centuries, trains have been moving freight and people. Today's modern rail industry continues to do so in an increasingly efficient and sustainable manner. Since 2006, Caterpillar has invested approximately \$2 billion to grow its presence in the global rail and transit business. Progress Rail's 2010 acquisition of Electro-Motive Diesel (EMD) is the latest step in Caterpillar's expansion into the rail market.

Caterpillar's 2006 acquisition of Progress Rail provided an extensive range of cost-effective solutions for a broad spectrum of railway customers. Progress Rail is one of the largest providers of rail and transit products and services in North America, including locomotive upgrade and repair, railcar remanufacturing, track-work, rail repair and replacement, signal design and installation, parts reclamation and recycling.

EMD was a natural choice when Caterpillar and Progress Rail looked to expand further in the rail market. EMD offers a diversified product portfolio that complements the Progress Rail portfolio. EMD designs, builds, maintains and services a full range of locomotives, including passenger, freight, mining and switching locomotives, and has the largest installed base of diesel-electric locomotives in the world.

EMD locomotives are often specifically tailored for the markets they serve. The GT38AC locomotive, for example, was designed for mining customers such as PT Kereta Api Indonesia. Hauling heavy coal trains, it packs a powerful EMD engine into a small package suited to the track and tunnels found in Sumatra. Another example is the SD70ACe/lci locomotive in use by BHP Billiton Iron Ore. This massive mining locomotive hauls iron ore in the harsh heat and sand environment of Australia's Pilbara region.

Caterpillar, Progress Rail and EMD each bring their own strengths in advanced technologies to offer leading products to the industries they serve. Progress Rail has state-of-the-art facilities in the United States, Canada, Mexico and the United Kingdom, as well as innovative recycling and salvage processes to provide total life cycle solutions to our customers. EMD has upgraded factories with the latest equipment and significantly increased investment in research and development as it has expanded its global product portfolio. Finally, Caterpillar's engine expertise and advanced technologies research provide a platform upon which Progress Rail and EMD can further enhance locomotive performance.



2011 Highlights

Energy & Power Systems

Business Expansion Announcements

- The acquisition of MWM, which enables Caterpillar to significantly expand customer options for sustainable power generation solutions.
- A new Progress Rail locomotive manufacturing and assembling facility in Minas Gerais, Brazil, to better serve Brazilian and South American customers.
- A new Progress Rail locomotive assembly plant in Muncie, Ind.
- A joint venture with Anqing CSSC Diesel Engine Company, Ltd., to manufacture MaK brand medium-speed marine engines for China and the Asia Pacific region, to better compete and support its growing customer base across Asia.
- New operations at the Caterpillar facility in Piracicaba, Brazil, to package 3500C series engines, generator sets and diesel electric propulsion systems in support of marine and petroleum customers in Brazil.
- Agreements with five large International Power Project (IPP) providers that leverage our newly established Global Distribution Program to compete in the rapidly expanding IPP marketplace.
- The acquisition of the Pyroban Group Ltd, a leading provider of hazardous area safety solutions to the oil and gas, industrial material handling, mining and marine markets.
- Progress Rail Services purchased the trackwork manufacturing business of Balfour Beatty Group Ltd., which will complement and globalize existing Engineering & Track Services, allowing even broader service coverage for its customers.
- A new \$150 million engine manufacturing facility in India that will produce Perkins-branded 4000 Series engines.
- Introduction of innovative joystick and pod solutions for marine propulsion and maneuvering solutions for pleasure craft.

(continued)



2011 Highlights

Energy & Power Systems (continued)

Product Model Introductions and Enhancements

- Availability of Cat® C15 ACERT™ water-cooled manifold engines certified for hazardous location use.
- New Cat® C175-16 marine propulsion engine to drive new, more profitable vessel designs for all segments of the marine industry.
- Availability of Cat® C27 ACERT™ and C32 ACERT™ petroleum engines that meet U.S. EPA Tier 4 Final emissions standards four years ahead of regulatory mandate.
- New Cat® three- and four-cylinder diesel engines, the C1.5 and the C2.2, allow Original Equipment Manufacturers (OEMs) to equip their products with engines that meet strict emissions requirements.
- Launched new versions of Cat® and Perkins 4.4-, 6.6- and 7.1-liter diesel engines meeting strict emissions requirements, and enabling machine OEMs to equip their products with more powerful and fuel-efficient engines/powertrains.
- Introduced new versions of Cat® and Perkins 1.5- and 2.2-liter diesel engines that allow OEMs to equip their products with engines that meet strict emissions requirements, and will go into mass production at the end of 2012.



Key Metrics

Power Systems

SALES

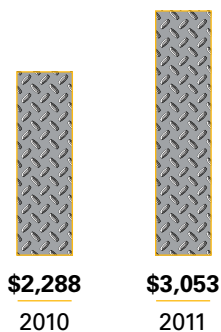
(in millions of dollars)



Sales increased 29 percent from 2010 to 2011 as a result of higher sales volume and the acquisition of EMD. Sales were up in all geographic regions.

SEGMENT PROFIT

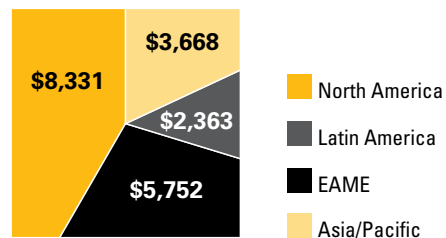
(in millions of dollars)



Segment profit improved 33 percent, primarily due to higher sales volume and improved price realization.

2011 SALES BY GEOGRAPHY

(in millions of dollars)



Worldwide demand for energy at price levels that encourage continued investment resulted in higher demand for engines and turbines for petroleum applications. Electric power continued to improve as a result of worldwide economic growth.



Customer & Dealer Support

When our customers need to build out, dig down or power up, Caterpillar is there to support their needs. Our Seed-Grow-Harvest Business Model is built upon a foundation of delivering valued quality products, services and solutions to our customers, which in turn provides them with the lowest owning and operating lifecycle costs. This begins with building sophisticated, quality machines and then supporting the customer in a variety of ways: employee equipment training on job sites, supplying aftermarket parts and service support, and offering eBusiness and Equipment Management solutions. Caterpillar's global network of Cat® dealers ensure that customers get what they need, when they need it and where they need it.

Customer & Dealer Support (C&DS), led by Group President Stu Levenick, strengthens Caterpillar's product support excellence. Through our Customer Services Support and Distribution Services Divisions, C&DS builds competitive advantage and brings strong focus to Caterpillar-branded parts and customer services and delivers outstanding dealer development.

A key foundational element of C&DS is our ability to manufacture parts and components, provide remanufacturing solutions and deliver unmatched parts availability to dealers and customers anywhere in the world.

Parts Distribution & Logistics provides integrated supply chain services, transportation and unmatched service parts logistics to Cat dealers and customers worldwide. Parts Distribution & Logistics is responsible for the quality and span of the global parts distribution network for Caterpillar and manages the integrated logistics and transportation for the enterprise.

The Remanufacturing & Components Division leads the enterprise in technology and sustainable solutions and serves our customers through quality products in remanufacturing, undercarriage, ground engaging tools and specialty products.

Best Gets Even Better

Global expansion is helping Cat Logistics help us to increase aftermarket parts sales and service.



Caterpillar machines and engines put in long hours in tough conditions in service to customers. When a part wears out or needs replacement, ensuring that the right parts are in the right place at the right time is the brand promise our customers have learned to expect from Caterpillar. Delivering on this promise requires a world-class global logistics network. Widely considered to have the industry's best distribution system, Cat Logistics is investing to set an even higher standard as the growth of the company's machine population accelerates. In 2011, parts availability climbed to historic highs, and inventory turns and fill rates exceeded efficiency targets.

The improvements are the result of better forecasting of dealer and customer needs and improved visibility into both internal and external supply chains. A new planning system fully implemented during 2011, for example, uses machine population data to plan distribution center inventory levels. An SAP-based Service Parts Management (SPM) system is also key, supporting facilities around the globe on a single platform with significant efficiency gains.

Equally important is an ongoing expansion of Caterpillar's parts distribution network. The latest phase of this expansion is adding millions of square feet of distribution center space by growing some facilities and constructing new distribution centers.

During 2011, a new, one-million-square-foot distribution center opened in Clayton, Ohio. In 2012, the current Spokane, Wash., distribution center will be replaced with a new 500,000-square-

foot-facility, which will be four times the size of the existing facility. In addition, two other new distribution centers were announced, located in Dubai and California, that will add a combined 850,000 square feet during 2012.

These investments have one simple purpose: to get parts to dealers and customers faster. "One of the key reasons customers buy Caterpillar products is the superior product support capability our dealers provide," notes Steve Larson, vice president with responsibility for the Parts Distribution & Logistics Division. These expansions will not only support anticipated growth in

2.5 Million More Square Feet of Distribution Center Space

parts demand, but also help to optimize the parts supply chain. These facilities are the latest in an ongoing parts distribution expansion that has included the new distribution centers in Shanghai in 2006, Russia in 2007 and Waco, Texas, in 2009. These physical investments, combined with new systems and processes, are not only transforming Cat Logistics, but also are helping to realize one of Caterpillar's strategic "Big 8" imperatives, Execute the Business Model...accelerate aftermarket parts and services growth.

Forward Thinking at Work

Cat Reman takes the initiative in helping dealers deal with growing demand for parts and service.



Proactive planning on the part of Caterpillar Remanufacturing & Components Division is playing a critical role in helping Cat® dealers meet record levels of demand for mining equipment and service. Continuing growth in world commodity markets means many of our mining customers are running their existing fleets at full utilization. More operating hours translates to more demand for replacement or reconditioning of major components such as engines, transmissions and drive trains.

When demand grows, dealers naturally turn to Cat Reman, which specializes in returning Cat® powertrain and hydraulic components at the end of their life to a “same as new” condition. The advantages of working with Cat Reman are two fold: it lessens the demand for repairs by certified dealer technicians, who are in short supply, and it helps satisfy customer needs in a more timely manner.

To optimize the relationship between Cat Reman and Cat® dealers, however, requires planning, and this is where a new initiative, Reman Active Partnership, is making a big difference. This initiative takes a proactive approach to machine maintenance and repair by working with dealers to forecast demand for service. This planning can result in improved dealer efficiencies and component availability plans. Frequently, the plans include guaranteed 90-day order delivery.

“Essentially we are helping dealers with major mining customers help us to help them,” explains Greg Folley, Caterpillar vice president with responsibility for the Remanufacturing & Components Division. “One of the primary ways we facilitate this planning effort is to regularly meet with key dealers and jointly develop strategies to help customers keep their equipment running at the lowest possible cost.”

Supporting a major mining or construction project with time and budget constraints allows little room for error. By focusing on keeping equipment up and running for years, Caterpillar and its dealers help customers save on operating costs and meet their commitments. To date, Cat Reman, working with Caterpillar Global Mining and district offices, has established Active Partnership relationships with nearly half of all Cat® dealers with mining customers. Over the next year, the goal is to extend active partnerships to the remainder of dealers with major mining customers.

The Truck That Customers Built

The Cat® CT660 vocational truck blends customer insight and extensive research to become an instant hit.



The Cat® CT660, the first in a full line of Class 8 vocational trucks, was developed by Caterpillar, but designed with feedback from Caterpillar customers. The result has been a resounding success.

“This may be Caterpillar’s most intensely researched product ever,” said George Taylor, director of the Global On-Highway Truck Group. “We spent many hours speaking with Cat® ‘yellow iron’ customers.”

Extensive research and attention to the voice of our customers allowed the CT660 design to be seamlessly integrated into the entire Caterpillar fleet. Indeed, Caterpillar customers have received the CT660 with open arms, calling it the most innovative truck on the market due to its unique ergonomic design, attention to detail, and inclusion of Caterpillar’s proprietary comprehensive asset and fleet management tool, Product Link.

“Really, the development of this truck was about a company focusing for the first time not just on the truck itself, but the application of that truck in a business,” explains Taylor. “The trucks complement other Cat® equipment, and dealers recognize how important the trucks will be to customers in handling the demands of the work they do.”

The CT660 offers a wealth of configuration options to contractors and construction crews, so each customer’s truck can be built specifically for their demanding application. Additionally, Cat® dealers and technicians have been diligently learning the ins and outs of the CT660 to service the truck both in the field and at local service centers. Cat dealers® offer bumper-to-bumper service and sales support for the truck in all 54 U.S. and Canadian dealerships, with more than 400 service locations and 2,300 truck service bays.

“This may be Caterpillar’s most intensely researched product ever,” said George Taylor, director of the On-Highway Truck Group. “We spent many hours speaking with Cat® ‘yellow iron’ customers.”



2011 Highlights

Customer & Dealer Support

Business Expansion Announcements

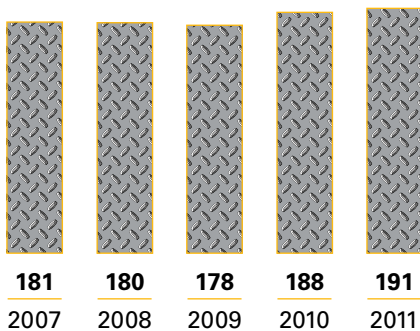
- Cat Logistics announced construction of a new parts distribution center in California and a new facility in Spokane, Wash., that will be four times the size of an existing facility.
- Cat Reman expanded its remanufacturing facility in West Fargo, N.D., to help meet the strong demand for remanufactured drivetrain components for large off-highway trucks and other mining equipment. Cat Reman also opened its new remanufacturing facility in Singapore, which will serve as the regional source for remanufactured major components for large off-highway trucks and other mining equipment.
- Caterpillar and Vestas Wind Systems, the world's leading wind turbine manufacturer, reached a 10-year, global agreement to remanufacture wind turbine components.
- Caterpillar launched CaterpillarUniversity.com, a new online learning platform for all Cat® machine and engine customers, to provide online instruction in the areas of safety, operator training and service.
- Caterpillar Safety Services acquired CoreMedia, a safety management consulting company that specializes in helping businesses attain zero-incident safety performance for customers across a variety of industries.
- The Cat Rental Store™ launched CatRentalStore.com to help support customers' rental needs, including store locator, equipment rental requests and pricing.
- New smartphone apps were launched to provide customers with easy and quick access to Cat® product information such as rental equipment details, used equipment inventory and new machine specifications.



Key Metrics

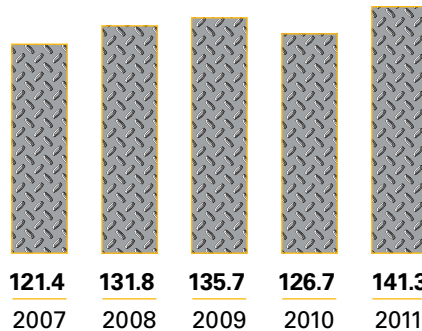
Customer & Dealer Support

GLOBAL CAT® DEALERS



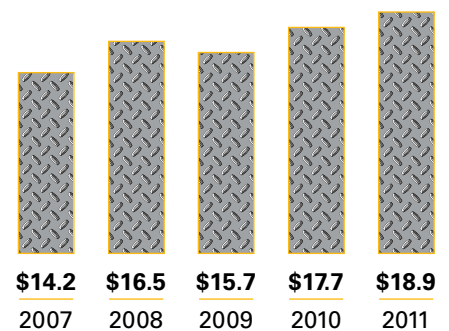
Our vast dealer network offers comprehensive solutions for customers worldwide.

CAT® DEALER EMPLOYEES
(in thousands)



Cat® dealer employees share our commitment to customers and ensure maximum business value from our products and services.

CAT® DEALER NET WORTH
(in billions of dollars)



Most Cat® dealers are independently owned, locally operated businesses and benefit from strong, long-standing customer relationships.



Financial Products & Corporate Services

When the world needs Caterpillar, the company finds a way to sustain financially sound relationships with its dealers, customers and suppliers. Caterpillar understands that customers need flexible payment options for machines and engines to keep a project on track. Cat Financial helps do so by providing customized financing solutions to Caterpillar customers through offices in 46 countries and assuring customers' peace of mind when buying or leasing Cat® equipment. Financial products include a variety of equipment financing alternatives, leasing options and insurance coverage plans. Our Financial Products segment businesses report to Caterpillar Group President and CFO Ed Rapp, whose responsibilities also include Corporate Services, encompassing the administrative functions to support the enterprise, including Finance Services, Human Services, Global Information Services, Global Purchasing, Investor Relations, Strategy & Business Development and Corporate Auditing.

L.E.A.D. Prepares the Next Generation

We're more committed than ever to ensuring that our future leaders have what they need to lead.



Investments in innovative technologies, expanded manufacturing capabilities and new products and services will help Caterpillar meet a new era of demand. The most important investments, however, will be made in the people who ultimately drive the business to realize its potential. Accordingly, leadership development is a key focus of Caterpillar's Vision 2020 strategy, and the company is investing more time and money in the effort than ever before.

Ironically, it took the downturn of 2008-2009 to underscore the need for increased leadership development. "It was the deepest recession employees had ever experienced," says Bonnie Fetch, Caterpillar director of People and Organizational Development. "It awakened us to the need for superior leadership throughout the company and the development of a high-performance culture that can perform through the business cycle."

To this end, Caterpillar has created the Leadership Excellence in Accountability and Development program, or L.E.A.D., a global initiative introduced in 2011. L.E.A.D. focuses on four levels of leadership – first-line supervisors, managers, department heads and executive officers – in all countries where Caterpillar operates.

L.E.A.D. offers innovative coursework combined with learning in the field. Each level of leadership engages in learning programs tailored to their needs and focused on the strategic needs of the company.

For leaders with the potential to grow to senior executive level, L.E.A.D. offers Digging Deep – our flagship program developed in partnership with Stanford University Graduate School of Business. In addition to classroom instruction from Stanford faculty, participants also spend a week on job sites in growth markets like China and Brazil and participate in Corporate Social Responsibility activities. These trips offer a firsthand look at sustainability efforts and interaction with clients in different parts of the world.

"We're merely stewards of the business," notes Caterpillar Group President and CFO Ed Rapp. "As I see it, the most critical role I have is to make sure that I leave the business better than I found it and to turn it over to more capable hands when I leave."

Development from the ground up will ensure Caterpillar's future remains in the hands of people with the best interests of Caterpillar in mind. "We recognize that Caterpillar is important in the world marketplace," adds Fetch. "We're taking ownership of ensuring we have leaders ready to lead." The goal is to develop leaders who can thrive in a continually changing marketplace, engage their workforce, focus on their customers' needs and shape a culture of accountability and performance.

Strength Building Strength

Financial discipline is not only about surviving the downturn, but also winning on the rebound.



Just two years after weathering the most difficult economic environment in a generation, Caterpillar is posting record profits, cash flow and a strong balance sheet. Strong demand in rebounding markets only accounts for part of this robust performance.

Learning from past business cycles, Caterpillar's trough plan in 2008–2009 was designed to weather the downturn and to emerge in a position of financial strength. Caterpillar did so with its profitability, dividend and credit rating intact. Since then, the company has used this strength purposefully to position the business for opportunities over the next decade.

Caterpillar began making investments in capacity expansion early in 2010, paying careful attention to resource allocation. The company invested selectively in industries with the most attractive growth potential and the best strategic fit. In addition, the ramp-up in production has been effectively managed through the Caterpillar Production System and an unwavering focus on cost management. As a result, Caterpillar has been able to translate additional volume into profit and cash pull-through to the bottom line.

This pull-through, in turn, has been instrumental in Caterpillar's ability to complete three acquisitions during the past 18 months, including global mining equipment manufacturer Bucyrus, its largest purchase ever. This \$8.8 billion transaction was financed

through available cash generated from hitting profit targets, diligent focus on working capital management, and a public debt issuance. This avoided the need for new equity and the accompanying earnings dilution. In addition to Bucyrus, in 2010 and 2011 Caterpillar completed two other acquisitions, MWM, a supplier of diesel and natural gas generator sets and integrated power systems, and Electro-Motive Diesel, a premier provider of locomotive technology, for a combined \$1.6 billion.

Suppliers have been another key factor in a successful ramp-up. Recognizing that a manufacturer is only as strong as its supply chain, Caterpillar facilitated a new Supply Chain Finance program in 2010 and expanded the program in 2011. As a result, suppliers, through a financial institution, can accelerate cash flow to help their own businesses ramp up. This program is yet another example of how Caterpillar is using its strengths to build strength.

The ramp-up in production has been effectively managed through the Caterpillar Production System and an unwavering focus on cost management.

Financing Progress

From humble beginnings, Caterpillar Financial Services Corporation is celebrating 30 years of helping projects – both big and small – become realities.



When Cat Leasing began in 1981, it had 12 employees specialized in financing lift trucks in Peoria. Fast-forward 30 years to Caterpillar Financial Services Corporation headquartered in Nashville, Tenn., to see how this vital part of Caterpillar has grown. During the past three decades, Cat Financial has expanded to more than 2,000 employees in 46 offices worldwide who support Cat® dealers and their customers around the world as they make progress possible.

Securing equipment financing is often a vital step for customers to begin projects. The goal of Cat Financial is to successfully finance product purchases in order to get equipment to the job site quickly. Cat Financial offers global product-financing solutions to customers for projects of every size and provides quotes and customized financing plans to keep the order-to-production process as smooth as possible.

Today, Cat Financial is an integral part of many of the most visible and strategic construction projects in the world, such as the expansion of the Panama Canal. Cat Financial has worked with Caterpillar customers in Panama since 2009 to finance tractors and trucks to expand and update the 98-year-old engineering marvel. Most recently, Cat Financial provided an

additional \$35 million financing package for the Panama PAC4 contract that included 75 units of equipment. This is an increase over the 243 units already financed for the Canal's expansion. In all, Cat Financial is financing 92 percent of the machine sales for this vital link in the global commerce chain.

Cat Financial is also instrumental in helping open new market opportunities. During 2011, Indonesia's second-largest coal mining company, BUMA, committed to purchasing Cat® mining trucks, their first Cat® equipment purchase since 2004. With the help of Cat Financial, BUMA placed an order for 178 machines from Indonesian Cat® dealer, PT Trakindo Utama (Trakindo). BUMA has also signed maintenance and repair agreements with Trakindo to secure product support for their machines over the next eight years. Without the help of Cat Financial, a steady delivery of machines for BUMA's mining projects would not be possible.

As global demand increases for the goods and services that Caterpillar customers provide, the demand for Cat Financial's support will increase as well, and the division will be there to help customers get the most out of their equipment investment.



2011 Highlights

Financial Products & Corporate Services

Business Expansion Announcements

- New retail financing for Caterpillar Financial Services Corporation was \$11.32 billion, an increase of \$1.9 billion, or 20 percent, from 2010.
- Cat Financial portfolio performance improved, with past dues and full-year write-offs at their lowest levels since 2008.
- Cat Financial launched an e-Signature tool for paperless loan documents to provide customers with a quick, secure, convenient and sustainable way to process documents.
- Collaboration efforts from many areas of Caterpillar to innovatively improve working capital and cash flow were recognized as best practices. Caterpillar was recognized by *Treasury & Risk* magazine and the Association for Financial Professionals for excellence and innovation in treasury management and finance, its sustainable focus on working capital improvement, and the funding of the Bucyrus acquisition with no equity.
- During our rapid growth in 2011 with new facility start-ups worldwide, production increases and the addition of thousands of new employees, Caterpillar was able to achieve a 13 percent improvement in our safety results.
- More than 7,000 Caterpillar leaders participated in leadership development programs that provide leaders the tools to build high-performing teams and execute the strategy.
- Caterpillar continued deployment of common global systems to support growth in manufacturing and achieve improved inventory turns, improved labor utilization, and better supply chain visibility and management. By the end of 2012, approximately 25 percent of enterprise sales and revenues will be on the strategic platform.
- As machine volumes have grown dramatically from 2009 on, Caterpillar suppliers have responded. Global Purchasing orchestrated the ramp-up of a supply base that in some cases saw demand grow by 300 percent or more.
- Global Purchasing led supplier recovery efforts after a devastating tsunami hit Japan. The team worked with the supply base to install back-up generators and identified alternate sources for critical parts, ensuring severe business disruption was avoided.

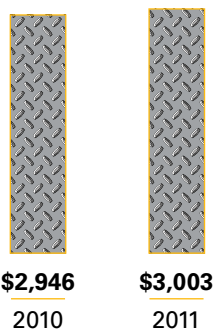


Key Metrics

Financial Products

REVENUES

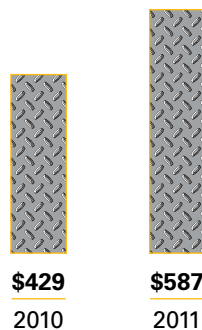
(in millions of dollars)



Revenue grew slightly from 2010 to 2011 primarily due to a favorable impact from higher average earning assets, a favorable change from returned or repossessed equipment and higher miscellaneous net revenues.

SEGMENT PROFIT

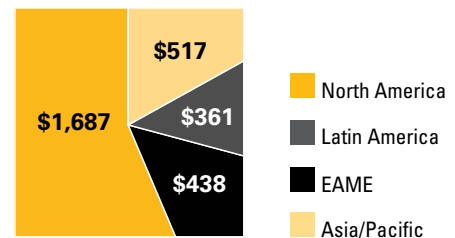
(in millions of dollars)



Segment profit increased 37 percent primarily due to a favorable impact from higher average earning assets, a higher net yield on average earning assets, a favorable change from returned or repossessed equipment and a decrease in provision expense.

2011 REVENUES BY GEOGRAPHY

(in millions of dollars)



Caterpillar Financial Services Corporation helps finance customer projects around the world.



Photo: Paulette Waltz/Room to Read

The Caterpillar Foundation

Founded in 1952 as a philanthropic effort of Caterpillar, the Caterpillar Foundation has contributed more than \$500 million to help make sustainable progress possible around the world. The Caterpillar Foundation provides program support in the areas of environmental sustainability, education and basic human needs, including disaster relief. "Commitment" defines the Caterpillar Foundation's work at home and around the world. As individuals and as a company, we contribute significant time and resources to promoting the health, welfare and economic stability of our communities. We believe that our success should also contribute to the prosperity, sustainability and quality of life in the communities where we work and live, which is why we support the Caterpillar Foundation's activities. Learn more about the Caterpillar Foundation's global impact at caterpillar.com/foundation.

Progress & Sustainability

A \$3 million grant will bring clean water and sanitation to hundreds of thousands over the next three years.



Photo: Water.org

On November 29, 2011, the Caterpillar Foundation and Water.org announced a \$3 million partnership to reach more than 218,000 people with clean water and sanitation over a three-year period.

The program will support a significant expansion of Water.org's WaterCredit activities in India, and it will fund a market assessment to explore the launch of WaterCredit in Indonesia. WaterCredit facilitates small loans for water and sanitation access for people living in poverty who do not have access to basic necessities.

"We are honored to be working with the Caterpillar Foundation on this high-impact program," said Water.org Chief Executive Officer and Co-Founder Gary White. "Because of the Caterpillar Foundation's generous support, we will reach more people with clean water and sanitation, at a faster rate, and at a decreasing philanthropic cost per person."

The Caterpillar Foundation grant will support two WaterCredit programs in India. This initiative includes the expansion of a revolving loan fund managed by one of Water.org's partners in Bangalore to provide an additional 38,000 people with access to microloans for clean water and sanitation. Through this financial model, once a loan is repaid, it is then re-lent to another person in need.

"The Caterpillar Foundation supports a number of basic human needs programs in areas where Caterpillar has a presence," said Caterpillar Corporate Public Affairs Director Jim Baumgartner. "The sustainability of Water.org's model is really what drew us to WaterCredit. This program will provide clean water and sanitation facilities to thousands of families in India, but the cycle of progress will continue as the loans are repaid and these funds are provided to others in need."

The Caterpillar Foundation grant also supports Water.org's work with existing microfinance partners in Bangalore and Tamil Nadu, India. The funds will help facilitate WaterCredit loans for sanitation purposes, enabling more than 180,000 residents to gain access to hygienic sanitation facilities. In addition, the grant will fund an initial market assessment and lay the groundwork for the launch of WaterCredit in Indonesia.



A Better Bolivia

The Caterpillar Foundation's partnership with Mano a Mano is building a brighter future in rural Bolivia.



Photo: Marc Esser

The Caterpillar Foundation invests in Mano a Mano International, an organization dedicated to serving Bolivian communities by improving healthcare, transportation and economic conditions. Mano a Mano collaborates with partner organizations to build sustainable solutions that improve the quality of life in this developing country.

For many Bolivians, access to medical care is extremely limited. In some regions, the nearest medical clinic is a four-hour walk. The sick and injured are often carried on the backs of others. In addition, Bolivia has one of the highest infant mortality rates in the world.

With the Caterpillar Foundation's assistance, Mano a Mano has built and continues to build new roads that improve access to medical facilities, schools and markets. As a result, Bolivian businesses and farms are expanding, which benefits the entire region. Many medical clinics are now treating 10 times more patients than they did just 10 years ago. Thousands of new mothers and their children are being cared for each year.

The Caterpillar Foundation's ongoing partnership with Mano a Mano is building a brighter future full of health and hope for the people of Bolivia.

Great Rivers, Great Partners

An innovative partnership is conserving and restoring the world's mightiest rivers.



Photo: Ami Vitale

In 2005, the Caterpillar Foundation invested in the Nature Conservancy to establish the Great Rivers Partnership. The program conserves and restores the world's great river systems for the benefit of those who depend upon them for life.

The partnership has helped restore thousands of miles of the Mississippi River, which is home to more than 30 million people. Great Rivers is also working with American farmers to develop more sustainable agricultural practices.

In China, more than 400 million people live in the Yangtze River region. Part of the Great Rivers program provides geographic analysis to pinpoint specific areas of the Yangtze River in need of protection and repair.

South America's Paraguay-Paraná River system covers almost one million square miles. Pollution and major alterations to the rivers' flow pose serious threats to these waters, which impact the lives of more than 100 million people. The partnership is helping to preserve hundreds of fish species and fresh drinking water for many communities in need.

The Caterpillar Foundation's leadership investment is helping the Great Rivers Partnership set new standards that will influence worldwide conservation of fresh water. The program isn't just about wildlife or development, but rather how the two can come together to preserve one of life's most essential elements.



Photo: Patrick Fuller/IFRC



Photo: CHF International



Photo: WFP/Thierry Gouegon

Responding as a Team

In 2011, Caterpillar responded as a team to support disaster relief, repair and rebuilding efforts following some of the year's worst disasters. Our response included:

- \$3.5 million contributed in 2011 by the Caterpillar Foundation
- \$450,000 contributed by employees, dealer employees and retirees
- \$250,000 invested in American Red Cross Annual Disaster Giving Program





Photo: Ana Garcia/TNC

Key Metrics

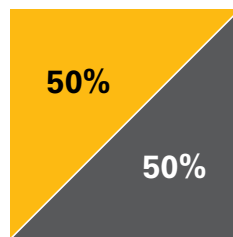
The Caterpillar Foundation

\$50

Million

2011 PHILANTHROPIC INVESTMENT WORLDWIDE

AMOUNT INVESTED IN THE U.S. AND INTERNATIONALLY



\$10.6

Million

TOTAL GLOBAL SUPPORT OF UNITED WAY



(Left to right): Gerard Vittecoq, Doug Oberhelman, Stu Levenick, Rich Lavin, Steve Wunning, Ed Rapp.

Executive Officers

Doug Oberhelman
Chairman and CEO

Doug Oberhelman joined Caterpillar in 1975 and was elected a vice president in 1995. In 2002, he was elected a group president and member of Caterpillar's executive office. In October 2009, the Caterpillar Board of Directors named Oberhelman vice chairman and CEO-elect. During this time, he led a team that developed the future strategic plan for the company. Oberhelman was elected chief executive officer and a member of the board of directors effective July 1, 2010, and became chairman effective November 1, 2010.

Rich Lavin
Construction Industries & Growth Markets

Rich Lavin is a group president of Caterpillar Inc. He has dual locations in Hong Kong and Peoria, Ill., and is responsible for the Construction Industries & Growth Markets Strategic Business Unit, which includes the Earthmoving Division, Excavation Division, Building Construction Products Division, Caterpillar Japan Ltd. (CJL) Division, Europe/South Americas Operations Division, Global Construction & Infrastructure and country manager strategic responsibility for China, India, ASEAN and Brazil.

Stu Levenick
Customer & Dealer Support

Stu Levenick is group president of Caterpillar with responsibility for Customer & Dealer Support, which includes Europe-Africa-Middle East (EAME), Americas and Asia Pacific Distribution Divisions, Remanufacturing & Components, Customer Services Support and Parts Distribution & Logistics.

(continued)

Executive Officers (Continued)

Ed Rapp

CFO & Corporate Services

Ed Rapp is group president and CFO of Caterpillar with responsibility for the Finance Services, Human Services, Global Information Services, Global Purchasing and Financial Products Divisions. He is also responsible for Strategy & Business Development, Corporate Auditing, Shared Services and Investor Relations.

Gerard Vittecoq

Energy & Power Systems

Gerard Vittecoq is group president of Caterpillar with responsibility for Caterpillar's Energy & Power Systems Group, which includes the Industrial Power Systems & Growth Markets, Large Power Systems & Growth Markets, Marine & Petroleum Power, Electric Power, Progress Rail and Solar Divisions.

Steve Wunning

Resource Industries

Steve Wunning is group president of Caterpillar with responsibility for the Resource Industries Group, which includes the Advanced Components & Systems, Diversified Products, Integrated Manufacturing Operations, Mining Products, and Product Development & Global Technology Divisions. He is also responsible for leading manufacturing excellence through the Caterpillar Production System.



Officers

Chairman and Chief Executive Officer

Douglas R. Oberhelman

Group Presidents

Richard P. Lavin
Stuart L. Levenick
Edward J. Rapp
Gerard R. Vittecoq
Steven H. Wunning

Senior Vice President and Chief Legal Officer

James B. Buda

Vice Presidents

Kent M. Adams
William P. Ainsworth
Ali M. Bahaj
Mary H. Bell
Thomas J. Bluth
David P. Bozeman
Richard J. Case¹
Robert B. Charter
Frank J. Crespo
Christopher C. Curfman
Paolo Fellin
William E. Finerty
Steven L. Fisher
Gregory S. Folley
Thomas G. Frake²
Stephen A. Gosselin
Hans A. Haefeli
Bradley M. Halverson
Kimberly S. Hauer
Gwenne A. Henricks
Randy M. Krotowski
Luis de Leon
Stephen P. Larson
William J. Rohner
Christiano V. Schena³
William F. Springer
Gary A. Stampanato
Mark E. Sweeney
Donald J. Umpleby III
Tana L. Utley

Chief Financial Officer

Edward J. Rapp

Treasurer

Edward J. Scott

Chief Audit Officer

Matthew R. Jones

Chief Ethics and Compliance Officer

Christopher C. Spears

Controller and Chief Accounting Officer

Jananne A. Copeland

Corporate Secretary

Christopher M. Reitz

Assistant Treasurer

Robin D. Beran

Assistant Secretary

Laurie J. Huxtable

¹ will resign effective 5/1/2012

² effective 4/1/2012

³ will retire effective 7/1/2012



(Front row, left to right): David R. Goode, Susan C. Schwab, Charles D. Powell, Douglas R. Oberhelman, Peter A. Magowan, David L. Calhoun, Jesse J. Greene, Jr. (Back row, left to right): Edward B. Rust, Jr., Daniel M. Dickinson, Dennis A. Muilenburg, Juan Gallardo, William A. Osborn, Miles D. White, Eugene V. Fife and Joshua I. Smith.

Board of Directors

David L. Calhoun, 54

Chief executive officer (since May 2010) and executive director (since January 2011) of Nielsen Holdings N.V. (marketing and media information) and chairman of the executive board and chief executive officer of The Nielsen Company B.V. (since September 2006). Prior to his positions at Nielsen, Mr. Calhoun served as vice chairman of General Electric Company and president and chief executive officer of GE Infrastructure. Other current directorships: Medtronic, Inc. and The Boeing Company. Other directorships within the last five years: none. Mr. Calhoun has been a director of the Company since 2011.

Daniel M. Dickinson, 50

Managing partner of HCI Equity Partners (private equity investment). Other current directorships: Progressive Waste Solutions Ltd., Mistras Group, Inc. and HCI Equity Partners. Other directorships within the last five years: none. Mr. Dickinson has been a director of the Company since 2006.

Eugene V. Fife, 71

Managing principal of Vawter Capital LLC (private investment). Mr. Fife served as the interim CEO and president of Eclipsys Corporation (healthcare information services) from April to November of 2005 and the nonexecutive chairman from 2001 until 2010, when Eclipsys merged with Allscripts Healthcare Solutions, Inc. Mr. Fife was formerly a partner of Goldman Sachs & Co., retiring in 1995. Other current directorships: Allscripts Healthcare Solutions, Inc. Other directorships within the last five years: Eclipsys Corporation. Mr. Fife has been a director of the Company since 2002.

Juan Gallardo, 64

Chairman and former CEO of Grupo Embotelladoras Unidas S.A.B. de C.V. (beverages and bottling). Other current directorships: Lafarge SA. Other directorships within the last five years: Grupo Mexico, S.A. de C.V. Mr. Gallardo has been a director of the Company since 1998.

(continued)

Board of Directors (Continued)

- David R. Goode, 71** Former chairman, president and CEO of Norfolk Southern Corporation (holding company engaged principally in surface transportation). Other current directorships: Delta Air Lines, Inc. and Texas Instruments Incorporated. Other directorships within the last five years: none. Mr. Goode has been a director of the Company since 1993.
- Jesse J. Greene, Jr., 66** Former vice president of Financial Management and chief financial risk officer of International Business Machines Corporation (computer and office equipment). Other current directorships: none. Other directorships within the last five years: none. Mr. Greene has been a director of the Company since 2011.
- Peter A. Magowan, 69** Former president and managing general partner (1993-2008) of the San Francisco Giants (major league baseball team) and chairman (1980-1998) and chief executive officer (1980-1993) of Safeway Inc. (food retailer). Other current directorships: none. Directorships within the last five years: DaimlerChrysler AG. Mr. Magowan has been a director of the Company since 1993.
- Dennis A. Muilenburg, 48** Executive vice president of The Boeing Company (aerospace/defense products and services) and president and chief executive officer of Boeing Defense, Space & Security since September 2009. Prior to his current position, Mr. Muilenburg was president of Boeing Global Services & Support (2008-2009), vice president and general manager of the Boeing Combat Systems division (2006-2008) and vice president and program manager for Boeing Future Combat Systems (2003-2006). Other current directorships: none. Other directorships within the last five years: none. Mr. Muilenburg has been a director of the Company since 2011.
- Douglas R. Oberhelman, 59** Chairman and chief executive officer of Caterpillar Inc. (machinery, power systems and financial products). Prior to his current position, Mr. Oberhelman served as vice chairman and chief executive officer-elect and as a group president of Caterpillar Inc. Other current directorships: Eli Lilly and Company. Other directorships within the last five years: Ameren Corporation. Mr. Oberhelman has been a director of the Company since 2010.
- William A. Osborn, 64** Former chairman and CEO of Northern Trust Corporation (multibank holding company) and the Northern Trust Company (bank). Other current directorships: Abbott Laboratories and General Dynamics Corporation. Other directorships within the last five years: Nicor Inc., Tribune Company and Northern Trust Corporation. Mr. Osborn has been a director of the Company since 2000.
- Charles D. Powell, 70** Chairman of Capital Generation Partners (asset and investment management), LVMH Services Limited (luxury goods) and Magna Holdings (real estate investment). Prior to his current positions, Lord Powell was chairman of Sagitta Asset Management Limited (asset management). Other current directorships: LVMH Moët-Hennessy Louis Vuitton and Textron Inc. Other directorships within the last five years: none. Lord Powell has been a director of the Company since 2001.

(continued)

Board of Directors (Continued)

- Edward B. Rust, Jr., 61** Chairman, CEO and president of State Farm Mutual Automobile Insurance Company (insurance). He is also president and CEO of State Farm Fire and Casualty Company, State Farm Life Insurance Company and other Principal State Farm Affiliates as well as trustee and president of State Farm Mutual Fund Trust and State Farm Variable Product Trust. Other current directorships: Helmerich & Payne, Inc. and The McGraw-Hill Companies, Inc. Mr. Rust has been a director of the Company since 2003.
- Susan C. Schwab, 56** Professor at the University of Maryland School of Public Policy and a strategic advisor for Mayer Brown LLP. Prior to her current positions, Ambassador Schwab held various positions, including United States trade representative (member of the U.S. President's cabinet) and deputy United States trade representative. Other current directorships: FedEx Corporation and The Boeing Company. Other directorships within the last five years: none. Ambassador Schwab has been a director of the Company since 2009.
- Joshua I. Smith, 70** Chairman and managing partner of the Coaching Group, LLC (management consulting). Other current directorships: Comprehensive Care Corporation, FedEx Corporation and The Allstate Corporation. Other directorships within the last five years: CardioComm Solutions Inc. Mr. Smith has been a director of the Company since 1993.
- Miles D. White, 56** Chairman and chief executive officer of Abbott Laboratories (pharmaceutical and medical products). Other current directorships: McDonald's Corporation. Other directorships within the last five years: Motorola, Inc. and Tribune Company. Mr. White has been a director of the Company since 2011.



Performance

Caterpillar powers world progress. Cat® equipment – more than three million pieces around the world – is at work for our customers on highways, rail lines, oceans and rivers, in forests, quarries and oil fields. We supply the machines, solutions and support so our customers can excel in varying terrain, soil and climate conditions. Our engines and gas turbines provide the horsepower for customers to move goods and commodities across the globe, while generators deliver power wherever it is needed. Caterpillar manufacturing excellence is supplemented by world-class service businesses providing logistics, financial products and remanufacturing. More information about Cat® products, services and solutions can be found at cat.com.

Business Overview

Major Product Groups

Articulated Trucks	Hydraulic Excavators	Paving Equipment	Track-Type Tractors
Backhoe Loaders	Locomotives	Pipelayers	Turbines
Compactors	Material Handlers	Scrapers	Underground Mining Vehicles
Engines	Motor Graders	Skid Steer Loaders	Wheel Dozers
Forestry Machines	Off-Highway Trucks	Surface Mining	Wheel Excavators
Generator Sets	On-Highway Trucks	Track Loaders	Wheel Loaders

Major Industries Served

Demolition and Scrap	Industrial/OEM	Paving	Road Construction
Forestry	Landscaping	Pipeline	Underground Utilities
General Construction	Marine	Power Generation	Waste Services
Governmental	Mining	Quarry & Aggregate	
Heavy Construction	Oil & Gas	Railroad	

Major Service Areas

Financing	Logistics	Safety
Insurance	OEM Solutions	Solar Turbine
Locomotive & Railcar	Remanufacturing	Customer Services
Maintenance and Repair	Rental	Training

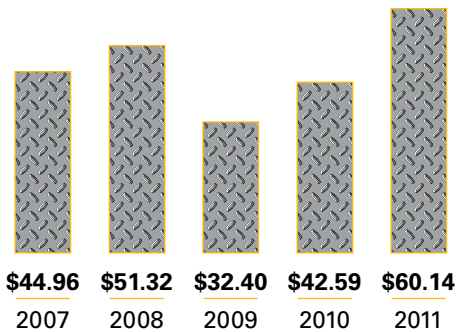
Brands

Caterpillar Inc. owns a complex portfolio of brands whose roles and relationships support the growth to achieve our enterprise goals. The Caterpillar brand represents our corporation with the investment community, employees, public policymakers and other key stakeholders. Built on decades of performance, our portfolio of brands – including our primary public-facing brand name, Cat® – speaks quality, reliability and an assurance of the finest in design, engineering and customer service. For an overview of the Caterpillar brand portfolio, visit caterpillar.com/brands.

Performance Metrics

Consolidated Sales & Revenues

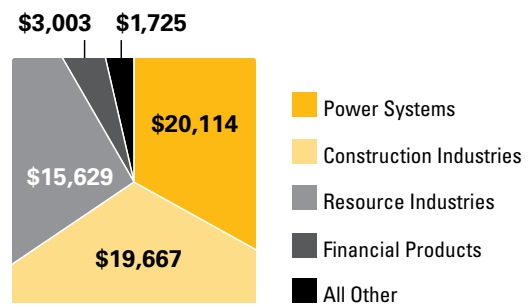
(in billions of dollars)



Consolidated sales and revenues increased 41 percent to \$60.14 billion in 2011, an all-time record. Improvements were largely a result of higher sales volume, including a significant increase in new equipment sales and improvements in aftermarket parts.

2011 Consolidated Sales & Revenues by Segment

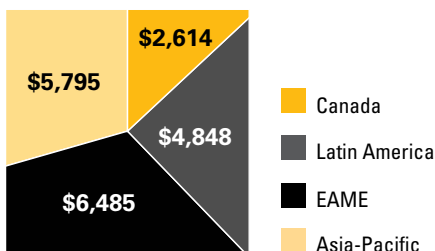
(in millions of dollars)



Sales and revenues increased in nearly all segments in 2011. Improvements in sales are a result of significantly higher sales volume and improved price realization.

2011 Exports From U.S. by Region

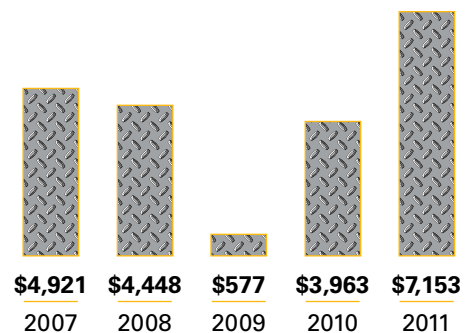
(in millions of dollars)



U.S. exports of \$19.7 billion increased 47 percent from 2010 to 2011.

Operating Profit

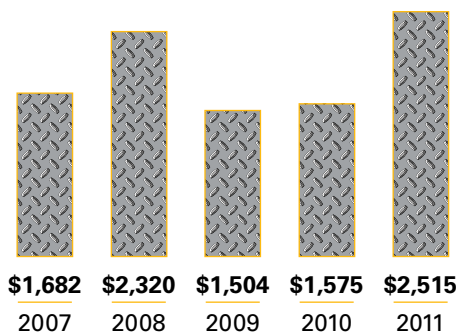
(in millions of dollars)



Consolidated operating profit was \$7.15 billion compared with \$3.96 billion in 2010. Higher sales volume and improved price realization contributed to the increase in operating profit, which was partially offset by higher manufacturing costs, higher selling, general and administrative, and research and development expenses as well as unfavorable impacts of currency.

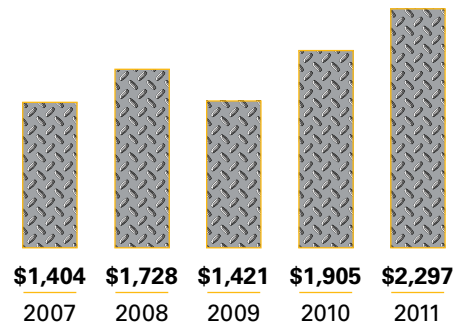
Performance Metrics (Continued)

Capital Expenditures (excludes equipment leased)
(in millions of dollars)



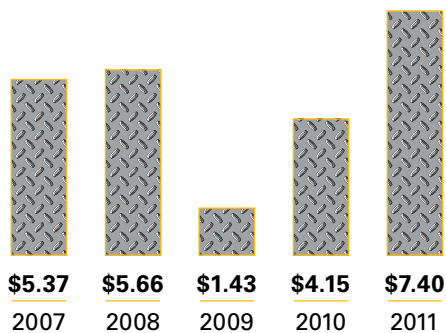
Caterpillar invested more than \$2.5 billion in capital expenditures during 2011, reflecting capacity expansion around the world to support customer demand.

Research & Development
(in millions of dollars)



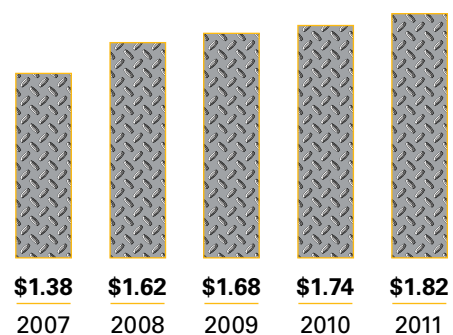
Investment in research and development reached record levels in 2011.

Profit Per Share (Diluted)
(in dollars)



A significant increase in profit per share in 2011 reflected effective profit pull-through, one of our "Big 8" strategic imperatives.

Dividends Declared Per Share
(in dollars)

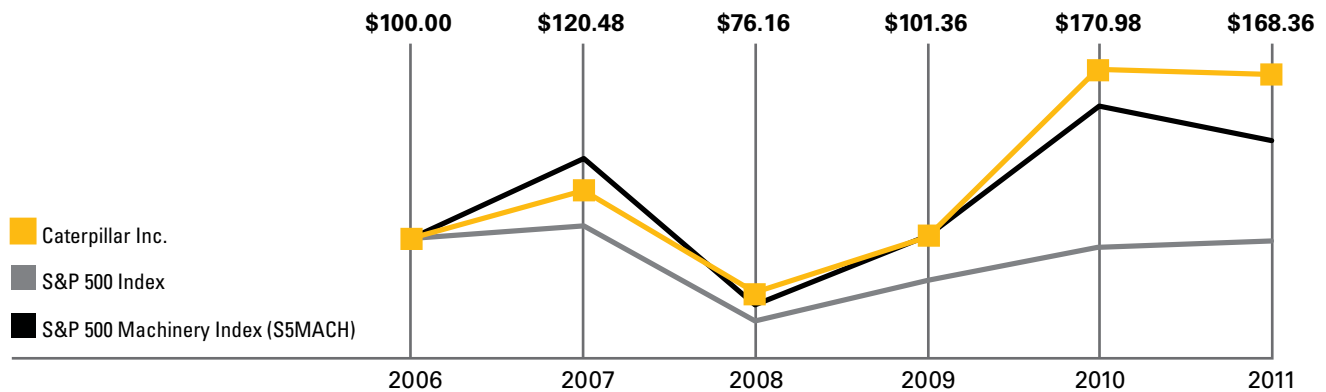


2011 marked the 18th consecutive year Caterpillar has paid an increased dividend to stockholders.

Performance Metrics (Continued)

5-Year Total Return CAT vs. S&P 500 vs. S&P Machinery Index

(in dollars)

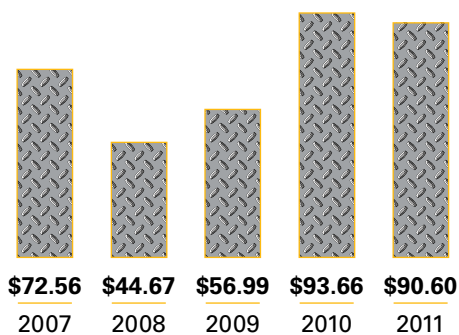


Cumulative stockholder return assuming an investment of \$100 on December 31, 2006, and reinvestment of dividends issued thereafter.

Caterpillar has consistently outperformed the S&P 500 over the past five years.

5-Year Closing Stock Price

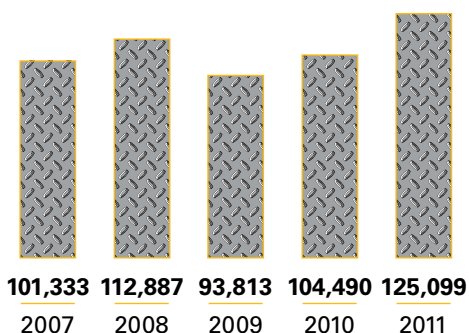
(in dollars)



Caterpillar shares have enjoyed a significant level of appreciation since the downturn of 2008.

Business Metrics

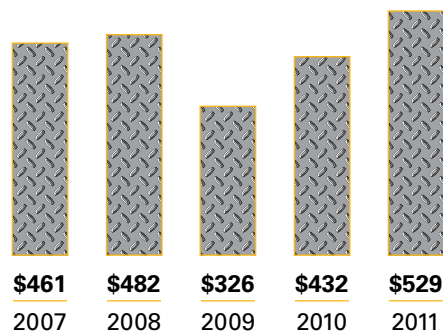
Global Employees



Worldwide full-time employment was 125,099 at the end of 2011 compared with 104,490 at the end of 2010, an increase of 20,609 full-time employees. We increased our workforce to support higher sales volume across all geographic regions.

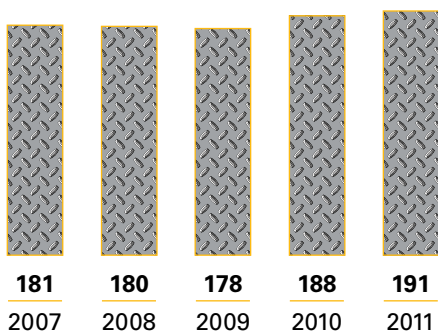
Sales & Revenues Per Employee

(in thousands of dollars)



Increased sales and revenues per employee in 2011 reflected strong top-line growth.

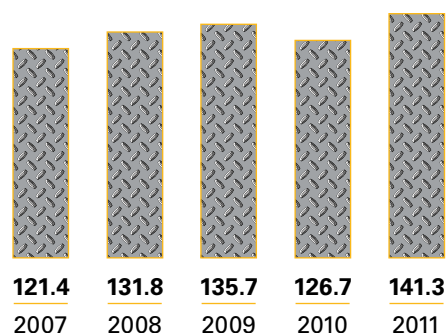
Dealers



Our vast dealer network offers comprehensive solutions for customers worldwide.

Dealer Employees

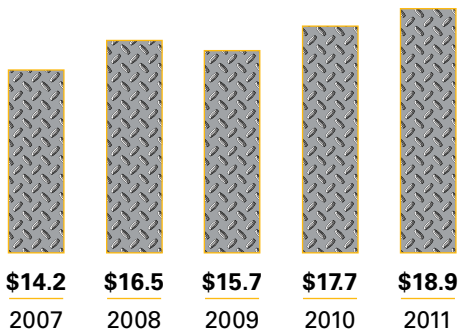
(in thousands)



Cat® dealer employees share our commitment to customers and ensure maximum business value from our products and services.

Business Metrics (Continued)

Dealer Net Worth (in billions of dollars)



Most Cat® dealers are independently owned, locally operated businesses and benefit from strong, long-standing customer relationships.

2011 Global Snapshot

Caterpillar's global reach and presence is unmatched in the industry. We serve customers in more than 180 countries around the globe with more than 300 products. More than half of our sales are outside the United States. Our manufacturing, marketing,

logistics, service, R&D and related facilities along with our dealer locations total more than 500 locations worldwide, ensuring that we remain geographically closer to our global customer base.

North America

Sales & Revenues (in millions)

Construction Industries	\$5,985
Resource Industries	4,963
Power Systems	8,331
Financial Products	1,687
All Other	767
Employees	54,880
Cat® Dealers	55



Latin America

Sales & Revenues (in millions)

Construction Industries	\$3,045
Resource Industries	2,831
Power Systems	2,363
Financial Products	361
All Other	73
Employees	19,111
Cat® Dealers	31



EAME

Sales & Revenues (in millions)

Construction Industries	\$4,768
Resource Industries	3,228
Power Systems	5,752
Financial Products	438
All Other	553
Employees	28,778
Cat® Dealers	49



Asia/Pacific

Sales & Revenues (in millions)

Construction Industries	\$5,869
Resource Industries	4,607
Power Systems	3,668
Financial Products	517
All Other	332
Employees	22,330
Cat® Dealers	56



FIVE-YEAR FINANCIAL SUMMARY

(dollars in millions except per share data)

Years ended December 31,	2011	2010	2009	2008	2007
Sales and revenues	\$ 60,138	\$42,588	\$32,396	\$ 51,324	\$44,958
Sales	\$ 57,392	\$39,867	\$29,540	\$ 48,044	\$41,962
Percent inside the United States	30%	32%	31%	33%	37%
Percent outside the United States	70%	68%	69%	67%	63%
Revenues	\$ 2,746	\$ 2,721	\$ 2,856	\$ 3,280	\$ 2,996
Profit ⁴	\$ 4,928	\$ 2,700	\$ 895	\$ 3,557	\$ 3,541
Profit per common share ¹	\$ 7.64	\$ 4.28	\$ 1.45	\$ 5.83	\$ 5.55
Profit per common share – diluted ²	\$ 7.40	\$ 4.15	\$ 1.43	\$ 5.66	\$ 5.37
Dividends declared per share of common stock	\$ 1.820	\$ 1.740	\$ 1.680	\$ 1.620	\$ 1.380
Return on average common stockholders' equity ^{3,5}	41.4%	27.4%	11.9%	46.8%	44.4%
Capital expenditures:					
Property, plant and equipment	\$ 2,515	\$ 1,575	\$ 1,504	\$ 2,320	\$ 1,682
Equipment leased to others	\$ 1,409	\$ 1,011	\$ 968	\$ 1,566	\$ 1,340
Depreciation and amortization	\$ 2,527	\$ 2,296	\$ 2,336	\$ 1,980	\$ 1,797
Research and development expenses	\$ 2,297	\$ 1,905	\$ 1,421	\$ 1,728	\$ 1,404
As a percent of sales and revenues	3.8%	4.5%	4.4%	3.4%	3.1%
Wages, salaries and employee benefits	\$ 10,994	\$ 9,187	\$ 7,416	\$ 9,076	\$ 8,331
Average number of employees	113,620	98,554	99,359	106,518	97,444
December 31,					
Total assets	\$ 81,446	\$64,020	\$60,038	\$ 67,782	\$56,132
Long-term debt due after one year:					
Consolidated	\$ 24,944	\$20,437	\$21,847	\$ 22,834	\$17,829
Machinery and Power Systems	\$ 8,415	\$ 4,505	\$ 5,652	\$ 5,736	\$ 3,639
Financial Products	\$ 16,529	\$15,932	\$16,195	\$ 17,098	\$14,190
Total debt:					
Consolidated	\$ 34,592	\$28,418	\$31,631	\$ 35,535	\$28,429
Machinery and Power Systems	\$ 9,066	\$ 5,204	\$ 6,387	\$ 7,824	\$ 4,006
Financial Products	\$ 25,526	\$23,214	\$25,244	\$ 27,711	\$24,423

1. Computed on weighted-average number of shares outstanding.

2. Computed on weighted-average number of shares outstanding diluted by assumed exercise of stock-based compensation awards, using the treasury stock method.

3. Represents profit divided by average stockholders' equity (beginning of year stockholders' equity plus end of year stockholders' equity divided by two).

4. Profit attributable to common stockholders.

5. Effective January 1, 2009, we changed the manner in which we accounted for noncontrolling interests. Prior periods have been revised, as applicable.

Forward-Looking Statements

Certain statements in this 2011 Year in Review relate to future events and expectations and are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “believe,” “estimate,” “will be,” “will,” “would,” “expect,” “anticipate,” “plan,” “project,” “intend,” “could,” “should” or other similar words or expressions often identify forward-looking statements. All statements other than statements of historical fact are forward-looking statements, including, without limitation, statements regarding our outlook, projections, forecasts or trend descriptions. These statements do not guarantee future performance, and we do not undertake to update our forward-looking statements.

Caterpillar’s actual results may differ materially from those described or implied in our forward-looking statements based on a number of factors, including, but not limited to: (i) global economic conditions and economic conditions in the industries and markets we serve; (ii) government monetary or fiscal policies and infrastructure spending; (iii) commodity or component price increases and/or limited availability of raw materials and component products, including steel; (iv) our and our customers’, dealers’ and suppliers’ ability to access and manage liquidity; (v) political and economic risks and instability, including national or international conflicts and civil unrest; (vi) our and Cat Financial’s ability to: maintain credit ratings, avoid material increases in borrowing costs, and access capital markets; (vii) the financial condition and creditworthiness of Cat Financial’s customers; (viii) inability to realize expected benefits from acquisitions and divestitures, including the acquisition of Bucyrus International, Inc.; (ix) international trade and investment policies; (x) challenges related to Tier 4 emissions compliance; (xi) market acceptance of our products and services; (xii) changes in the competitive environment, including market share, pricing and geographic and product mix of sales; (xiii) successful implementation of capacity expansion projects, cost reduction initiatives and efficiency or productivity initiatives, including the Caterpillar Production System; (xiv) sourcing practices of our dealers or original equipment manufacturers; (xv) compliance with environmental laws and regulations; (xvi) alleged or actual violations of trade or anticorruption laws and regulations; (xvii) additional tax expense or exposure; (xviii) currency fluctuations; (xix) our or Cat Financial’s compliance with financial covenants; (xx) increased pension plan funding obligations; (xxi) union disputes or other employee relations issues; (xxii) significant legal proceedings, claims, lawsuits or investigations; (xxiii) compliance requirements imposed if carbon emissions legislation and/or regulations are adopted; (xxiv) changes in accounting standards; (xxv) failure or breach of IT security; (xxvi) adverse effects of natural disasters; and (xxvii) other factors described in more detail under “Item 1A. Risk Factors” in our Form 10-K filed with the SEC on February 21, 2012 for the year ended December 31, 2011. This filing is available on our website at www.caterpillar.com/secfilings.

Trademark Information

CAT, CATERPILLAR, their respective logos, “Caterpillar Yellow,” the “PowerEdge” trade dress as well as corporate and product identity used herein, are trademarks of Caterpillar and may not be used without permission. Cat and Caterpillar are registered trademarks of Caterpillar Inc., 100 N.E. Adams, Peoria IL 61629.

© CATERPILLAR PUBLIC RELEASE All rights reserved. Printed in the USA.