CATERPILLAR®

100 NE Adams Street
Peoria, Illinois 61629

Notice of Annual Meeting of Stockholders
Wednesday, April 9, 2003
1:30 p.m. — Central Daylight Time

Northern Trust Corporation
50 South LaSalle Street
Chicago, Illinois 60675

March 3, 2003

Fellow stockholder:

On behalf of the board of directors, you are cordially invited to attend the 2003 Caterpillar Inc. Annual Meeting of Stockholders to:

- elect directors;
- act on a stockholder proposal, if properly presented; and
- conduct other business properly brought before the meeting.

You must have an admission ticket to attend, and procedures for requesting that ticket are detailed on page 26 of this proxy statement. Attendance and voting is limited to stockholders of record at the close of business on February 10, 2003.

Sincerely yours,

Glen A. Barton
Chairman

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Attendance and Voting Matters

Admission Ticket Required

Anyone wishing to attend the annual meeting must have an admission ticket issued in his or her name. Admission is limited to stockholders of record on the record date and one guest, or a stockholder's authorized proxy holder. The requirements for obtaining an admission ticket are specified in the "Admission Ticket Request Procedure" located on page 26.

Voting Matters

Record Date Information

Each share of Caterpillar stock you own as of February 10, 2003 entitles you to one vote. On February 10, 2003, there were 344,271,030 shares of Caterpillar common stock outstanding.

Voting by Telephone or Internet

Caterpillar is again offering stockholders the opportunity to vote by phone or via the Internet. Instructions for stockholders interested in using either of these methods to vote are set forth on the enclosed proxy and/or voting instruction card.

If you vote by phone or via the Internet, please have your proxy and/or voting instruction card available. The control number appearing on your card is necessary to process your vote. A phone or Internet vote authorizes the named proxies in the same manner as if you marked, signed and returned the card by mail. In the opinion of counsel, voting by phone or via the Internet are valid proxy voting methods under Delaware law and Caterpillar's bylaws.

Giving your Proxy to Someone Other than Individuals Designated on the Card

If you want to give your written proxy to someone other than the individuals named on the proxy card:

- cross out the individuals named and insert the name of the individual you are authorizing to vote; or
- provide a written authorization to the individual you are authorizing to vote along with your proxy card.

To obtain an admission ticket for your authorized proxy representative, see the requirements specified in the "Admission Ticket Request Procedure" on page 26.

Quorum

A quorum of stockholders is necessary to hold a valid meeting. If at least one-third of Caterpillar stockholders are present in person or by proxy, a quorum will exist. Abstentions and broker non-votes are counted as present for establishing a quorum. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner.

Vote Necessary for Action

Directors are elected by a plurality vote of the shares present at the meeting, meaning that the director nominee with the most affirmative votes for a particular slot is elected for that slot. In an uncontested election for directors, the plurality requirement is not a factor.

Other actions require an affirmative vote of the majority of shares present at the meeting. Abstentions and broker non-votes have the effect of a no vote on matters other than director elections.

Votes submitted by mail, telephone or Internet will be voted by the individuals named on the card (or the individual properly authorized) in the manner you indicate. If you do not specify how you want your shares voted, they will be voted in accordance with management's recommendations. If you hold shares in more than one account, you must vote each proxy and/or voting instruction card you receive to ensure that all shares you own are voted. You may change your vote by voting in person at the annual meeting or by submitting another proxy that is dated later. For all methods of voting, the last vote cast will supercede all previous votes.

The Caterpillar Board of Directors

Structure

Our board of directors is divided into three classes for purposes of election. One class is elected at each annual meeting of stockholders to serve for a three-year term.

Directors elected at the 2003 Annual Meeting of Stockholders will hold office for a three-year term expiring in 2006. Other directors are not up for election this year and will continue in office for the remainder of their terms. Lilyan Affinito will not stand for re-election. We wish to thank Lilyan for her 23 years of loyal and distinguished service to our board.

If a nominee is unavailable for election, proxy holders will vote for another nominee proposed by the board or, as an alternative, the board may reduce the number of directors to be elected at the meeting.

PROPOSAL 1 — Election of Directors

Directors Up For Election This Year for Terms Expiring in 2006

- ***GLEN A. BARTON,*** 63, Chairman and CEO of Caterpillar Inc. (machinery, engines, and financial products). Prior to his current position, Mr. Barton served as Vice Chairman and as Group President of Caterpillar. Other directorships: Inco Ltd. and Newmont Mining Corporation. Mr. Barton has been a director of the company since 1998.
- ***DAVID R. GOODE,*** 62, Chairman, President, and CEO of Norfolk Southern Corporation (holding company engaged principally in surface transportation). Other directorships: Delta Air Lines, Inc.; Georgia-Pacific Corporation; and Texas Instruments Incorporated. Mr. Goode has been a director of the company since 1993.
- ***CHARLES D. POWELL,*** 61, Chairman of Sagitta Asset Management Limited (asset management) and Louis Vuitton U.K. Ltd. (luggage and leather goods). Prior to his current positions, Lord Powell was Chairman of Phillips Fine Art Auctioneers (art, jewelry, and furniture auction) and Senior Director of Jardine Matheson and associated companies (multinational business group). Other directorships: LVMH Moet-Hennessy Louis Vuitton; Mandarin Oriental International Ltd.; and Textron Corporation. Lord Powell has been a director of the company since 2001.
- ***JOSHUA I. SMITH,*** 61, Chairman and Managing Partner of the Coaching Group, LLC (management consulting). As part of the Coaching Group, Mr. Smith served as Vice Chairman and Chief Development Officer of iGate, Inc. (broadband networking company). Mr. Smith was also Chairman and CEO of The MAXIMA Corporation (computer systems and management information products and services). Other directorships: CardioComm Solutions Inc.; Federal Express Corporation; and The Allstate Corporation. Mr. Smith has been a director of the company since 1993.

YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE NOMINEES PRESENTED IN PROPOSAL 1.

Directors Remaining in Office Until 2004

- ***JOHN T. DILLON,*** 64, Chairman and CEO of International Paper (paper and forest products). Prior to his current position, Mr. Dillon served as President and Chief Operation Officer of International Paper. Other directorship: Kellogg Co. Mr. Dillon has been a director of the company since 1997.
- ***JUAN GALLARDO,*** 55, Chairman of Grupo Embotelladoras Unidas S.A. de C.V. (bottling); Chairman of Mexico Fund Inc. (mutual fund); and Vice Chairman of Home Mart de Mexico, S.A. de C.V. (retail trade). Former Chairman and CEO of Grupo Azucarero Mexico, S.A. de C.V. (sugar mills). Other directorships: NADRO S.A. de C.V. and Grupo Mexico, S.A. de C.V. Mr. Gallardo has been a director of the company since 1998.

- ***WILLIAM A. OSBORN,*** 55, Chairman and CEO of Northern Trust Corporation (multi-bank holding company) and The Northern Trust Company (bank). Other directorships: Nicor Inc. and Tribune Company. Mr. Osborn has been a director of the company since 2000.
- ***GORDON R. PARKER,*** 67, former Chairman of Newmont Mining Corporation (gold properties production, exploration and acquisition company). Other directorships: Gold Fields Limited; Phelps Dodge Corporation; and The Williams Companies, Inc. Mr. Parker has been a director of the company since 1995.

Directors Remaining in Office Until 2005

- ***W. FRANK BLOUNT,*** 64, Chairman and CEO of JI Ventures, Inc. (venture capital firm). Prior to his current position, Mr. Blount served as Chairman and CEO of Cypress Communications Inc. (telecommunications) and Director and CEO of Telstra Corporation Limited (telecommunications). Other directorships: ADTRAN, Inc.; Alcatel S.A.; Entergy Corporation; and Hanson PLC. Mr. Blount has been a director of the company since 1995.
- ***JOHN R. BRAZIL,*** 56, President of Trinity University (San Antonio, Texas). Prior to his current position, Dr. Brazil was President of Bradley University (Peoria, Illinois). Dr. Brazil has been a director of the company since 1998.
- ***EUGENE V. FIFE,*** 62, Founding Principal of Vawter Capital LLC (private investment firm). Prior to his current position, Mr. Fife was President and CEO of Illuminis Inc. (medical technology company). Other directorship: Eclipsys Corporation (non-executive chairman). Mr. Fife has been a director of the company since 2002.
- ***GAIL D. FOSLER,*** 55, Senior Vice President and Chief Economist, The Conference Board (research and business membership organization). Other directorships: Unisys Corporation; H.B. Fuller Company; Baxter International Inc.; and DBS Group Holdings Ltd. Ms. Fosler has been a director of the company since January 2003.
- ***PETER A. MAGOWAN,*** 60, former Chairman and CEO of Safeway Inc. (leading food retailer). Mr. Magowan is President and Managing General Partner of the San Francisco Giants (major league baseball team). Other directorships: DaimlerChrysler AG and Safeway Inc. Mr. Magowan has been a director of the company since 1993.

Board Meetings and Committees

In 2002, our board met seven times. In addition to those meetings, directors attended meetings of individual board committees. For our incumbent board as a whole, attendance in 2002 at board and committee meetings was over 97 percent.

Our board has four standing committees, each of which has a written charter adopted by the board. To view all committee charters, as well as other corporate governance documents, go to www.CAT.com/investor relations.

The ***Audit Committee*** assists the board in fulfilling its oversight responsibilities for financial matters. The committee performs this function by monitoring Caterpillar's financial reporting process and internal controls and by assessing the audit efforts of Caterpillar's independent auditors and internal auditing department. The committee and the board have ultimate authority and responsibility to select, evaluate, and, where appropriate, replace the independent auditor. The committee also reviews updates on emerging accounting and auditing issues provided by the independent auditor and by management, to assess their potential impact on Caterpillar. All members of the committee are independent as defined by New York Stock Exchange rules and meet financial literacy guidelines adopted by the board. During 2002, the committee held six meetings.

The ***Compensation Committee*** assists the board of directors in fulfilling its responsibilities in connection with the compensation of company directors, officers and employees. It performs this function by approving and recommending standards for the company's compensation programs and plans, including various incentive compensation, retirement and other benefit plans. The committee conducts annual reviews of the performance of the company's Chief Executive Officer and fixes his compensation. The committee also reviews the company's salaried and management compensation practices, including the methodologies for setting employee and officer salaries, and fixes the salary and other compensation of all officers of the company. During 2002, the committee held four meetings.

The ***Nominating and Governance Committee*** makes recommendations to the board regarding the appropriate size and composition of the board, and monitors and makes recommendations regarding the board's performance. The committee also makes recommendations regarding the criteria for the selection of candidates to serve on the board and evaluates and makes recommendations on proposed candidates, including recommending the slate of nominees for election at annual meetings of stockholders. The committee also recommends candidates for election as officers of the company (including Chairman and CEO), monitors compliance with the board's Guidelines on Corporate Governance Issues, and administers the board's annual self-evaluation. The committee also reviews the company's Shareholder Rights Plan at least every three years to consider whether the continuance of the Rights Plan continues to be in the best interests of the company, its stockholders and other constituencies of the company. The committee considers director nominees from stockholders for election at the annual stockholders' meeting. Stockholder nominations must be in writing and received by Caterpillar's Corporate Secretary not later than ninety days in advance of the meeting (nomination procedures are discussed in greater detail in our bylaws which will be provided upon written request). During 2002, the committee held three meetings.

The ***Public Policy Committee*** provides general oversight with respect to matters of public and social policy affecting the company domestically and internationally, including investor, consumer and community relations issues and employee safety programs, policies and procedures. The committee oversees the company's Code of Worldwide Business Conduct, Policy Letters, and compliance programs and reviews major legislative proposals and proposed regulations involving matters not falling within the substantive coverage of any other committee of the board. During 2002, the committee held three meetings.

Committee Membership (as of December 31, 2002)				
	Audit	**Compensation**	**Nominating & Governance**	**Public Policy**
Lilyan H. Affinito	✔		✔	
Glen A. Barton				
W. Frank Blount	✔		✔	
John R. Brazil		✔		✔*
John T. Dillon	✔		✔*	
Eugene V. Fife	✔	✔		
Juan Gallardo	✔	✔		
David R. Goode	✔*	✔		
Peter A. Magowan		✔		✔
William A. Osborn	✔	✔*		
Gordon R. Parker			✔	✔
Charles D. Powell		✔		✔
Joshua I. Smith			✔	✔
Clayton K. Yeutter			✔	✔
* Chairman of Committee				

Director Compensation

Of our current board members, only Mr. Barton is a salaried employee of Caterpillar. All other members receive separate compensation for board service. That compensation includes:

Annual Retainer:	$60,000
Attendance Fees:	$1,000 for each board meeting $1,000 for each board committee meeting Expenses related to attendance
Committee Chairman Stipend:	$5,000 annually
Stock Options:	4,000 shares annually

Under Caterpillar's Directors' Deferred Compensation Plan, directors may defer 50 percent or more of their annual compensation in an interest-bearing account or an account representing shares of Caterpillar stock. Under the 1996 Stock Option and Long-Term Incentive Plan, directors may also elect to receive all or a portion of their annual retainer fees, attendance fees or stipends in shares of Caterpillar stock.

Our directors also participate in a Charitable Award Program. In the year of a director's death, the first of 10 equal annual installments is paid to charities selected by the director and to the Caterpillar Foundation. The maximum amount payable under the program is $1 million on behalf of each eligible director and is based on the director's length of service. The program is financed through the purchase of life insurance policies, and directors derive no financial benefit from it.

Legal Proceedings

Joshua I. Smith was Chairman and Chief Executive Officer of The MAXIMA Corporation. On June 26, 1998, that corporation filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code in the United States District Court for the Southern District of Maryland.

On May 11, 2000, the First Circuit Court in Mexico City granted Grupo Azucarero Mexico, S.A. de C.V., a public company of which Juan Gallardo is the controlling shareholder, suspension of payments protection, which is legal protection similar to Chapter 11 of the U.S. Bankruptcy Code. This protection enables the company to continue its operations while meeting its financial obligations in an orderly fashion.

Certain Related Transactions

In 1998, Caterpillar entered into a lease agreement with Riverfront Development L.L.C. (Riverfront) for space at One Technology Plaza, 211 Fulton Street, Peoria, Illinois. Pursuant to this lease and subsequent amendments, Caterpillar paid $739,007 to Riverfront in 2002. Cullinan Properties L.L.C. (Cullinan) owns 100 percent of Riverfront. Diane A. Oberhelman owns a majority of Cullinan and since 2000 has been married to Caterpillar Group President Douglas R. Oberhelman.

In 1998, Caterpillar Financial Services Corporation entered into a loan arrangement with Dynamic Retailers, L.L.C., the current balance of which is $309,000. An additional amount of $250,000 will be advanced in 2003 for a total loan of $559,000. The purpose of the loan is to support the existing CAT Merchandise Centre and an additional CAT Merchandise Centre currently under development. The loan is secured by inventory and fixtures. Cullinan is a 50% member of Dynamic Retailers, L.L.C. Diane A. Oberhelman owns a majority of Cullinan and is one of three personal guarantors of the full payment of the loan.

Thomas A. Gales, Vice President, received $75,000 from the company in November 2002. This amount was paid to Mr. Gales as compensation for the loss incurred on the sale of his home in Peoria, Illinois, pursuant to the company's domestic relocation policy, in conjunction with his relocation to Miami, Florida.

Robert R. Macier, Vice President, was indebted to the company in the amount of $225,000. This amount represented an interest-free loan made by the company to Mr. Macier in 2002 for the equity on his home in Illinois in conjunction with Mr. Macier's relocation to San Diego. Mr. Macier repaid the loan in February 2003.

Audit Committee Report

The Audit Committee (committee) is comprised entirely of independent directors and operates under a written charter adopted by the board. The members of the committee, as of December 31, 2002, are listed at the end of this report.

Management is responsible for the company's internal controls and the financial reporting process. The independent accountants (auditors) are responsible for performing an independent audit of the company's consolidated financial statements in accordance with generally accepted auditing standards and issuing a report thereon. The committee's responsibility is to monitor these processes. In this regard, the committee meets separately at each committee meeting with management, the Vice President for Corporate Auditing and Compliance, and the auditors. The committee has the authority to conduct or authorize investigations into any matters within the scope of its responsibilities and the authority to retain such outside counsel, experts, and other advisors as it determines appropriate to assist it in the conduct of any such investigation. In addition, the committee recommends to the board the appointment of the company's auditors (PricewaterhouseCoopers LLP) and pre-approves all audit and non-audit services to be performed by the auditor.

In this context, the committee has discussed with the company's auditors the overall scope and plans for the independent audit. Management represented to the committee that the company's consolidated financial statements were prepared in accordance with generally accepted accounting principles. Discussions about the company's audited financial statements included the auditors' judgments about the quality, not just the acceptability of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. The committee also discussed with the auditors other matters required by Statement on Auditing Standards No. 61 *Communication with Audit Committees,* as amended by SAS No. 90 *Audit Committee Communications.* Management and the auditors also made presentations to the committee throughout the year on specific topics of interest, including: (i) the management philosophy, asset allocation levels, risk controls and oversight of the company's pension funds; (ii) the company's derivative policy; (iii) self-insurance and risk management; (iv) the company's information technology systems and the security program to protect these systems; (v) the applicability of new accounting releases; (vi) the company's critical accounting policies; and (vii) the legislative history and substantive requirements of the Sarbanes-Oxley Act of 2002.

The company's auditors provided to the committee the written disclosures required by Independence Standards Board Standard No. 1 *Independence Discussions with Audit Committees,* and the committee discussed the auditors' independence with management and the auditors. In addition, the committee considered whether the information technology and other non-audit consulting services provided by the auditors' firm could impair the auditors' independence and concluded that such services have not impaired the auditors' independence.

Based on (i) the committee's discussion with management and the auditors, (ii) the committee's review of the representations of management, and (iii) the report of the auditors to the committee, the committee recommended to the board that the audited consolidated financial statements be included in the company's Annual Report on Form 10-K for the year ended December 31, 2002 filed with the Securities and Exchange Commission.

David R. Goode (Chair)

Lilyan H. Affinito	*W. Frank Blount*	*John T. Dillon*
Eugene V. Fife	*Juan Gallardo*	*William A. Osborn*

Audit Fees

Fees paid to our auditors' firm were comprised of the following (in millions):

Financial statement audit	$ 8.2
Information system design & implementation	$ 7.5
Other services	
6 Sigma training	2.0
Income tax consulting, planning and return preparation*	17.4
Merger and acquisition support	.4
Other operational consulting projects	.7
Total other services	$ 20.5

*Includes $13.9 paid to PricewaterhouseCoopers LLP for services performed as a subcontractor for outside legal counsel.

Caterpillar Stock Owned by Officers and Directors
(as of December 31, 2002)

Affinito	54,436 [1]	Oberhelman	119,391 [10]
Barton	564,127 [2]	Osborn	5,106 [11]
Baumgartner	196,616 [3]	Owens	376,724 [12]
Blount	25,970 [4]	Parker	31,856 [13]
Brazil	10,050 [5]	Powell	2,732 [14]
Dillon	22,034 [6]	Shaheen	205,649 [15]
Fife	11,000	Smith	23,924 [16]
Gallardo	56,784 [7]	Thompson	263,861 [17]
Goode	35,856 [8]	Yeutter	45,226 [18]
Magowan	50,468 [9]	All directors and executive officers as a group	4,973,723 [19]

[1] Affinito — Includes 28,000 shares subject to stock options exercisable within 60 days. In addition to the shares listed above, a portion of compensation has been deferred pursuant to the Directors' Deferred Compensation Plan representing an equivalent value as if such compensation had been invested on December 31, 2002 in 9,968 shares of common stock.

[2] Barton — Includes 457,697 shares subject to stock options exercisable within 60 days. In addition to the shares listed above, a portion of compensation has been deferred pursuant to supplemental employees' investment plans representing an equivalent value as if such compensation had been invested on December 31, 2002 in 4,642 shares of common stock.

Caterpillar Stock Owned by Officers and Directors *(continued)*

(as of December 31, 2001)

[3] Baumgartner — Includes 138,800 shares subject to stock options exercisable within 60 days.

[4] Blount — Includes 20,000 shares subject to stock options exercisable within 60 days. In addition to the shares listed above, a portion of compensation has been deferred pursuant to the Directors' Deferred Compensation Plan representing an equivalent value as if such compensation had been invested on December 31, 2002 in 322 shares of common stock.

[5] Brazil — Includes 8,000 shares subject to stock options exercisable within 60 days. In addition to the shares listed above, a portion of compensation has been deferred pursuant to the Directors' Deferred Compensation Plan representing an equivalent value as if such compensation had been invested on December 31, 2002 in 96 shares of common stock.

[6] Dillon — Includes 16,000 shares subject to stock options exercisable within 60 days. In addition to the shares listed above, a portion of compensation has been deferred pursuant to the Directors' Deferred Compensation Plan representing an equivalent value as if such compensation had been invested on December 31, 2002 in 147 shares of common stock.

[7] Gallardo — Includes 12,000 shares subject to stock options exercisable within 60 days. In addition to the shares listed above, a portion of compensation has been deferred pursuant to the Directors' Deferred Compensation Plan representing an equivalent value as if such compensation had been invested on December 31, 2002 in 96 shares of common stock.

[8] Goode — Includes 28,000 shares subject to stock options exercisable within 60 days. In addition to the shares listed above, a portion of compensation has been deferred pursuant to the Directors' Deferred Compensation Plan representing an equivalent value as if such compensation had been invested on December 31, 2002 in 11,586 shares of common stock.

[9] Magowan — Includes 28,000 shares subject to stock options exercisable within 60 days. In addition to the shares listed above, a portion of compensation has been deferred pursuant to the Directors' Deferred Compensation Plan representing an equivalent value as if such compensation had been invested on December 31, 2002 in 1,939 shares of common stock.

[10] Oberhelman — Includes 93,471 shares subject to stock options exercisable within 60 days. In addition to the shares listed above, a portion of compensation has been deferred pursuant to supplemental employees' investment plans representing an equivalent value as if such compensation had been invested on December 31, 2002 in 6,207 shares of common stock.

[11] Osborn — Includes 1,333 shares subject to stock options exercisable within 60 days. In addition to the shares listed above, a portion of compensation has been deferred pursuant to the Directors' Deferred Compensation Plan representing an equivalent value as if such compensation had been invested on December 31, 2002 in 20 shares of common stock.

[12] Owens — Includes 304,000 shares subject to stock options exercisable within 60 days. In addition to the shares listed above, a portion of compensation has been deferred pursuant to supplemental employees' investment plans representing an equivalent value as if such compensation had been invested on December 31, 2002 in 3,021 shares of common stock.

[13] Parker — Includes 24,000 shares subject to stock options exercisable within 60 days. In addition to the shares listed above, a portion of compensation has been deferred pursuant to the Directors' Deferred Compensation Plan representing an equivalent value as if such compensation had been invested on December 31, 2002 in 372 shares of common stock.

[14] Powell — Includes 1,333 shares subject to stock options exercisable within 60 days. In addition to the shares listed above, a portion of compensation has been deferred pursuant to the Directors' Deferred Compensation Plan representing an equivalent value as if such compensation had been invested on December 31, 2002 in 20 shares of common stock.

[15] Shaheen — Includes 158,341 shares subject to stock options exercisable within 60 days. In addition to the shares listed above, a portion of compensation has been deferred pursuant to supplemental employees' investment plans representing an equivalent value as if such compensation had been invested on December 31, 2002 in 3,351 shares of common stock.

[16] Smith — Includes 20,000 shares subject to stock options exercisable within 60 days. In addition to the shares listed above, a portion of compensation has been deferred pursuant to the Directors' Deferred Compensation Plan representing an equivalent value as if such compensation had been invested on December 31, 2002 in 356 shares of common stock.

[17] Thompson — Includes 186,000 shares subject to stock options exercisable within 60 days. In addition to the shares listed above, a portion of compensation has been deferred pursuant to supplemental employees' investment plans representing an equivalent value as if such compensation had been invested on December 31, 2002 in 7,997 shares of common stock.

[18] Yeutter — Includes 32,000 shares subject to stock options exercisable within 60 days. In addition to the shares listed above, a portion of compensation has been deferred pursuant to the Directors' Deferred Compensation Plan representing an equivalent value as if such compensation had been invested on December 31, 2002 in 7,354 shares of common stock.

[19] Group — Includes 3,770,450 shares subject to stock options exercisable within 60 days. Also includes 75,601 shares for which voting and investment power is shared and 1 share for which beneficial ownership is disclaimed. All directors and executive officers as a group beneficially own less than one percent of the company's outstanding common stock.

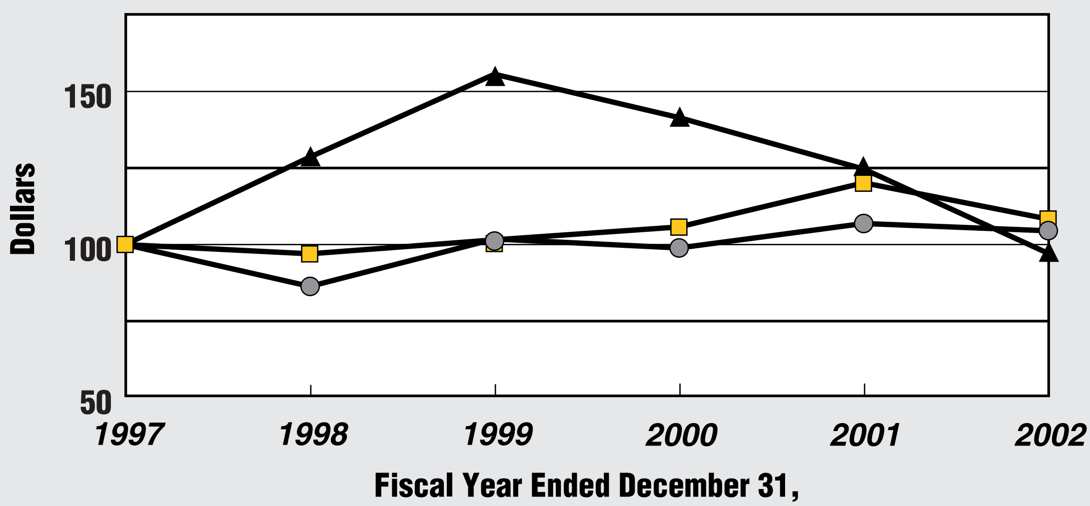
Persons Owning More than Five Percent of Caterpillar Stock
(as of December 31, 2002)

Name and Address	Voting Authority		Dispositive Authority		Total Amount of Beneficial Ownership	Percent of Class
	Sole	Shared	Sole	Shared		
Capital Research and Management Company 333 South Hope Street Los Angeles, CA 90071	0	0	22,670,500	0	22,670,500	6.6%

Performance Graph

CATERPILLAR INC.
Total Cumulative Stockholder Return for Five-Year Period Ending December 31, 2002

The graph below shows the cumulative stockholder return assuming the investment of $100 on December 31, 1997 and reinvestment of dividends thereafter.



		1997	1998	1999	2000	2001	2002
Caterpillar Inc.	■	100.00	96.99	101.54	105.76	120.17	108.32
S&P 500	▲	100.00	128.58	155.63	141.46	124.66	97.12
S&P 500 Machinery*	●	100.00	86.34	101.82	98.90	106.88	104.50

* The S&P Machinery (Diversified) Index, which was used in performance graphs for prior years, was discontinued as of December 31, 2001.

Compensation Committee Report on Executive Officer and Chief Executive Officer Compensation

As Caterpillar's Compensation Committee (committee), our primary goal is to establish a compensation program that serves the long-term interests of Caterpillar and its stockholders. Our prime asset is our people. A focused, competitive compensation program tailored to meet our long-term goals significantly enhances that asset.

We believe that Caterpillar has developed a compensation program that effectively:

- links the interests of management and stockholders;
- links employee compensation with both individual performance and long-term Caterpillar performance; and
- attracts and retains people of high caliber and ability.

Although this report is directed at CEO and executive officer compensation, the committee emphasizes that only through the efforts of all highly motivated, dedicated Caterpillar employees around the globe has the company been able to achieve its success.

Executive Officer Compensation

Our executive officer compensation package is a combination of short-term and long-term incentive compensation. To best align the interests of our executive officers with those of stockholders, no executive officer has a "golden parachute" agreement that would reward him or her upon departure from the company. Short-term compensation consists of base salary and cash payouts under our corporate incentive compensation plans. Long-term compensation consists of stock options, grants of restricted stock and cash payouts under the long-term portion of our long-term incentive plan. The committee established the following principles to guide us in structuring our direct pay practices:

- ***Base salary, as a percentage of total direct pay, should decrease as salary grade levels increase*** — as employees move to higher levels of responsibility with greater ability to influence enterprise results, the percentage of their pay at risk should increase correspondingly;
- ***The ratio of long-term variable pay to short-term variable pay should increase as salary grade levels increase*** — the long-term future of our company should be the top priority of our executives and our compensation program must motivate our executives to take actions that are best for the long-term vitality of the company; and
- ***The ratio of stock options and other equity-based compensation to long-term performance-based plans should increase as salary grade levels increase*** — stock options provide a clear link between interests of the stockholder and the interests of the recipient. Our compensation program must place increasing emphasis on developing an "ownership mentality" among our top executives.

These principles guided the committee's compensation decisions in 2002.

Short-Term Compensation

Total annual cash compensation for executive officers is comprised of base salary plus annual short-term incentive pay. At Caterpillar, total cash is targeted to be highly competitive in relation to salaries offered at other companies within our competitive market for talent.

In October, 2001 we received survey data from Hewitt, Hay, Towers Perrin, and the Caterpillar Select 10 — a group of selected Comparator Companies in our industry with which we often benchmark. All companies included in these surveys are in the S&P Composite Index and two of them were in the S&P Machinery (Diversified) Index. The data showed that executive officer short-term incentive compensation at Caterpillar at the Chairman/CEO and Vice President levels was below that of surveyed companies, and slightly below that of surveyed companies at the Group President level.

In response, we approved increases at the midpoint salary range at the Chairman/CEO and Vice President levels, and increased the short-term incentive percentage at target for the CEO/Chairman and Vice President levels to 110% and 70% respectively. The percentage of the base pay element of short-term incentive pay at the Group President level was maintained from the prior year. With these changes, executive officer short-term incentive compensation was anticipated to be slightly below market average.

Payouts Under The Corporate Incentive Compensation Plans

Executive officers, along with other management and salaried employees, participate in corporate incentive compensation plans as part of their short-term compensation package. For the CEO and Group Presidents, the plan is called the Executive Short-Term Incentive Plan (ESTIP). The ESTIP was approved by our stockholders at the Annual Meeting of Stockholders on April 11, 2002, so as to preserve the tax-deductibility offered for such compensation under Section 162(m) of the United States Tax Code. For all other salaried and management employees, the corporate incentive compensation plan is referred to as the Short-Term Incentive Plan (STIP). The ESTIP and the STIP (the plans) are substantially similar team-based pay at risk plans that deliver a target percentage of base salary to each participant based on performance against team goals at both the enterprise and business unit levels. The following guiding principles apply to the plans:

- Percentage of pay at risk is to remain at market-leading levels;
- The plans are focused on rewarding employees for the delivery of results against measurable goals;
- The plans are designed to deliver highly competitive incentive compensation at target levels;
- The company's payout objective under the plans should be at target on average over a period of years; and
- The plans are designed to drive behavior aligned with both enterprise and business unit results.

For 2002, in order to better align employees' interests with our stockholders' interests, the committee decided to replace the return on assets (ROA) metric that had previously been applied under the plans with a metric tied to Caterpillar's earnings per share (EPS). Accordingly, Caterpillar's achievement of payouts under the plans are driven by three factors:

- a team award based on annual base salary and Caterpillar's achievement of certain EPS levels;
- an individual award based on individual performance; and
- the achievement of certain 6 Sigma benefit levels for the year.

For 2002 approximately $224.2 million in short-term incentive compensation was earned by approximately 53,798 Caterpillar employees.

Team awards under these plans are calculated by multiplying:

- annual base salary;
- a specific percentage of base salary that varies based on position;
- a performance factor based upon Caterpillar's achievement of certain EPS levels; and
- a performance factor based upon achievement of certain 6 Sigma benefits levels.

With the exception of the portion of the award tied to the achievement of 6 Sigma benefit levels, before any amount could be awarded under these plans for 2002, Caterpillar had to achieve a minimum EPS level, with larger amounts awarded for achievement of a target or maximum EPS level. For 2002 the threshold EPS level was achieved and all executive officers received a team award.

As part of the STIP, 28 business units (or divisions within those units) at Caterpillar have their own short-term incentive compensation plans tied to the goals of their particular unit. For 2002, 36 executive officers received part of their short-term incentive payouts based on the performance of their individual business units. Several factors specific to the unit may have impacted that payout, including return on sales, EPS, ROA, accountable profit, operating expenses, percentage of industry sales, quality and customer satisfaction.

Executive officers participating in their respective divisional incentive plans were eligible to receive 50 percent of the team award amount that would have been awarded if he or she had participated solely in the divisional plans and 50 percent of the amount that would have been awarded had the officer participated solely in the STIP.

In addition to these awards, certain executive officers received an individual award for 2002 based on individual performance. In making individual awards, the Chairman is allocated a special recognition award amount each year that equals a percentage of all incentive compensation paid to executive officers that year. In his discretion, the Chairman decides whether any individual awards are warranted. Unused portions of the funds allocated to the Chairman each year for individual awards are not carried forward into the next year.

Long-Term Incentive Compensation

The Long-Term Incentive Plan (LTIP) is comprised of three components: annual stock option grants, a cash award based on a three-year performance target plan and grants of restricted stock.

Stock Options

In 2002 all executive officers and certain other key employees were granted stock options. These stock options permit the holder to buy Caterpillar stock for a price equal to the stock's value when the option was granted. If the price of Caterpillar stock increases from the date of grant, the options have value. Typically, holders have 10 years to exercise stock options from the date they were granted, absent events such as death or termination of employment. We view stock options as critical to linking the interest of our stockholders and employees to realize a benefit from appreciation in the price of Caterpillar stock.

The number of options an executive officer receives depends upon his or her position in the company. Typically, a baseline number of options is granted for the positions of Vice President, Group President, and Chairman. Adjustments may be made based on a subjective assessment of individual performance.

Consistent with our commitment to cultivate an ownership mentality among our executive officers, Caterpillar is one of the few companies to establish and adhere to strict ownership guidelines in connection with stock option grants. Pursuant to these guidelines, adjustments to the number of options granted may be made if the officer does not meet his or her stock ownership requirements. Officers are encouraged to own a number of shares at least equal to the average number of shares for which they received options in their last five option grants and have five years to meet this target. Twenty-five percent of vested unexercised options apply toward the ownership target. If 100 percent of this guideline was not met, significant progress had not been made toward meeting it, or a satisfactory explanation for failure to meet it had not been presented, we would have reduced the number of options to be granted to the particular officer. For 2002, all officers complied with the target ownership guidelines and no officer was penalized for low share ownership.

Long-Term Incentive Feature

Our option plan also includes a long-term incentive feature offered to executive officers and other high-level management employees. Under this feature, a three-year company performance cycle is established each year. If the company meets certain threshold, target, or maximum performance goals at the end of the cycle, participants receive a cash payout. We have the ability to apply different performance criteria for different cycles, as well as the discretion to adjust performance measures for unusual items such as changes in accounting practices or corporate restructurings. For the 2002-2004 cycle and beyond, the committee decided to change the metric for the long-term plan from after-tax ROA to a metric combining company EPS and return on equity (ROE). This change was made to better align our officers' interests with those of our stockholders.

For the three-year cycle established for the years 2000 through 2002, the threshold after-tax ROA goal was not met and no payout was made for the second consecutive year.

Restricted Stock Grants

In December 2000, in recognition of the need to attract and retain outstanding performers, we approved the implementation of a restricted stock award program. Key elements of the program are:

- Establishment of a pool of 250,000 restricted shares of company stock, from which selected performance-based and retention-based grants would be made to officers and other key employees, as well as prospective employees;
- Refreshment of the pool annually to a level approved by the committee;
- Restrictions on awarded shares with vesting schedules varying from 3 – 5 years; and
- Forfeiture of restricted shares upon the grantee's election to leave Caterpillar.

Pursuant to the plan, the committee reviews nominations for awards to assure they meet the following criteria:

For prospective employees:

- Demonstrated potential as a significant contributor;
- Capabilities presenting a potential competitive advantage; or
- Special talents or characteristics to meet a specific corporate need.

For current Caterpillar employees:

- Exceptional performance;
- High potential for promotion; or
- High marketability for positions outside Caterpillar.

Eighty-two participants received a total of 50,975 restricted shares with a total value of $2,503,528 under this restricted stock award program in 2002.

Mr. Barton's Individual Goals for 2002

The committee reviewed Mr. Barton's individual goals established at the beginning of 2002 and his subsequent performance against those goals. Mr. Barton's 2002 performance was also considered in determining adjustments to his 2003 salary. We believe that Mr. Barton has done an excellent job of shepherding Caterpillar through some very difficult economic times while positioning the company for long-term growth and success.

Financial Results

Due to an unexpectedly slow economic recovery and deteriorating economic and market conditions in the second half of the year, the company was forced to revise its annual outlook in July 2002. However, under Mr. Barton's direction, the company delivered annual results surpassing the revised outlook. This performance was attributable to many factors, including the company's diverse base of businesses, which reflects a key element of Mr. Barton's direction, as well as reductions in the company's capital expenditures and employment. In addition, 6 Sigma continued to achieve breakthroughs in cost reduction, quality and process improvement in 2002, surpassing the aggressive enterprise goals set by Mr. Barton. These efforts contributed to the company's significant improvement in *Machinery and Engines* net free cash flow. These achievements and the company's results in a difficult economic environment are a testament to Mr. Barton's leadership and ability to manage the company effectively in times of slower growth.

Pursue New Business Opportunities

In 2002 Mr. Barton achieved his goal of pursuing new business opportunities for the company. In April, Caterpillar entered the auction process to acquire Enron's Wind Power Division, and bowed out of the bidding when the acquisition price exceeded the company's assessment of the value. Also in April, the company announced that it had formalized and expanded an agreement with FuelCell Energy, Inc. to distribute and develop ultra-low emission Direct FuelCell (DFC®) power generation products for industrial and commercial use. Under this ten-year alliance agreement, customers will be able to buy these innovative systems from Caterpillar dealers in selected regions in North America. In September, the company announced a long-term supply agreement with Blue Bird Corporation, North America's leading manufacturer of school buses. Under terms of the agreement, Caterpillar will supply the majority of engines used in Blue Bird's school bus production.

6 Sigma Leadership

Under Mr. Barton's leadership, the company's 6 Sigma efforts were extraordinarily successful in 2002, building on the momentum generated in 2001. 6 Sigma results exceeded the company's expectations and contributed in excess of 500 million dollars in benefits, the majority of which impacted the bottom line. In 2002, the company completed nearly three times as many projects as in 2001 and more than 15,000 employees were involved in various roles as 6 Sigma project sponsors, black belts, green belts, team members and subject matter experts. Additionally, as 2002 came to a close, more than 40 dealers and 100 suppliers were in the process of deploying 6 Sigma for their businesses.

Effective Management of Acquisitions and Growth Initiatives

For 2002, Mr. Barton set a goal of keeping recent acquisitions and growth initiatives on track to deliver improved returns. The profitability of recent engine-related acquisitions as a whole improved due to increased revenues and significant achievements in cost reduction. Building Construction Products made good progress and had success in cost reduction in 2002 thanks in part to a significant restructuring of certain fabrication facilities, particularly in the United Kingdom. However, in the large mining equipment sector, a severely depressed industry prevented the company from achieving its sales and revenue goals for the year.

Critical Success Factors

In 2002 Mr. Barton set a goal to provide enhanced progress reports to the board with respect to each of the company's Critical Success Factors (CSF's). He met this goal, providing regular updates on the CSF's throughout the year and dedicating significant time at each board meeting to a select number of CSF's, focusing particular emphasis on cost reduction and growth.

China and India

Mr. Barton achieved his 2002 goal to coordinate the company's product and manufacturing strategies for China and India. Of particular note in this regard were the institution of a Product and Design center in Japan to service this region and the establishment of the framework to have machines available in China and the introduction of a backhoe loader in India, beginning in early 2003.

Contact with Analysts and Stockholders

For 2002 Mr. Barton set a goal of maintaining contact with financial analysts and stockholders. This goal was met as Mr. Barton made presentations to more than 70 analysts at the CONEXPO and held meetings throughout the year with institutional stockholders owning nearly twenty percent of the company's outstanding shares. He also met individually with several analysts throughout the year to keep abreast of trends and ideas prevalent in the marketplace. These meetings provided significant support to the company's investor relations efforts.

Contact with Caterpillar Customers

For 2002 Mr. Barton set a goal of maintaining regular contact with Caterpillar customers. This goal was met as Mr. Barton continued to be actively involved in the support of the company's marketing activities. These efforts included visits with numerous large engine, earthmoving, mining and logistics customers. He also attended major dealer anniversaries and met with several customer groups. In addition, his participation in CONEXPO provided an opportunity to interact with a significant number of customers and potential customers.

Outside Organizations

Mr. Barton met his goal to be an active participant in organizations dedicated to business and commerce. He regularly attended meetings of the Business Roundtable, The Conference Board and the International Business Roundtable. He also accepted the White House's invitation to attend President Bush's Economic Forum in August. He also made major speeches to universities, rotaries and Chambers of Commerce throughout the year.

Commitment to the Peoria Community

Mr. Barton achieved his goal of continuing his involvement in the growth and development of Caterpillar's hometown, Peoria, Illinois. Mr. Barton completed his service as the Chairman of the Bradley University Board of Trustees in December 2002. He also remained active in PeoriaNext and the Peoria Civic Foundation and continued to provide support to the leadership group promoting a bioscience center in Peoria.

By the Compensation Committee consisting of:

William A. Osborn (Chairman)

John R. Brazil	*Eugene V. Fife*	*Juan Gallardo*
David R. Goode	*Peter A. Magowan*	*Charles D. Powell*

Executive Compensation Tables

2002 Summary Compensation Table

Name and Principal Position	Year	Annual Compensation: Salary	Annual Compensation: Bonus[1]	Annual Compensation: Other Annual Compensation[2]	Long-Term Compensation: Awards: Restricted Stock Awards[3]	Long-Term Compensation: Awards: Securities Underlying Options	Long-Term Compensation: Payouts: LTIP Payouts[4]	All Other Compensation[5]
G. A. Barton Chairman and CEO	2002	$1,175,001	$ 917,943	$ 628	$ 0	190,000	$ 0	$56,400
	2001	1,075,002	1,188,004	5,941	421,350	160,000	0	51,600
	2000	967,500	780,000	0	0	160,000	352,778	46,440
V. H. Baumgartner[6] Group President	2002	712,638	404,907	0	0	61,000	0	23,841
	2001	549,229	478,179	0	0	54,000	0	26,363
	2000	506,813	306,901	0	0	24,000	127,635	24,327
D. R. Oberhelman Group President	2002	498,000	282,910	176	0	61,000	0	19,540
	2001	407,086	414,720	0	147,473	24,000	0	7,150
	2000	364,998	278,436	7,164	0	24,000	90,625	5,463
J. W. Owens Group President	2002	670,002	380,600	482	0	61,000	0	22,781
	2001	645,006	600,927	0	0	54,000	0	25,800
	2000	600,000	383,760	0	0	54,000	179,375	24,000
G. L. Shaheen Group President	2002	590,505	335,472	718	0	61,000	0	24,020
	2001	553,755	488,167	1,704	0	54,000	0	22,150
	2000	519,996	324,478	68	0	54,000	144,444	20,800
R. L. Thompson Group President	2002	670,002	380,600	1,099	0	61,000	0	20,100
	2001	645,006	565,927	1,732	0	54,000	0	19,350
	2000	600,000	383,760	1,528	0	54,000	179,375	18,000

[1] Consists of cash payments made pursuant to the corporate incentive compensation plan in 2003 with respect to 2002 performance, in 2002 with respect to 2001 performance, and in 2001 with respect to 2000 performance.

[2] Taxes paid on behalf of employee related to aircraft usage.

[3] Consists of restricted shares issued pursuant to the restricted stock award program established in December 2000. On March 1, 2001, 10,000 restricted shares were awarded to G. A. Barton and 3,500 restricted shares were awarded to D. R. Oberhelman. The fair market value of Caterpillar common stock at the time of these awards was $42.135. As of December 31, 2002, the number and value of all restricted stock held by each of the following was: G. A. Barton – 19,025 ($861,072), V. H. Baumgartner – 2,885 ($130,575), D. R. Oberhelman – 5,950 ($269,297), J. W. Owens – 4,971 ($224,987), G. L. Shaheen – 3,740 ($169,272) and R. L. Thompson – 4,971 ($224,987). Caterpillar's average stock price on December 31, 2002 ($45.26 per share) was used to determine the value of restricted stock. Dividends are paid on restricted stock.

[4] Consists of payouts made in early 2001. Fifty percent was in cash and fifty percent in restricted stock. Caterpillar's average stock price on December 31, 2000 ($47.3750) was used to determine the restricted stock portion of the payout.

[5] Consists of matching company contributions for the Employees' Investment Plan and supplemental employees' investment plans, respectively, of G. A. Barton ($8,560/$47,840), D. R. Oberhelman ($6,880/$12,660), J. W. Owens ($6,748/$16,033), G. L. Shaheen ($7,313/$16,707) and R. L. Thompson ($5,150/$14,950) and of matching contributions for V. H. Baumgartner ($23,841) in a foreign Employees' Investment Plan.

[6] Dollar amounts are based on compensation in Swiss Francs converted to U.S. dollars using the exchange rate in effect December 31, 2002.

Option Grants in 2002

Name	Individual Grants: Number of Securities Underlying Options Granted[1]	% of Total Options Granted to Employees In Fiscal Year 2002[2]	Exercise Price Per Share	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term[3]: 5%	10%
G. A. Barton	190,000	2.36	$50.715	06/11/12	$ 6,059,936	$ 15,357,054
V. H. Baumgartner	61,000	.76	50.715	06/11/12	1,945,558	4,930,423
D. R. Oberhelman	61,000	.76	50.715	06/11/12	1,945,558	4,930,423
J. W. Owens	61,000	.76	50.715	06/11/12	1,945,558	4,930,423
G. L. Shaheen	61,000	.76	50.715	06/11/12	1,945,558	4,930,423
R. L. Thompson	61,000	.76	50.715	06/11/12	1,945,558	4,930,423
Executive Group	1,179,600	14.65	50.715	06/11/12	37,622,634	95,343,057
All Stockholders[4]	N/A	N/A	N/A	N/A	10,976,502,540	27,816,587,871
Executive Group Gain as % of all Stockholder Gain	N/A	N/A	N/A	N/A	.3428%	.3428%

[1] Options are exercisable upon completion of one full year of employment following the grant date (except in the case of death or retirement) and vest at the rate of one-third per year over the three years following the grant. Upon exercise, option holders may surrender shares to pay the option exercise price and satisfy tax-withholding requirements. Options granted to certain employees that are vested and not incentive stock options may be transferred to certain permitted transferees.

[2] In 2002, options for 8,102,864 shares were granted to employees and directors as follows: Executive Group – 1,179,600; non-employee directors – 52,000; and all others – 6,871,264.

[3] The dollar amounts under these columns reflect the 5% and 10% rates of appreciation prescribed by the Securities and Exchange Commission. The 5% and 10% rates of appreciation would result in per share prices of $82.61 and $131.54, respectively.

[4] For "All Stockholders" the potential realizable value is calculated from $50.715, the average price of Common Stock on June 11, 2002, based on the outstanding shares of common stock on that date.

Aggregated Option/SAR Exercises in 2002, and 2002 Year-End Option/SAR Values

Name	Shares Acquired On Exercise[1]	Value Realized[2]	Number of Securities Underlying Unexercised Options/SARs at 2002 Year-End[3]: Exercisable	Unexercisable	Value of Unexercised In-the-Money Options/SARs at 2002 Year-End[2]: Exercisable	Unexercisable
G. A. Barton	10,000	$ 157,388	482,919	350,000	$ 1,759,373	$ 365,262
V. H. Baumgartner	0	0	138,800	105,000	706,015	54,790
D. R. Oberhelman	0	0	93,471	85,000	189,488	54,790
J. W. Owens	13,736	389,133	304,000	115,000	1,618,933	123,277
G. L. Shaheen	4,262	47,481	158,341	115,000	408,069	123,277
R. L. Thompson	18,000	379,147	186,000	115,000	123,277	123,277

[1] Upon exercise, option holders may surrender shares to pay the option exercise price and satisfy tax-withholding requirements. The amounts provided are gross amounts absent netting for shares surrendered.

[2] Calculated on the basis of the fair market value of the underlying securities at the exercise date or year-end, as the case may be, minus the exercise price.

[3] Numbers presented have not been reduced to reflect any transfers of options by the named executives.

Long-Term Incentive Plans/Awards in 2002

Name	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts under Non-Stock Price-Based Plans[1]		
		Threshold	Target	Maximum
G. A. Barton	2002 – 2004	$ 960,000	$ 1,920,000	$ 2,880,000
Chairman and CEO	2001 – 2003	600,000	1,200,000	1,800,000
V. H. Baumgartner	2002 – 2004	382,844	765,688	1,148,533
Group President	2001 – 2003	273,460	546,920	820,380
D. R. Oberhelman	2002 – 2004	264,600	529,200	793,800
Group President	2001 – 2003	189,000	378,000	567,000
J. W. Owens	2002 – 2004	354,375	708,750	1,063,125
Group President	2001 – 2003	253,125	506,250	759,375
G. L. Shaheen	2002 – 2004	314,475	628,950	943,425
Group President	2001 – 2003	224,625	449,250	673,875
R. L. Thompson	2002 – 2004	354,375	708,750	1,063,125
Group President	2001 – 2003	253,125	506,250	759,375

[1]Payout is based upon an executive's base salary at the end of the three-year cycle, a predetermined percentage of that salary, and Caterpillar's achievement of specified performance levels (after-tax return on assets (ROA) for the 2001 – 2003 cycle and earnings per share (EPS) and return on equity (ROE) for the 2002 – 2004 cycle) over the three-year period. The threshold amount will be earned if 50% of the targeted performance level is achieved. The target amount will be earned if 100% of the targeted performance level is achieved. The maximum award amount will be earned at 150% of targeted performance level. Base salary levels for 2002 were used to calculate the estimated dollar value of future payments under both cycles.

Pension Plan Table

Remuneration	Years of Service				
	15	20	25	30	35
$ 100,000	$ 22,500	$ 30,000	$ 37,500	$ 45,000	$ 52,500
150,000	33,750	45,000	56,250	67,500	78,750
200,000	45,000	60,000	75,000	90,000	105,000
250,000	56,250	75,000	93,750	112,500	131,250
300,000	67,500	90,000	112,500	135,000	157,500
350,000	78,750	105,000	131,250	157,500	183,750
400,000	90,000	120,000	150,000	180,000	210,000
450,000	101,250	135,000	168,750	202,500	236,250
500,000	112,500	150,000	187,500	225,000	262,500
550,000	123,750	165,000	206,250	247,500	288,750
650,000	146,250	195,000	243,750	292,500	341,250
750,000	168,750	225,000	281,250	337,500	393,750
850,000	191,250	255,000	318,750	382,500	446,250
950,000	213,750	285,000	356,250	427,500	498,750
1,100,000	247,500	330,000	412,500	495,000	577,500
1,400,000	315,000	420,000	525,000	630,000	735,000
1,600,000	360,000	480,000	600,000	720,000	840,000
1,950,000	438,750	585,000	731,250	877,500	1,023,750
2,500,000	562,500	750,000	937,000	1,125,000	1,312,500

The compensation covered by the pension program is based on an employee's annual salary and bonus. Amounts payable pursuant to a defined benefit supplementary pension plan are included. As of December 31, 2002, the persons named in the Summary Compensation Table had the following estimated credited years of benefit service for purposes of the pension program: G. A. Barton – 35 years*; V. H. Baumgartner – 37 years**; D. R. Oberhelman – 27 years; J. W. Owens – 30 years; G. L. Shaheen – 35 years; and R. L. Thompson – 20 years. The amounts payable under the pension program are computed on the basis of an ordinary life annuity and are not subject to deductions for Social Security benefits or other amounts.

* Although having served more than 35 years with the Company, amounts payable under the plan are based on a maximum of 35 years of service.

** Mr. Baumgartner is covered by the pension plan of a subsidiary of the Company which is intended to provide benefits comparable to those under the Company's pension program. There are no material differences between Mr. Baumgartner's pension plan benefits and those disclosed in the table.

PROPOSAL 2 — Stockholder Proposal re: Rights Plan and Caterpillar Response

Pursuant to Rule 14a-8(l)(1) of the Securities Exchange Act of 1934, the company will provide the name, address and number of company securities held by the proponent of this shareholder proposal promptly upon receipt of a written or oral request.

Resolution Proposed by Stockholder

This is to recommend that our company adopt a bylaw to seek shareholder approval of any poison pill in effect or adopted in the period between each annual meeting. This applies to the greatest extent as may be practical.

Supporting Statement of Proponent

Shareholder value

Outside of management circles, a poison pill can be viewed as a device to reduce management accountability. For instance, I believe a poison pill can discourage a buy-out premium for our stock.

A buy-out premium could be triggered if our stock declines due to the fault of current management. If current management is at fault for a declining stock price, I believe shareholders should have a counterbalancing opportunity for a buy-out with a premium — without the interference of a poison pill.

I believe that an absence of a poison pill will encourage management to a higher standard because mismanagement will more likely result in a change in control. This principle is similar to higher employee performance being triggered by a desire to continue holding one's job.

Harvard Supporting Report

A 2001 Harvard Business School study found that good corporate governance (which took into account whether a company has a poison pill) was positively and significantly related to company value. This study, conducted with the University of Pennsylvania's Wharton School, reviewed the relationship between the corporate governance index for 1,500 companies and company performance from 1990 to 1999.

Council of Institutional Investors Recommendation

Council of Institutional Investors www.cii.org, an organization of 120 pension funds which invests $1.5 trillion, called for shareholder approval of poison pills. In recent years, various companies have been willing to redeem existing poison pills or seek shareholder approval for their poison pill. This includes Columbia/HCA, McDermott International and Bausch & Lomb. I believe that our company should follow suit.

To give shareholders more options in case of mismanagement:
SHAREHOLDER VOTE ON POISON PILLS
YES ON 2

Statement in Opposition to Proposal

Caterpillar has a demonstrated history of commitment to good corporate governance that precedes by decades the corporate scandals that have understandably shaken investor confidence recently. This commitment was recognized in a recent independent study of corporate governance practices conducted by Institutional Shareholder Services (ISS). This study, which rated companies on fifty-one corporate governance criteria — including whether or not a Shareholder Rights Plan or "poison pill" is in place — placed Caterpillar in the top 11 percent of firms in the S&P 500 with an 89.3 score on ISS' Corporate Governance Quotient (CGQ). Compared to other firms in the capital goods industry, Caterpillar placed in the top seven percent with a 93.4 Industry CGQ.

Despite the company's impressive governance record, proponent for the fourth consecutive year has submitted a governance issue proposal that has failed each year to receive sufficient support to pass under applicable law and company bylaws and that has received declining support (less than 50 percent of the yes-no vote and less than 43 percent of the overall vote at the 2001 and 2002 meetings) each successive year. Your board opposes this proposal.

Our Shareholder Rights Plan does not, and is not intended to, prevent bidders from making offers to acquire the company at a price and on terms that would be in the best interests of all stockholders. Instead, the Shareholder Rights Plan is designed to protect stockholders against potential abuses during a takeover attempt. In this regard, it is important to remember that hostile acquirers are interested in buying a company as cheaply as they can, and, in attempting to do so, may use coercive tactics such as partial and two-tiered tender offers and creeping stock accumulation programs which do not treat all stockholders fairly and equally. We believe our Rights Plan provides our board with an additional degree of control in a takeover situation by allowing it to evaluate a takeover proposal in a rational manner to determine whether, in the exercise of its fiduciary duties, the board believes the proposed offer adequately reflects the value of the company and is in the interests of all stockholders.

Boards have a fiduciary duty to act in the best interests of the stockholders. Our board is comprised (with one exception) entirely of independent outside directors. In the event of a takeover attempt triggering the Rights Plan, our board is in the best possible position to be free from self-interest in discharging its fiduciary duty to determine whether the proposed offer is in the best interests of the stockholders.

The economic benefits of a shareholder rights plan to shareholders have been validated in several studies. Georgeson & Company Inc. — a nationally recognized proxy solicitor and investor relations firm — analyzed takeover data between 1992 and 1996 to determine whether shareholder rights plans had any measurable impact on shareholder value. Their findings were as follows:

- Premiums paid to acquire target companies with rights plans were on average eight percentage points higher than premiums paid to target companies without rights plans;
- Rights plans contributed an additional $13 billion in shareholder value during the last five years and shareholders of acquired companies without rights plans gave up $14.5 billion in potential premiums;
- The presence of a rights plan did not increase the likelihood of withdrawal of a friendly takeover bid nor the defeat of a hostile one; and
- Rights plans did not reduce the likelihood of a company becoming a takeover target.

Georgeson's two pioneering "Poison Pill" Impact Studies in 1998 and a 1995 report from JP Morgan reached the same conclusions. For these reasons, plans similar to our Rights Plan have been adopted by a majority of the companies in the S&P 500 index.

Supporting this empirical evidence, the Director of Corporate Programs at ISS has conceded that "companies with poison pills tend to get higher premiums on average than companies that don't have pills." *Wall Street Journal,* January 29, 1999.

The company recognizes that despite the empirical evidence regarding the value of our Rights Plan, stockholders have a justified interest in assuring that independent board members systematically review the Rights Plan to confirm whether its existence continues to be in the best interests of the company and its stockholders. In response to this concern, on October 9, 2002, the board of directors approved an amendment to the company's Rights Plan to include a provision (commonly referred to as a TIDE provision) that will require a committee comprised solely of independent directors to review the Rights Plan at least every three years to consider whether the continuance of the Rights Plan is in the best interests of the company, its stockholders and any other relevant constituencies of the company. The committee conducted this review this year. Based on the committee's review, as well as our directors' business experience and knowledge of Caterpillar and the industry in which it operates, the board continues to believe the Caterpillar Shareholder Rights Plan is in your best interest.

YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "AGAINST" PROPOSAL 2.

Other Matters

Section 16(a) Beneficial Ownership Reporting Compliance

Based upon a review of our records, all reports required to be filed pursuant to Section 16(a) of the Exchange Act were filed on a timely basis except one filing on Form 4 for G. L. Shaheen that was filed four days late. The filing reported two exercises of stock options by Mr. Shaheen for a total of 4,262 shares of company stock.

Stockholder Proposals for the 2004 Annual Meeting

If you want to submit a proposal for possible inclusion in the company's 2004 Proxy Statement, our Corporate Secretary must receive it on or before November 4, 2003.

Matters Raised at the Meeting not Included in this Statement

We do not know of any matters to be acted upon at the meeting other than those discussed in this statement. If any other matter is presented, proxy holders will vote on the matter in their discretion.

Under Caterpillar bylaws, a stockholder may bring a matter before the annual meeting by giving adequate notice to our Corporate Secretary. To be adequate, that notice must contain information specified in our bylaws and be received by us not less than 45 days nor more than 90 days prior to the annual meeting. If, however, less than 60 days notice of the meeting date is given to stockholders, notice of a matter to be brought before the annual meeting may be provided to us up to the 15th day following the date notice of the annual meeting was provided.

Solicitation

Caterpillar is soliciting this proxy on behalf of its board of directors. This solicitation is being made by mail but also may be made by telephone or in person. We have hired Innisfree M&A Incorporated for $15,000, plus out-of-pocket expenses, to assist in the solicitation.

Stockholder List

A stockholder list will be available for your examination during normal business hours at 100 NE Adams Street, Peoria, Illinois, at least ten days prior to the annual meeting and will also be available for examination at the annual meeting.

Revocability of Proxy

You may revoke the enclosed proxy by filing a written notice of revocation with us or by submitting another executed proxy that is dated later.

ADMISSION TICKET REQUEST PROCEDURE

Request Deadline

Ticket requests must include all information specified in the applicable table below and be submitted in writing and received by Caterpillar on or before April 2, 2003. No requests will be processed after that date.

Number of Tickets

Admission tickets will be limited to stockholders of record on February 10, 2003 and one guest, or a stockholder's authorized proxy representative.

To Submit Request

Submit requests to James B. Buda, Secretary by mail to 100 NE Adams Street, Peoria, IL 61629-7310 or by fax to (309) 675-6620. Ticket requests by telephone will not be accepted.

Verification

In all cases, record date share ownership will be verified. Please bring a valid photo identification to the meeting.

Authorized Proxy Representative

A stockholder may appoint a representative to attend the meeting and/or vote on his/her behalf. The admission ticket must be requested by the stockholder but will be issued in the name of the authorized representative. Individuals holding admission tickets that are not issued in their name will not be admitted to the meeting. Stockholder information specified below and a written proxy authorization must accompany the ticket request.

Registered Stockholders

For ownership verification provide:

- name(s) of stockholder
- address
- phone number
- social security number and/or stockholder account number

Also Include:

- name of guest if other than stockholder
- name of authorized proxy representative, if one appointed
- address where tickets should be mailed and phone number

Beneficial Holders

For ownership verification provide:

- a copy of your brokerage account statement showing Caterpillar stock ownership as of the record date (2/10/03);
- a letter from your broker, bank or other nominee verifying your record date (2/10/03) ownership; or
- a copy of your voting instruction card

Also Include:

- name of guest if other than stockholder
- name of authorized proxy representative, if one appointed
- address where tickets should be mailed and phone number

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