

CATERPILLAR®

GLOBAL TEAM

Working Together for Mutual Success

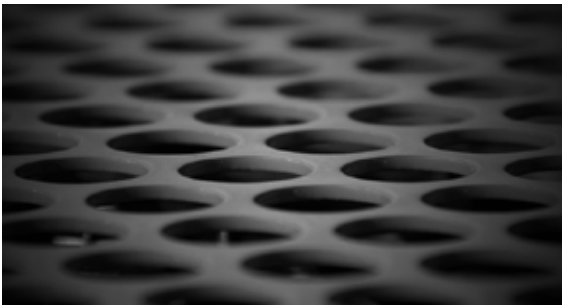
2014 YEAR IN REVIEW





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Doug Oberhelman
Chairman & CEO
Caterpillar Inc.

WE'VE DONE SO MANY THINGS THAT DEMONSTRATE HOW ENTHUSIASM AND TEAMWORK ARE VERY ALIVE AND WELL AT CATERPILLAR.

A Remarkable Global Team

When I think of the scope and breadth of Caterpillar, I know everyone has to pull in the same direction every day to get done what we need to get done. It's a huge, huge undertaking; that's why a global team is so important. We have a great team. It's the best in the industry.

Our team delivered higher profit per share in 2014; it increased to \$5.88 from \$5.75 in 2013 and, excluding restructuring costs, it improved even more – from \$5.97 in 2013 to \$6.38 in 2014. We had better profit per share even though sales and revenues for the year were down slightly – from \$55.7 billion in 2013 to \$55.2 billion in 2014.

We had our fourth consecutive year of market share improvement in 2014. Safety and quality also improved. Operating cash flow was the third highest in our history. We ended the year with a strong balance sheet and rewarded our stockholders with \$4.2 billion in stock repurchases.

Our Energy & Transportation segment had another great year in 2014 with record sales and profit. While sales in our Construction Industries segment improved modestly, profit improved over 60 percent. Unfortunately, continuing weakness in the mining industry led to lower sales for Resource Industries.

We're expecting a tough year in 2015, led by the dramatic drop in the price of oil, which occurred over the second half of 2014. While lower oil prices may be positive for the overall world economy and help support infrastructure and construction spending down the road, in the short term it will likely be a net negative for our business.

But that doesn't deter our team. We're doing the things we need to do to keep Caterpillar strong. We've done so many things that demonstrate how enthusiasm and teamwork are very alive and well at Caterpillar. We continued to roll out our Tier 4 machines and we've received many compliments from our customers and dealers about high quality, fuel economy and operator efficiency. The development and rollout of Tier 4 has been one of the best team efforts in Caterpillar's history. And I know that innovation is continuing. The post-Tier 4 products that will come out in the future are going to raise the bar even higher.

Since I became CEO in 2010, I've spent countless, enjoyable hours visiting customers and job sites around the world, from landfills to surface and underground mines, to rail yards and dockyards. Cat dealers are with customers all of the time, and when a Caterpillar executive, engineer or product manager is also there, customers really open up and tell us about their business. They tell us what they need, what we're doing right and what we need to improve.

\$5.88**PROFIT PER SHARE
IN 2014**

That first-hand knowledge has shaped our successful journey to today's quality and safety levels. Our team will keep putting the customer first, learning, innovating and improving in all aspects of our product development and operations.

We also put the customer first in our long-term commitment to service our products throughout their life, which, as any customer will tell you, is very long because when you think of Caterpillar products, you think of durability. Our Seed. Grow. Harvest. Business Model also informs our future, because it helps us stay close to our customers and connected to the markets in which we compete. We listen and learn, and then we adapt and develop products and services to respond to today's and tomorrow's demands.

It takes a global team to accomplish all of this, and our team accomplishes even more. Caterpillar employees are also responsible local citizens who donate their time and resources throughout the world. In Bogor, Indonesia, our employees joined together to build Habitat for Humanity homes in a program funded by our Caterpillar Foundation. In Wuxi, China, Caterpillar Education Grants and the Caterpillar Hope Library are providing books and opportunity to local students. In Central Illinois, our company's home base for 90 years, employee donations and Caterpillar Foundation matching grants gave more than \$6.6 million to fund local United Way programs in 2014 alone. Those are just a few examples; I could cite many, many more.

In December 2014 we celebrated our 85th year trading on the New York Stock Exchange. I think about the vision, perseverance and courage it took to go to Wall Street and publicly list Caterpillar stock only months after the October 1929 stock market crash. Here we are, in a new century – bigger, stronger and more connected to the world and to local communities than ever. Caterpillar is a remarkable story, made possible by a remarkable global team – a team that will always persevere to bring the most innovative products to the world.



Doug Oberhelman
Chairman & CEO
Caterpillar Inc.



From Left to Right: James B. Buda; D. James Umpleby III; Bradley M. Halverson; Steven H. Wunning; Edward J. Rapp; Stuart L. Levenick; David P. Bozeman; Douglas R. Oberhelman

Officers

Chairman of the Board & Chief Executive Officer

Douglas R. Oberhelman

Group Presidents

Robert B. Charter**
 Stuart L. Levenick*
 Thomas A. Pellette**
 Edward J. Rapp
 D. James Umpleby III
 Steven H. Wunning*

Group President & Chief Financial Officer

Bradley M. Halverson

Executive Vice President, Law and Public Policy & Chief Legal Officer

James B. Buda

Senior Vice President

David P. Bozeman

Vice Presidents

Kent M. Adams
 William P. Ainsworth
 Mary H. Bell
 Thomas J. Bluth
 Wai Man (Raymond) Chan**
 Qihua Chen
 Frank J. Crespo
 Christopher C. Curfman

Bob De Lange**
 Michael L. DeWalt
 Paolo Fellin
 William E. Finerty
 Gregory S. Folley
 Thomas G. Frake
 Stephen A. Gosselin*
 Kimberly S. Hauer
 Gwenne A. Henricks

Douglas O. Hoerr**
 Denise C. Johnson
 James W. Johnson*
 Kathryn D. Karol
 Philip G. Kelliher**
 Pablo M. Koziner
 Julie A. Lagacy
 Nigel A. Lewis
 Steven W. Niehaus

E. Jean Savage
 Mark E. Sweeney
 George H. Taylor, Jr.**
 Tana L. Utley
 Karl E. Weiss
 Ramin Younessi

Chief Accounting Officer

Jananne A. Copeland

Corporate Controller

Jill E. Daugherty

Treasurer

Edward J. Scott

Assistant Treasurer

Sally A. Stiles

Chief Audit Officer

Amy A. Campbell

Chief Ethics and Compliance Officer

J. Wesley Blumenshine

Corporate Secretary

Christopher M. Reitz

Assistant Secretary

Patrick G. Holcombe

Assistant Secretary

Joni J. Funk

* retired February 2015
 ** effective 2015



From Left to Right: David L. Calhoun; Susan C. Schwab; William A. Osborn; Jesse J. Greene, Jr.; Juan Gallardo; Miles D. White; Edward B. Rust, Jr.; Douglas R. Oberhelman; Dennis A. Muilenburg; Daniel M. Dickinson; Jon M. Huntsman, Jr.

Board of Directors

DAVID L. CALHOUN, 57, has been Senior Managing Director and Head of Private Equity Portfolio Operations of The Blackstone Group L.P. (private equity firm) since January 2014. He also serves as Executive Chairman of the Board of The Nielsen Company B.V. (marketing and media information) since January 2014. Prior to his position at Blackstone, Mr. Calhoun served as Chief Executive Officer of Nielsen Holdings N.V. (2010-2013) and Vice Chairman of General Electric Company and President and Chief Executive Officer of GE Infrastructure (2005-2006). Other current directorships: The Boeing Company. Other directorships within the last five years: Medtronic, Inc. Mr. Calhoun has been a director since 2011.

DANIEL M. DICKINSON, 53, is currently Managing Partner of HCI Equity Partners (private equity investment). Other current directorships: HCI Equity Partners. Other directorships within the last five years: Mistras Group, Inc. and Progressive Waste Solutions Ltd. Mr. Dickinson has been a director of the Company since 2006.

JUAN GALLARDO, 67, is currently Chairman and Chief Executive Officer of Organización Cultiba, S.A.B. de C.V., the holding company for Grupo GEPP S.A.P.I. de C.V. (Pepsicola bottling group in Mexico) and Grupo Azucarero Mexico, S.A. de C.V. (sugar mills). Other current directorships: Grupo Financiero Santander S.A.B. de C.V. and 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.

JESSE J. GREENE, JR., 69, is currently an instructor at Columbia Business School in New York City, where he teaches corporate governance, risk management and other business topics at the graduate and executive education levels. He was formerly Vice President of Financial Management and Chief Financial Risk Officer of International Business Machines Corporation (computer and office equipment). Mr. Greene has been a director of the Company since 2011.

JON M. HUNTSMAN, JR., 54, former United States Ambassador to China (2009-2011) and former governor of Utah (2005-2009). Other current directorships: Chevron Corporation, Ford Motor Company and Huntsman Corporation. Mr. Huntsman became a director of the Company in 2012.

DENNIS A. MUILENBURG, 51, has been Vice Chairman, President and Chief Operating Officer of The Boeing Company (aerospace/defense products and services) since December 2013. Prior to his current position, Mr. Muilenburg was Executive Vice President of The Boeing Company and President and Chief Executive Officer of Boeing Defense, Space & Security (2009-2013); President of Boeing Global Services & Support (2008-2009); and Vice President and General Manager of the Boeing Combat Systems division (2006-2008). Mr. Muilenburg has been a director since 2011.

Board of Directors (continued)

DOUGLAS R. OBERHELMAN, 61, is currently Chairman and Chief Executive Officer of Caterpillar Inc. 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, 66, was formerly Chairman and CEO of Northern Trust Corporation (multibank holding company) and The Northern Trust Company (bank). Other current directorships: Abbott and General Dynamics Corporation. Other directorships within the last five years: Tribune Company. Mr. Osborn has been a director of the Company since 2000.

EDWARD B. RUST, JR., 64, is currently Chairman and CEO of State Farm Mutual Automobile Insurance Company (insurance). He is also Chairman, President and CEO of State Farm Fire and Casualty Company, State Farm Life Insurance Company and other principal State Farm affiliates. He previously served as President of State Farm Mutual Automobile Insurance Company and Trustee and President of State Farm Mutual Fund Trust and State Farm Variable Product Trust. Other current directorships: Helmerich & Payne, Inc. and McGraw-Hill Financial, Inc. Mr. Rust has been a director of the Company since 2003.

SUSAN C. SCHWAB, 59, is currently a 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 President's cabinet) and Deputy United States Trade Representative. Other current directorships: FedEx Corporation and The Boeing Company. Ambassador Schwab has been a director of the Company since 2009.

MILES D. WHITE, 59, is currently Chairman and Chief Executive Officer of Abbott (pharmaceutical and medical products). Other current directorships: Abbott and McDonald's Corporation. Mr. White has been a director of the Company since 2011.

Additional director in 2014, retired as of December 31, 2014

PETER A. MAGOWAN, 72, was formerly 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). Mr. Magowan had been a director since 1993.



Systems Integration

A Conversation with Ed Rapp, Group President

Construction Industries is built to support customers using machinery in infrastructure and building construction applications. Responsibilities include business strategy, product design, product management and development, manufacturing, marketing and sales, and product support. The product portfolio includes backhoe loaders; compact, small and medium wheel loaders; small and medium track-type tractors; skid steer loaders; multi-terrain loaders; compact track loaders; small, medium and large track excavators; mini excavators; wheel excavators; motor graders; select work tools; pipelayers; track-type loaders; mid-tier soil compactors; and telehandlers.

Q: What is systems integration?

A: I think of it like a really good basketball team. You may have excellent individual players, but real success comes when they play well together. It's the same with systems integration in our machines. We can have great individual components, engines, transmissions, hydraulics ... but the secret is how you get those components to work together.

Q: Can you give us an example?

A: One of the best examples is when we rolled out the Cat® 336 hydraulic hybrid excavator. We lowered engine revolutions per minute (RPM), offset it with a larger hydraulic pump, added smart valve technology to regulate hydraulic pressure, captured the unused energy from the swing of the machine, and then reused it. All the components are good by themselves, but when you integrate the system, we get up to 25 to 30 percent improvement in fuel efficiency.

Q: Can you explain the difference between machine productivity and systems productivity? And why is it so important that Caterpillar move from one to the other?

A: The work our customers do around the world rarely happens with a single machine. It tends to be a system of machines. So it's how you drive the productivity of that entire system that really makes the difference and leads to better results for our customers.

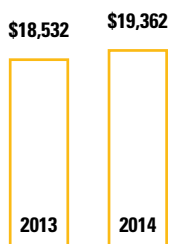
Q: What would greater systems integration and productivity deliver to Caterpillar customers?

A: Our objective is to help our customers make more money with our products, services and solutions. For our customers, systems integration is going to mean even greater productivity and asset utilization, lower owning and operating costs and improved fuel efficiency.

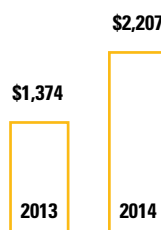
Q: What are the greatest challenges to executing system productivity successfully?

A: We need customers to understand the benefits that come from systems integration and higher productivity. The customers who adopt systems integration across a fleet of machines recognize it as a key competitive advantage. They're going to be the ones who win in the future. Success in this business is going to be adoption in the dirt, on the job site, by the customers that build the world's infrastructure. That's how I'll measure success.

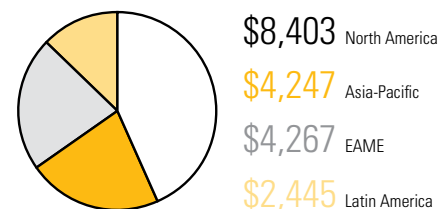
Sales (\$ in millions)



Segment Profit (\$ in millions)



2014 Sales by Geography (\$ in millions)



Commitment to Quality



Tracing back from delivery to design, Lean principles eliminate defects in processes and products to ensure the very best in quality, efficiency and customer satisfaction. Listen to what adopting a Lean culture has come to mean for the Construction Industries team at our Victoria, Texas, facility.

▶ [View here](#)

The Road to Progress Begins with a Road



James Construction Group counts on Cat® machines to keep things moving on a major highway project. See how the reliability of Caterpillar products, services and the dealer relationship add to the feeling of pride in a job well done. ▶ [View here](#)



Cat® Products Cement China Quarry Manager's Success

In 2012, following years of study and work in Australia, Mr. He Jianrong, general manager of Cement and Quarry for Green Island Cement, returned home to China set on making some changes. Upon observing that the quarry's crude work platforms and roads, along with inefficient management, were greatly restricting production, Mr. He used Cat® equipment and Cat® Connect to dramatically improve the infrastructure, production and efficiency of the operation.

**“MY EXPERIENCE HAD
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CATERPILLAR
HAS THE LEADING INDUSTRY
REPUTATION AMONG THE
MANY CONSTRUCTION
MACHINERY BRANDS.”**

To address the inadequate work platform and haul roads, Mr. He's first purchase was a Cat® 140K Motor Grader. “I had already been using and supervising Cat® machines and equipment for many years,” said Mr. He. “My experience had shown me that Caterpillar has the leading industry reputation among the many construction machinery brands.”

Mr. He provided training to acquaint his managers with this unfamiliar piece of equipment. The Cat 140K Motor Grader proved its worth when it took just three months to widen and level the work platform, as well as haulage roads, to allow off-highway trucks to travel more efficiently.

With the new infrastructure in place, Mr. He began working to improve extraction operations. For this he purchased nine additional Cat machines that came together to form a powerful unit. Whereas the quarry previously produced three truckloads per hour, it soon began producing 4.5 loads – a 50 percent increase. To better support the quarry's accelerated operations, Cat® dealer CEL Engineering Co., Ltd., set up a parts warehouse on site and assigned two service engineers to monitor equipment and train managers and operators to manage issues that may arise.

Cat® Products Cement China Quarry Manager's Success (continued)

Next, Mr. He introduced Cat® Connect, so managers could continuously monitor equipment location, status and fuel consumption data in real time. The monitoring services also reduced downtime and extended service life. Thus far, there has been zero downtime for Cat equipment at Green Island Cement, a critical factor in maintaining high work efficiency, production levels and product quality.

Finally, Mr. He was able to reduce work hours based on Cat Connect data that revealed lower efficiency and higher safety and security risks during nighttime shifts. Today, the average operating time for Green Island Cement staffs and machinery is approximately nine hours per day – less than most other quarry job sites in China.

With all of these improvements, Green Island Cement's annual production has grown from 1 million to 3.8 million tons, and additional capacity has been added to increase production when needed without recruiting more staff. Green Island Cement plans to develop another quarry job site nearby, as annual production is projected to reach 4.7 million tons – truly a testimony to Caterpillar's proven ability to help customers who are building the world.





Across the Table Workstreams

A Conversation with Stu Levenick, Group President

Q: Why are dealers so important to Caterpillar's competitive position?

A: For our customers, combining the world's leading manufacturer with a local dealer relationship in their own language and culture is unbeatable. I think our designers and manufacturers are the best in the industry, but what really sets us apart is the dealer organization.

Q: What was the impetus for the Across the Table initiative?

A: Across the Table is about identifying best practices already in place and working, then deploying them elsewhere. For example, the dealer's role used to be very local, but the Internet has broadened customers' expectations, and the dealer is expected to live up to those standards. Today, 40 percent of our customers do business with more than one dealer. This demands a much more rigorous service excellence strategy, so customers get a consistent service experience anywhere in the world.

Q: What did Across the Table accomplish in 2014?

A: We made great progress in 2014 on all of the Across the Table workstreams, and I am pleased on how we are progressing toward our 2018 goals. One of the main areas of focus where we truly made progress in 2014 was the dealers' long-term growth plans to achieve higher market performance. Other workstreams were primarily driven by the customer/dealer support organization internally at Caterpillar – things like parts integration, parts pricing initiatives and rental and used markets.

Q: How is technology playing a role?

A: We made a lot of progress on dealer enterprise resource planning and data sharing. We're becoming recognized as one of the leading e-commerce practitioners in our industry. Then there is the telematics and distribution aspect of technology-enabled solutions. We had tremendous activity in terms of creating better customer awareness and insights.

Q: So what does this mean for the folks in customer and dealer support in 2015?

A: Across the Table will be at the heart of the strategic framework for the customer/dealer support organization as we go forward over the next few years. It's going to be a tremendous contribution to the company, to our dealer organization and to our customers. Customers are going to wind up with a much more consistent experience with Caterpillar going forward.

Customer & Dealer Support is built to strengthen Caterpillar's product support excellence by bringing a strong focus to Cat®-branded equipment and customer service and delivering outstanding dealer development. This group supports customers and dealers in a variety of ways, such as providing employee equipment training on job sites, supplying aftermarket parts and service support and offering e-business and equipment management solutions. Also includes the product portfolio for forestry, paving, industrial and waste products, and global on-highway trucks. This group is also responsible for dealer development and administration of a wholly owned dealer in Japan. Key strengths are the ability to manufacture parts and components, provide remanufacturing solutions and deliver unmatched parts availability to dealers and customers anywhere in the world.



Built In Quality (BIQ) Sets Best Foundation for New Cat® 555D Wheel Skidder

CUSTOMERS CAN ENJOY UP TO A 20% INCREASE IN PROFIT POTENTIAL, BASED ON THE SIZE OF THE TRACTOR, VERSUS THE PREVIOUS SERIES.

In 2014 we rolled out the impressive new Cat® 555D Wheel Skidder, which is already gaining ground in the forestry industry – for one thing, simply by getting more wood to the landing faster. That’s because the Cat 555D, like all of our equipment, was designed to further increase productivity for the customer. Besides representing a step change in performance, the launch of the Cat 555D also introduced our Lean initiative to Forest Products and showed how the two working in tandem will help bring Caterpillar to market leadership for this product.

Our overarching goal at Caterpillar is to deliver the highest-quality machines, produced in the safest, most efficient way. To help us achieve that goal, we have deployed Lean manufacturing, with its foundational principle, Built In Quality (BIQ). BIQ works to ensure that processes are done right the first time with the right tools, ergonomics and training for the job, thus eliminating unplanned, out-of-process rework to correct defects. BIQ methodology is based on zero defects passed on at any point during the manufacturing process. Any problems or defects in the process are carefully traced back to their source and eliminated.

Following a remarkably successful pilot program, we saw an ideal opportunity to introduce BIQ to Forest Products to coincide with the unveiling of the new wheel skidder. The product launch gave us the chance to get the process right for a new product rolling off the line.

That product, the Cat 555D, is our largest and strongest four-wheel offering of our forestry product lineup and expands the D-Series lineup from three to four models. The new design incorporates the first Cat® C7.1 engine with Tier 4-Final emissions, a tilting cab, cross-flow cooling package and completely redesigned structures. Customers can enjoy up to a 20 percent increase in profit potential, based on the size of the tractor, versus the previous series. It’s a product with great possibilities, and we are committed to giving it the best start possible.

Based on what we’ve learned in our Lean manufacturing pilot program, we’ve invested in a state-of-the-art assembly line at our facility in LaGrange, Ga., to support the manufacture of the D-Series models. Lean principles promise to improve productivity and safeguard the quality of this market-defining product.



Integrating Products, Processes and People Through Technology

FOR CATERPILLAR, CAT® DEALERS AND CUSTOMERS ALIKE, ACCESS TO COMPREHENSIVE AND USEFUL DATA BUILDS CLOSER RELATIONSHIPS, STRONGER LOYALTIES AND GREATER PROFITABILITY FOR EVERYONE.

Complete and accurate data almost always leads to better decisions. To our dealers, this means more relevant, timely and actionable information that can be leveraged to enhance the customer experience. To our customers it means an easier way to do business, along with scalable, technology-enabled solutions that work with mixed fleets. For Caterpillar, Cat® dealers and customers alike, access to comprehensive and useful data builds closer relationships, stronger loyalties and greater profitability.

Widely accessible technology and information is redefining how key business decisions are made within the industries we serve. Ultimately, every aspect of products and services will be able to be monitored, controlled and optimized through technology. With this paradigm in mind, Caterpillar has developed our Technology Enabled Solutions (TES) strategy to bring value to our customers' businesses and job sites.

Technologies that enable equipment connectivity, plus the data flow from that equipment to Caterpillar to the dealer, form the heart of our connected services. When paired with robust customer data, we deliver information value streams that can be leveraged to provide a more complete picture of the customer experience – on- and offline – so expectations are met at every turn.

This customer data is stored within our Customer Master Environment that integrates customer data streams, providing the ability to leverage one universal view of Caterpillar customers. A Customer Information team of experts within Caterpillar leverages that data to provide dealers with insights to help them better service and sell. The shift has been to focus on data and turn it into value for customers, dealers and for Caterpillar.

Integrating Products, Processes and People Through Technology (continued)

In turn, the role of our dealer network as consultative partners to our customer base becomes even more critical. Data analysis allows dealers to assist customers with planning, analysis, forecasting and other functions, because they know more about their buying patterns, purchase cycles and financing needs. Through the Dealer Data Integrity Process, dealers have access to a robust suite of services that results in improved data quality, supporting everything from marketing initiatives to resource planning. Connectivity among customers' equipment and other assets is the first step to forging closer, more integrated relationships among customers, dealers and Caterpillar people, products and processes.

Nowhere are these shifting relationships more apparent than in the sales process. Today's customers are more informed and empowered than ever. They go looking for what they want, research extensively and buy how, where and when they want. Increasingly, customers "do their homework" before buying – with over 80 percent beginning their purchasing process online. eBusiness Marketing Automation gives customers access to relevant, targeted content and timesaving tools for purchasing, service, financing, shipping and more.

As customers keep pace with ever-expanding capabilities, Caterpillar continues our commitment to develop and maintain best-in-class offerings. Moving forward, we will intensify our focus on understanding customers and delivering the capabilities that matter most to them.



Cat® Dealers Share What Works Across the Table: In Their Words

In 2014, we deployed our Across the Table initiative to take what is already Caterpillar's single biggest competitive advantage, our dealer network, and make it even better. The initiative draws its name from a 1926 Caterpillar publication of the same name that provided insight into the business/dealer relationship and its benefit to customers. The book still serves as a touch point, as it outlines the fundamental principles of mutual performance and trust that govern the Caterpillar/dealer relationship to this day. Across the Table allows for deeper collaboration between Caterpillar and our 177 dealers by sharing and implementing best practices throughout the network. In this way, our dealers are putting actions into place that already work and make sense. Watch how the Across the Table initiative is enabling these dealers to take their business and their Caterpillar relationship to the next level.

[▶ View here](#)



Meeting Energy Demand

A Conversation with Jim Umpleby, Group President

Energy & Transportation supports customers in oil & gas, power generation, marine, rail and industrial applications, including Cat® machines. The product and services portfolio includes reciprocating engines, generator sets, marine propulsion systems, gas turbines and turbine-related services, diesel-electric locomotives and other rail-related products and services.

Q: What excites you about the future in Energy & Transportation?

A: Economic growth in the developing world is increasing the global demand for energy, infrastructure and transportation. This trend is expected to last for several decades. Caterpillar and our dealers are very well positioned to help our customers meet these growing demands. Our medium and long-term future in Energy and Transportation is very bright.

Q: How are Caterpillar’s Energy & Transportation solutions helping customers meet the growing demand for energy?

A: Our products are used across a large portion of the oil & gas value chain, including offshore and onshore drilling, well servicing, oil & gas production, and natural gas pipeline transmission. Our reciprocating engines and gas turbine generator sets also provide prime and standby power using diesel fuel, natural gas and alternative fuels for a wide variety of customer applications.

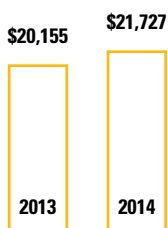
Q: What are some of the innovations occurring in Energy & Transportation?

A: We support a wide range of fuel sources, including natural gas, diesel and alternative fuels, and we are continually innovating to provide more efficient and lower-cost solutions. Liquefied natural gas (LNG) solutions are being developed for the rail, marine and mining industries. Our 3500 engine, used for the exploration and production of natural gas, is now being retrofitted to provide dual-fuel capability, burning both diesel and natural gas. Caterpillar Marine developed an award-winning Twin Fin propulsion system that improves fuel efficiency and reliability for ocean vessels.

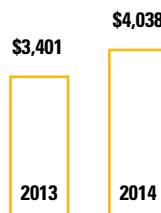
Q: How does Caterpillar contribute to sustainability in the energy sector?

A: Our products are used in a wide variety of environmentally sustainable applications. One great example is coke oven gas in China – our Solar gas turbine generator sets burn coke oven gas that is a byproduct of steel making. The process reduces the coke oven gas being vented into the atmosphere and produces electricity at the same time. Another example is the recent commissioning of 12 large natural gas-powered Cat® engines to provide backup power for multiple wind farms in Kansas. When the wind is not blowing in Southwest Kansas, our generator sets use natural gas to provide 110mW of power to 200,000 homes. There are also thousands of megawatts being produced by Cat® engines operating on landfill, digester and coal mine methane gas.

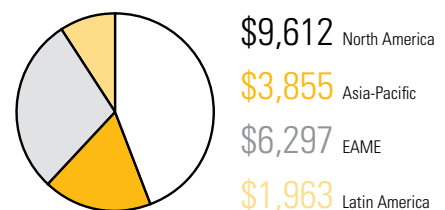
Sales (\$ in millions)



Segment Profit (\$ in millions)



2014 Sales by Geography (\$ in millions)





Intellitrain® Solutions Keep Fuel Efficiency on Track

TWO SEPARATE INNOVATIONS, WHEN PAIRED WITH LEADERS, WILL **ENABLE FUEL SAVINGS** AS WELL AS REDUCE EMISSIONS



More Than You Know

Life Is Beautiful is an annual music, culinary, art and learning festival held in Downtown Las Vegas. In 2014, nearly 90,000 people participated in the three-day event. See why Cat® Entertainment Services is called back each year to provide the safe, dependable and “invisible” power that allows the festival to take center stage.

▶ [View here](#)

In the railroad business, fuel is the single-greatest expense, after compensation and benefits. Traditionally, a locomotive operator decides when to run a locomotive at its maximum horsepower levels – where diesel engines are the most fuel efficient – and when to brake. The challenge is that spending time in a high-throttle position, then braking quickly, can waste fuel. Spending more time in lower or middle throttle positions, however, runs the diesel engine at a lower fuel-efficiency level. To address this problem, Electro-Motive Diesel (EMD) teamed up with train control system supplier New York Air Brake (NYAB) to introduce two new automatic control systems that can help reduce fuel consumption for rail customers.



Already standard equipment in the rail industry, LEADER, NYAB's train management system, calculates the most fuel-efficient run and prompts crews when to throttle or brake. As part of the Intellitrain suite of rail solutions, EMD and NYAB jointly developed Intellitrain® PilotAssist to integrate LEADER with EMD's locomotive control system. With PilotAssist, throttle and dynamic brake commands from LEADER can be applied autonomously by EMD's locomotive control system. PilotAssist works in lockstep with LEADER's calculated commands, which can provide additional fuel savings.

Working along with PilotAssist, the new EMD SmartConsist® 2.0 software product automatically attempts to run some locomotives of a connected group, or “consist,” at full throttle, then let the other locomotives go to idle, achieving an effective middle-range throttle for the entire group. The two separate innovations, when paired with LEADERS, will enable fuel savings as well as reduce emissions for these locomotives. On later EMD™ units, new innovations like these, provide real savings to the bottom line.



Fast Ferry Powered by DGB™ a Big Win for Rio 2016

“THE NEW CAT MARINE DUAL-FUEL SOLUTION LEVERAGES THE PROVEN DURABILITY OF THE 3500 DIESEL ENGINE, WHILE OFFERING CUSTOMERS ENHANCED FUEL FLEXIBILITY AND POWER REDUNDANCY TO RUN DIESEL OR GAS”

Each Olympic Games draws together talent from around the world, often with stunning results. In line with that spirit, the 2016 Summer Games in Rio de Janeiro, Brazil, will feature Assessoria Transporte Aquaviario fast ferries – designed by Coco Yachts Holland B.V. of the Netherlands, built by Afai Southern Shipyards in China and powered by the first Cat® 3512C marine generator sets with Dynamic Gas Blending™ (DGB™), built in Lafayette, Ind., U.S.A.

A total of 28 Cat® generator sets will be installed on seven aluminum-hull fast ferries, with 14 Cat 3512 generator sets – each providing 1,550 eKW at 60 Hz of rated power – and 14 Cat C9 generator sets providing prime and auxiliary power, respectively.

One ferry will be equipped with Caterpillar Marine’s new DGB solution, which is based on the highly successful dual-fuel application for land drilling introduced in 2012. Powered by compressed natural gas (CNG), the dual-fuel solution is ideal for high-speed applications.

The Cat 3512 DGB features a low-pressure gas system with an approximately 70 percent maximum gas substitution rate across a wide load range. The IMO II-compliant generator set operates with diesel-like rated power and transient response while maintaining an overhaul life similar to a diesel engine. Operators can achieve significant fuel savings due to the stellar load factor and substitution rate.

“The new Caterpillar Marine dual-fuel solution leverages the proven durability of the 3500 diesel engine, while offering customers enhanced fuel flexibility and power redundancy to run diesel or gas,” explained Jason Spear, Caterpillar Marine product definition engineer.

The remaining six ferries are being constructed with the option to readily retrofit the engine room to include the DGB kits in the future. Each ferry will feature diesel-electric propulsion (DEP) with azimuth thrusters and identical engine rooms.

“Assessoria Transporte Aquaviario will not only be able to optimize the efficiency of their vessels powered by Caterpillar Marine dual-fuel solutions, but also operate on the waters with the confidence and product support you can get only from Caterpillar,” noted Chris Chenette, Caterpillar Marine product value manager.



Caterpillar Enterprise System Group (CESG) brings together critical processes and support groups with the goal to further improve our holistic manufacturing and value chain capabilities worldwide. The group is facilitating and supporting the strategy to achieve Enterprise Excellence by working deeply with the strategic businesses to align the enterprise, drive action and deliver superior results.

Enterprise Excellence

A Conversation with Dave Bozeman, Senior Vice President

Q: How does Enterprise Excellence align to Caterpillar's overall enterprise strategy?

A: Enterprise Excellence takes our order-to-delivery process to the next level by allowing us to do even better what we already do well. When you look at the overall business, Enterprise Excellence will drive our discipline and execution to a new level for Caterpillar and prove to be a competitive advantage in the long term.

Q: What value does the Global Supply Network bring to the Enterprise Excellence strategy?

A: Caterpillar does business in over 180 countries around the world. Having a network model that's linked to our overall logistics strategy provides great visibility through our value chain and allows us to place our inventory where it needs to be, when it needs to be there. Our network will only get stronger in the future, and this will continue to be a competitive advantage for Caterpillar.

Q: How can Enterprise Excellence assist a business?

A: It all starts with the customer – understanding their requirements and needs. We look at when and how the customer wants their product and purposely engineer our logistics, our factories and our suppliers to meet their requirements. This ultimately improves the speed and flow of getting our products to customers. When we do that, we get delighted customers, increased profits, better return on sales and reduction in inventory that improves our overall cash flow. It's a win-win when we start with our customers.

Q: How is Caterpillar leveraging Lean with the Enterprise Excellence strategy?

A: Lean allows us to go one step further on discipline and execution, driving stability within our factory and office environments. It starts with our commitment to a Built in Quality culture. That means refusing to pass on any defect, whether in a product or a process. That takes a deep understanding of what a job should look like at each step. So whether it's office work, or building the greatest machines in the world, Built in Quality is the foundation, and our employees are the key to making it happen.



Delivering a More Competitive Caterpillar

2014 Enterprise Excellence Highlights

- Robust understanding of customer service requirements by product, by region
- Nine new pilots led by four engineered value chain pilot teams
- Simplification across all pilots ... driven by configuration rationalization
- Continued momentum for Lean continues ... with more than 50 deployments
- Development of Global Supply Network Division ... delivering improved visibility

The Driving Force Behind Enterprise Excellence

Customers trust Caterpillar to provide them with the best experience possible, with expectations for quality products at a cost and availability that meets their everyday needs. As part of our commitment to continuously improve the customer experience, a new initiative, Enterprise Excellence, launched in 2014, that represents Caterpillar's holistic vision for our end-to-end business.

The strategy to achieve Enterprise Excellence was developed by a diverse group of officers who are responsible for Caterpillar's key product lines and service offerings. Enterprise Excellence is challenging Caterpillar to get even closer to the customer in order to better understand the market and our customer service requirements. Caterpillar is then using customer data to better align critical processes and support groups to further improve Caterpillar's end-to-end business. The strategy also includes efforts to provide the highest-quality products by leveraging a Lean transformation and strengthening core business processes across the enterprise.

The efforts underway are delivering a more connected, responsive and competitive Caterpillar. It's a Caterpillar that our people are proud of. A Caterpillar our customers can count on. And a Caterpillar our stockholders are confident in.



Getting Closer to the Customer

**WE WILL CONSISTENTLY
DELIVER OUR PRODUCTS
THE WAY THE
CUSTOMER
WANTS ...
WHEN THE CUSTOMER
WANTS ...**

Caterpillar customers have high expectations, which, if not met, can have a direct impact on business. By gathering, analyzing and applying customer feedback, we can help avoid such situations.

We gather feedback through a process called the market back approach, a key component of the strategy to achieve Enterprise Excellence. In 2014, Caterpillar took this approach to the next level. By gathering robust market feedback – such as the specific features, performance and delivery our customers want and expect from us – Caterpillar can better define our customer service promise and leverage the data to align critical processes and support groups that further enhance our end-to-end business.

“I’ve seen a big change in communication,” observed Dino Colbourne with Shell Albian, who is a customer in the oil sands industry. “I’ve seen engineers from Caterpillar coming up here repeatedly, and they’re asking our opinion because we have a lot of history. We have the biggest history for the region, and it’s great to be asked to support improving the products.”

By leveraging the market back approach, Caterpillar has established that different demand segments exist based on specific buying occasions. As a result, Caterpillar is re-engineering our order-to-delivery processes to provide the agility and flexibility required to consistently meet customer expectations. In doing so, we will consistently deliver our products the way the customer wants ... when the customer wants ... fulfilling the Caterpillar Customer Service Promise.



Foundational Capabilities

Processes and guidelines to drive sustainable success.

- Customer Service Promise
- Product Strategies
- Global Supply Network
- Lean Transformation
- Business Systems Strategy
- Governance

Every business in the world follows specific processes and guidelines to drive sustainable success. At Caterpillar, these processes are called foundational capabilities, and we are committed to strengthening our foundational capabilities to achieve Enterprise Excellence.

A key foundational capability for Caterpillar is our Global Supply Network. In 2014, Caterpillar created this network by joining our procurement and logistics teams. The result is one team within Caterpillar focused on supply excellence, visibility and driving efficiencies from order-to-delivery.

The Global Supply Network monitors orders, shipments, deliveries and inventories across Caterpillar. It consists of internal and external suppliers, distribution hubs, consolidation and deconsolidation stations, and service parts. Each of these areas brings expertise, and the alignment creates a strong network of value.

The goal of the Global Supply Network is to procure the right quality part or service, at the right time, from the right supplier, following the right plan, for the right total cost. The network drives proactive, fact-based decisions for procurement and logistics and delivers a competitive advantage for Caterpillar and our customers.



The Power of Perfect



Inspector Henry Rogers and team lead Terry Boone inspect a tractor at a quality gate in East Peoria, Ill.

A perfect tractor is achieved when a machine starts online and is fully assembled with zero missed defects from start to finish. Caterpillar strives for perfection and is a company built on a reputation of high quality products and services. In 2014, perfection started to take shape as perfect Cat® tractors started rolling off assembly lines all across the globe.

How is Caterpillar achieving perfection? The answer is Lean.

Lean is Caterpillar's disciplined execution to eliminate waste and drive efficiencies and is built on a strong foundation of 6 Sigma and the Caterpillar Production System (CPS). The methodology, first introduced in 2013, picked up momentum in 2014 and has been deployed more than 50 times throughout the enterprise.

The first principle of Lean is Built in Quality or BIQ, and it requires that every person, working every process, must guarantee 100 percent high quality at all stages of work. A defect cannot be passed on during any stage, no matter how small or seemingly insignificant.

Caterpillar's East Peoria, Ill., facility celebrated its first perfect tractor in early 2014, and Lean is driving results because of strong enthusiasm and high engagement among employees. "There is a lot of pride and craftsmanship on the line," noted Terry Boone, a manufacturing team lead. "Our biggest resource is our team. They make us great."

Defect elimination is just one aspect of Lean. The methodology is also enhancing safety of work environments and increasing process flow, which ultimately improves product availability for customers. Furthermore, Caterpillar's Lean journey is not limited to manufacturing. Many functional areas within Caterpillar execute business processes on a daily basis and are leveraging the Lean methodology to produce perfect work and deliver a more connected, responsive and competitive Caterpillar.

The Power of Perfect (continued)

Building on Success

Perfect work is possible at Caterpillar due to a continuous improvement journey that started with 6 Sigma, the Caterpillar Production System and now Lean. Caterpillar introduced its Lean Methodology in 2013.

6 Sigma standardizes problem-solving methodology by using facts and data. The Caterpillar Production System gives Caterpillar a common language and promotes improvement through People, Quality, Velocity and Cost metrics. Lean is the disciplined execution necessary to eliminate waste and drive efficiency.



Exceeding Expectations

A Conversation with Brad Halverson, Group President & Chief Financial Officer

Q: How would you describe Caterpillar's 2014 financial performance?

A: In 2014, we faced an economically challenged environment. As a result, Caterpillar sales and revenues were about flat. Despite Resource Industries' sales dropping nearly \$3 billion, or over 20 percent, we did see some bright spots. It was a great year for Energy & Transportation with record sales and profit in 2014. Also, while still well below prior peaks, Construction Industries' sales were up about 4 percent, with profit improving substantially. Despite overall company sales and revenues being about flat in 2014, solid operational execution by our employees resulted in higher profit per share of \$5.88, up \$0.13 from 2013, and excluding restructuring costs, profit per share for 2014 was \$6.38, up \$0.41 from 2013.

Financial Products is built to provide financing to customers and dealers for the purchase and lease of Cat® and other brands' equipment, as well as financing for Cat® product sales to dealers. Financing plans include operating and finance leases, installment sale contracts, working capital loans and wholesale financing plans. The segment also provides various forms of insurance to customers and dealers to help support the purchase and lease of our equipment. Corporate Services is built to provide business and human resources, information technology, accounting and finance services to Caterpillar, serving as the enterprise resource for business-related activities.

Despite the generally weak economic conditions, I am pleased with our 2014 accomplishments as we continued to embrace and execute our business model. Through the hard work of our people in partnership with our dealers, we provided our customers with improved quality products and gained market share again in 2014, which marks the fourth consecutive year of improvement. We also saw a significantly greater percentage of dealer deliveries financed through Cat Financial, which is the second consecutive year of improvement in this area. These efforts, coupled with a strong focus on cost management, enabled us to lower our structural cost, improve our cost flexibility and achieve our operating profit pull-through targets.

Q: How would you describe the condition of our balance sheet and our cash performance in 2014?

A: We continue to invest in future growth opportunities, our factories and research and development, which are so critical to our long-term success. We are able to do this because of the strength of our balance sheet. This is a direct result of a strong focus on the balance sheet and cash flow that has been in place for the past several years. Machinery, Energy & Transportation (ME&T) generated \$7.5 billion of operating cash flow in 2014, which was the third best in company history. Our ME&T debt to capital ratio of 37.4 percent is well within our targeted range, and the debt to capital ratio net of \$6.3 billion of ME&T cash is at a very strong 18 percent. This strong financial position was achieved while giving back to our stockholders through a 17 percent increase in our quarterly dividend and the \$4.2 billion of stock we repurchased during the year.

Q: What should employees focus on in 2015 to help Caterpillar achieve its goals?

A: As always, we need to start with safety. During 2014, our safety improved over 2013, so making Caterpillar an even safer place to work in 2015 is a great place to start.

Operationally, we face another challenging year in 2015 with sales and revenues expected to be down about \$5 billion versus 2014, driven by the relatively slow growth forecasted for the world economy and the continued weakness in commodity prices. Thus, we will need to stay keenly focused on cost management. Despite the challenges, I am really looking forward to 2015, since we have tremendous momentum on cost management through our Lean initiatives. We have proven we know how to manage through challenging times, and I am confident we will do so again in 2015.

Exceeding Expectations (continued)

A Conversation with Brad Halverson, Group President & Chief Financial Officer

Leadership development also will be a critical area of focus for 2015 and will set the stage for continued success for the long-term. In 2014, we refreshed the overall Leadership (L.E.A.D.) strategy to include new values-based leadership curriculum, and we formed new partnerships to help deliver our programs for 2015. When you consider that more than half of our employees have fewer than 10 years with the company, it is easy to see why I am so passionate about the need to invest in leadership development.

Q: How would you characterize Caterpillar's position for the future?

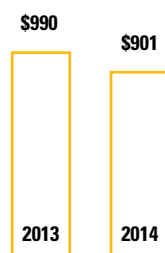
A: We are positioned incredibly well for the long-term future. We continue to be in the right industries. The world needs what we make possible – energy, infrastructure, sustainability, which are all key challenges the world is going to face in the years ahead, and we have solutions. The world population is growing, the middle class is growing, energy demands are growing, and infrastructure needs are building in developing markets and updating is needed in the developed markets. There is a lot of opportunity for Caterpillar and our customers!

When our industries recover, we will be well-positioned to take advantage of the operational and structural improvements we have made over the past few years as well as the increased investment we are making in research and development. We should feel good about what we have accomplished in these challenging times and be excited about the bright future we have before us.

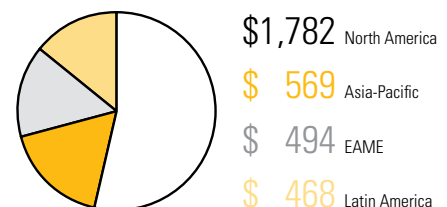
Revenues (\$ in millions)



Segment Profit (\$ in millions)



2014 Revenues by Geography (\$ in millions)



*Charts represent financial performance for Financial Products segment.



Strengthening Stockholder Value for the Long Haul

FOR THE FULL YEAR,
\$4.2 BILLION
 OF STOCK REPURCHASES AND
\$1.6 BILLION
 OF DIVIDENDS PAID MAKE
 2014 A RECORD YEAR FOR
 RETURN OF CAPITAL

In 2014, Caterpillar marked its 85th anniversary as a New York Stock Exchange listed company, a milestone in our long legacy of strategy execution, operational performance and returning value to stockholders. The foundation of consistent financial strength has enabled us to weather market cyclicity over the years and invest for the long term. Within our Enterprise Strategy, there are defined metrics that help measure that success. A strong balance sheet, stable “mid-A” credit rating and robust cash flow all demonstrate our financial strength and capabilities.

Caterpillar’s ability to generate cash flow, access credit and issue debt in the financial markets support operations, fund cash deployment priorities and cushion against downturns. In 2014, Caterpillar Inc. issued \$2.0 billion of U.S. bonds with maturities of 10 years, 30 years and 50 years at low rates. When potential lenders consider the creditworthiness of any company, balance sheets provide a basic financial “snapshot” that indicates how well that company can handle the normal ups and downs of sales and revenues, while still paying the bills. Accordingly, we ended 2014 with a strong balance sheet and solid credit metrics. 2014 profit per share was \$5.88. Excluding restructuring costs, profit per share was \$6.38, up 7 percent from 2013, despite slower-than-expected economic growth worldwide and relatively flat sales and revenues.

Our priorities for the use of cash include rewarding our stockholders through repurchasing common stock and paying dividends. In January 2014, we announced our completion of the \$7.5 billion stock repurchase program initially approved in 2007. Subsequently, the Board of Directors approved a new \$10.0 billion stock repurchase program, which will expire on December 31, 2018. For the full year, \$4.2 billion of stock repurchases and \$1.6 billion of dividends paid make 2014 a record year for return of capital – and clearly demonstrate our commitment to deliver superior returns to stockholders.

Our long-term outlook remains optimistic as the diversity and geographic reach of our businesses, growing demand for our customers’ products and services, as well as our continued financial discipline and operating strength, provide us with clear reasons to be confident about Caterpillar’s ability to deliver strong results and continue to reward stockholders.



U.S. Manufacturing Day Builds Pride and Possibilities

U.S. Manufacturing

12.5% of GDP¹

\$2.08 trillion contributed to economy in 2013¹

9% of workforce directly employed¹

1 in 6 private-sector jobs supported¹

\$1.32 added to economy for every \$1.00 spent¹

$\frac{2}{3}$ of all private-sector R&D (driving more innovation than any other sector)¹

90% of patents come from manufacturing²

¹ Source: National Association of Manufacturing

² Source: U.S. Department of Commerce

Autumn Cohan, a seventh-grader in Decatur, Ill., adjusted the motor assembly of her “brush bot,” a toothbrush head with a motor attached to it – that she has designed to sweep up a pile of rice. The brush bot keeps moving in circles, and she wants it to go straight. “It’s not as easy as it looks,” she said.

Autumn, who wants to be an architect, is one of 80 middle-school girls chosen to tour the Decatur Caterpillar plant in October 2014 for “Introduce a Girl to Engineering Day.” The girls spent the day talking to some of Caterpillar’s female engineers and learning more about the skills and problem-solving they will need to focus on for careers in engineering.

This was just one of the events held throughout October in conjunction with National Manufacturing Day – an annual event on the first Friday of October that provides an opportunity for U.S. manufacturers to celebrate and showcase the potential of modern manufacturing and foster interest in manufacturing careers.

In 2014, Caterpillar’s U.S. facilities hosted more than 200 events across 38 states. More than 25,000 employees and thousands of family members, community leaders, educators and students joined in. The activities varied by facility, including open houses and tours, demonstrations, cookouts and catered meals, games and hands-on manufacturing experiences. But the theme was the same everywhere: Caterpillar manufacturing employees are valued for their skills and expertise – and their careers are making an impact.

Manufacturing is the core of our company and drives continuous innovation. Today, for example, manufacturers are in the midst of a sustainable revolution, constantly innovating and improving to enhance the safety of products and facilities while at the same time using less energy, less water and creating less waste. Technology is also playing an increasingly vital role. U.S. manufacturers are at the forefront of these efforts, conducting two-thirds of all research and development in the nation – more than any other sector – and claiming 90 percent of all U.S. patents.

U.S. Manufacturing Day (continued)

Our customers are literally building the world and couldn't do it without the hard work and expertise of the men and women who design and build reliable, durable Cat® engines and equipment. It's our responsibility to ensure they are appreciated and that they are prepared to compete on the world stage. To this end, we work to encourage education in vital technology and skilled trades, as well as cultivating an environment where innovation is rewarded and can flourish.

Caterpillar is committed to the continued success of our manufacturing facilities, which includes a strong base in the U.S., which we see as the strongest, largest and most productive manufacturing economy in the world.

▶ [View a short video about Today's Manufacturing. Today's Caterpillar.](#)

Honoring Those Who Built a Life of Building the World



Betty Reed was making 75 cents a day as a babysitter when she learned of a job as a General Assembler for Caterpillar subsidiary Solar Turbines, where she was able to work alongside her husband, brother and cousin. That was in 1942, and Betty is still going strong as a cutter/grinder at Solar's facility in San Diego.

Along with Charlie Pittman, a maintenance mechanic at Caterpillar's East Peoria facility, Betty received her 65-year service pin and starred in a documentary-style video that was part of Caterpillar Visitors Center's "Manufacturing Traditions" exhibit. The exhibit celebrated Caterpillar's nearly 90-year legacy of manufacturing and honored the people who made it possible.

"Manufacturing is the core of our company," said Kathryn Spitznagle, Caterpillar Visitors Center Manager. "We hope that visitors will take away the tradition of manufacturing, along with understanding the longevity and opportunity in today's skilled labor careers."

The exhibit focused on five key concepts of Caterpillar's history – Safety, Processes, Quality, Employee Recognition and Training – and included archive photos and more than 150 artifacts. "Many of the tried-and-true tools and processes that date back to the 1920s still have a place in our modern factories," said Spitznagle. "And then as visitors walk around the corner they see the innovative, high-tech and more sustainable products we manufacture today, but that dedication to quality and safety hasn't changed."



Financing Program a Winning Solution for UK Customers

JUST ADD DIESEL

COMBINES TOTAL EQUIPMENT COSTS INTO A SINGLE MONTHLY PAYMENT, LEAVING FUEL AS THE ONLY ADDITIONAL EXPENSE TO THE CUSTOMER.

Cat Financial is always looking for innovative ways to work with Cat® dealers to provide winning solutions for Caterpillar customers. The Just Add Diesel campaign with Finning UK is a good example. Together, with marketing representatives from Caterpillar's Global Construction and Infrastructure (GCI) group, Cat Financial and Finning put together a program for customers who value a high level of service. Built around an Operating Lease that includes an Extended Protection Plan (EPP) and Finning's Preventive Maintenance Agreement, Just Add Diesel combines total equipment costs into a single monthly payment, leaving fuel as the only additional expense to the customer. Finning offers a 98 percent uptime guarantee along with the package. Over the last two years, the program has helped many UK customers find the right solution for their purchase of wheel loaders, excavators and articulated trucks. Malcolm Construction, which runs a quarry in Ayrshire, Scotland, is a good example.

"When we were looking to upgrade our machines, we wanted an option that would give us low life cycle costs with high productivity," Malcolm Construction Managing Director Walter Malcolm explained. "We identified the Cat® 972K and Cat® 980K as the ideal units for our operation, and the Just Add Diesel solution was a great alternative payment option that made sound business sense, enabling us to plan ahead financially. With the fuel savings and productivity improvements, we're essentially running one of the units for free."



Legal LANE Strategy

A Conversation with Jim Buda, Executive Vice President & Chief Legal Officer

Q: A “lane strategy” is usually associated with manufacturing. How are you using this type of thinking in the legal area?

A: We actually replicated our legal lane strategy from the Caterpillar Production System. It's very similar in that it provides us with lanes through which we process and manage the volume of work that comes in our doors. If we receive a commercial contract, for example, the matter is reviewed using a lane in which most contract review begins. In that lane, many aspects of legal review have been converted to standard work. If at some point the contract requires special attention, it is escalated to another lane – much like a specialty build might be diverted on the production line or pass through a different process. This is one way we use lane strategies to determine the best resource for allocating time to issues in a contract matter and to complete it in the most efficient way possible.

Q: What types of legal resources do you consider?

A: We still work with outside counsel – but now, we also work with other flexible resources like legal process outsourcing companies, firms that provide contract attorneys and other legal professionals and managed services providers. Many of these have offices and team members in the U.S. and other countries. They supply us with very bright and smart lawyers and other legal professionals who have expertise matched more closely with what is necessary for the task at hand. This gives Caterpillar more ways to get work done and not only reduces overall costs, but increases the ability for attorneys with high levels of expertise to focus more on Caterpillar's most complex risk issues. By increasing global and expertise diversity within the entire team, we're able to achieve better risk management and outcomes at a lower cost for Caterpillar.

Q: Where did the idea of a legal lane strategy originate?

A: The strategy emerged after the 2009 downturn as we planned for requests for legal support to increase along with sales and revenues. We determined that – because of the volatility of the macroeconomic conditions in the world today – we simply couldn't add or eliminate resources every time our revenues fluctuated. Caterpillar's business needed us to improve consistency, flexibility, completeness and responsiveness in our services. We also needed to improve employee engagement. We had to create and implement a new model that was different from traditional legal models.

Q: How has this strategy impacted employee engagement?

A: Caterpillar has a large volume and variety of legal issues that need attention. What is complex, exciting and/or engaging to one person may not be to another. Prior to the legal lane strategies, we had a highly experienced paralegal or lawyer spending most of their time working

Law and Public Policy is built to sustain Caterpillar's world-class reputation. The organization includes the Legal Services Division and the Global Government & Corporate Affairs Division. Responsibilities include legal and compliance services; media relations; internal communications; government affairs advocacy; sustainability consulting; and global environmental, health and safety services. Support for the Caterpillar Foundation is also provided by our group, making sustainable progress possible around the world. We are a global team, focused on serving our customers, communities and countries.

Legal LANE Strategy (continued)

A Conversation with Jim Buda, Executive Vice President & Chief Legal Officer

on more routine matters that didn't leverage their expertise. By allocating work based on matching a person's expertise with a task requiring similar expertise to successfully complete the task, people are more satisfied and engaged with their work. By creating standard work, we empowered some of Caterpillar's buyers and other business personnel. They have a better understanding of commercial risks and have clear decision-making authority and accountability. More reliable turnaround times help buyers and other business managers plan and deliver on their commitments.

Q: Can you quantify the cost and efficiency improvements?

A: Since we implemented the program in 2011, Caterpillar has saved over \$25 million. In 2014, we delivered over 55,000 hours of legal support through Legal Lane Strategies. We're also getting the work done faster. Prior to implementing Legal Lane Strategies, a document, such as a procurement contract, would have taken more than five days to process. In 2014, we averaged two days or fewer 79 percent of the time and four days or fewer 95 percent of the time for the review. This not only helped us better serve our clients, more importantly, it has helped Caterpillar achieve its business goals.



Reforestation Project Bears Fruit in China

Sustainable to Our Core

In 2014, Caterpillar elevated Sustainability to a core value.



Integrity
The Power of Honesty



Excellence
The Power of Quality



Teamwork
The Power of Working Together



Commitment
The Power of Responsibility



Sustainability
The Power of Endurance

In the ancient city of Wuxi, Jiangsu province, China, white blossoms sway on rows of newly planted pear trees that bring an ecological and economic boost to the community. Best known as a birthplace of China’s modern industry and commerce, Wuxi is pursuing strategies that ensure environmental sustainability through its period of rapid economic growth.

In a number of Chinese cities, Caterpillar teams have volunteered their time to plant a variety of trees that provide multiple benefits. In the spring of 2014, for example, employees and their families chose to plant 10-year-old pear trees, introduced from the village of Suzhou at the suggestion of a local community leader.

At the end of the growing season, another team returned to pick, package and distribute pears to community families. Resulting funds from pear sales will be used throughout 2015 to support local schools to carry out environmental education in the community and for families in need. This is a win-win outcome for the community and the environment.

The planting effort is part of Charity Forest, a project that aims to build up green belts to conserve and protect water and soil resources. Charity Forest, which was a grant recipient from The Caterpillar Foundation, also is focused on sustaining the environment through reforestation in key areas of North China and in areas surrounding Taihu Lake in South China, where industrial development has been heaviest.



Winning the Right Way

A global and complex business
An unmatched industry reach and presence
An unprecedented global regulatory enforcement environment
Complex cultural, political and economic contexts

With these dynamics as a backdrop, Caterpillar's Ethics and Compliance Program is critical to proactively managing compliance risk around the world, as well as protecting our name and reputation.

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KEY ENTERPRISE COMPLIANCE RISKS

Caterpillar's values-based culture has always been one of our strengths. While this commitment to our values is constant, we have taken additional steps to further transform and strengthen our Ethics and Compliance Program. In 2014, our Office of Business Practices invested in human and program resources to better address the 17 key compliance risks across the enterprise through continuing development and deployment of employee communications and training, audits and assessments, investigations and strategic business planning – all of which are driving accountability throughout the company.

Our accountability extends to our role as a leader in sustainability as we fulfill our commitment to build, develop and power the world. In 2014, we elevated sustainability to a core value for Caterpillar. This reflects the heightened focus being placed on sustainability around the world and the priorities of our employees. At the same time, we refreshed Caterpillar's Code of Conduct and are continuing to focus on our values-based culture.

With operations in diverse cultural, political and economic environments, Caterpillar's Ethics and Compliance Program is how we proactively manage compliance risk and protect our reputation. For Caterpillar, ethical leadership and winning the right way are essential to our business. That's how corporate leadership success should be achieved, and that is what Caterpillar strives for every day, around the world.



Celebrating Our Legacy, Building Our Future

**MORE THAN
100,000
VISITORS FROM MORE
THAN 40 COUNTRIES TOUR
CATERPILLAR FACILITIES
EACH YEAR.**

From the Holt steam traction engines used in recovery efforts after the 1906 San Francisco earthquake to the massive two-story Cat® 797F mining trucks that can safely haul 400-ton payloads of metal ore without a human driver, the Caterpillar Visitors Center chronicles the history of Caterpillar's contribution to sustainable progress and development around the globe. Each year, more than 100,000 visitors from more than 40 countries tour Caterpillar production facilities and the center to explore the legacy of the company, interact with the machines and learn about the many ways our customers use Cat® products and services to make their projects possible. Our VIP hosts, along with those at Corporate Tours and Corporate Heritage Services, take pride in their ability to provide a world-class Caterpillar experience for our diverse group of visitors by developing a connection with them and the people who make and operate yellow iron around the world.

Visitors to the Caterpillar Visitors Center encompass everyone from the general public and school groups to media, government officials and investors. Many more are employees, retirees, dealers and customers. Often, the dealer-customer groups who visit have been doing business with Caterpillar for years; however, some are new to the company and others come to address specific needs. No matter the reason for the visit, Corporate Tours works with each group to customize their experience.

In 2014, the Caterpillar Visitors Center began partnering with our Corporate Heritage Services, the repository for our company history, to share its collection of artifacts and photographs through rotating exhibits, as well as to promote the company's history through articles on caterpillar.com and social media channels. Historically based content consistently achieves higher engagement in online channels than other types of content, and the response to Caterpillar's history has been overwhelming.

In addition to its partnership with the center, our Corporate Heritage Services serves a broad spectrum of clients, including legal, product groups, brand, marketing, public affairs and dealers. For example, the team provides history and content on the anniversaries of dealerships around the world, facility openings and new product introductions. Dealers also use information supplied by Heritage Services – such as spec sheets and servicing information – to facilitate the sale of used equipment.

Celebrating Our Legacy, Building Our Future (continued)

A visit to the Caterpillar Visitors Center complements a factory tour as a meaningful way to synthesize all that visitors learn about Caterpillar quality, innovation and technology. While factory tours offer insight into specific product lines and production processes, the center offers a global perspective into the breadth and depth of the industries we serve; our culture of continuous improvement and future technologies; the brands within the Caterpillar family; and an in-depth look at our company history and the importance of legacy.

In April 2015, the the Caterpillar Visitors Center and Corporate Heritage Services will showcase the world's longest-running women's softball team with an exhibit on the Caterpillar Dieselettes – now the Pekin Lettes.



A Holt Heritage – [Click here](#) to view an interview with Peter Holt: “You know, I look back every once in a while to my great-grandfather and (wonder) what he would think. He was such a practical guy. His attitude always was: ‘You do the best; the best will happen.’ I think that’s what’s happened.”





Pulling Together as One Global Team

+42%

DIVERSE FEMALE AND U.S. MINORITY ATTORNEYS (2014 DATA)

Employees who know they are valued and respected want to contribute to their company’s long-term success. At Caterpillar, hiring with a view to diversity is just the first step in our journey toward diversity and inclusion. The profile of our worldwide team must reflect the world in which we do business. Caterpillar’s Law and Public Policy (LPP) organization, comprised of the Legal Services Division and the Global Government & Corporate Affairs Division, has done just that – dramatically diversifying the profile of its worldwide team.

“The importance of multicultural understanding and multinational business strategy cannot be overstated for a company with our depth and breadth,” said Jim Buda, Executive Vice President. “To best serve our markets, we need to employ our markets.”

41%

ATTORNEYS BASED OUTSIDE THE U.S.

2014 ACC Value Champion

In 2014, Caterpillar’s Legal Services Division demonstrated its leadership in controlling legal costs and improving division management. In recognition of the team’s innovative success, the Association for Corporate Counsel (ACC) recognized the division as a 2014 ACC Value Champion. ACC, the global bar association for in-house counsel with more than 33,000 members worldwide, selected Caterpillar from a variety of industries, including technology, finance and auto manufacturing, and from a range of company sizes.



Since 2011, Legal Services diversified its services model by teaming with two outside law firms and a legal process outsourcer to reengineer legal processes and allocate work to the most efficient resources, according to the level of expertise needed and the cost of the project. Since implementing these strategies, Legal Services has realized cost savings of over \$25 million, in addition to delivering greater value and improving customer satisfaction, employee engagement, timeliness and quality.

Pulling Together as One Global Team (continued)

But hiring with a view to diversity is just the beginning. As the division’s profile becomes more diverse, it’s important that new team members are welcomed, their ideas heard and their perspectives understood in day-to-day interactions. To that end, LPP’s Diversity & Inclusion Steering Committee was formed six years ago; and this past year, LPP’s Diversity & Inclusion charter and mission were refreshed to reflect the progress made on its D&I journey with three key areas of focus: awareness, integration and celebrating differences.

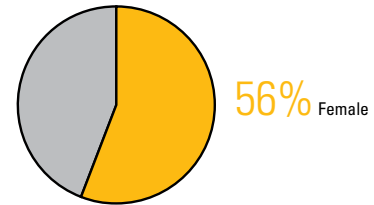
In order to advance these principles, the Steering Committee encompasses four subcommittees with broad representation to continuously improve the division’s workplace environment: the Awareness & Training, Mentoring and Integration subcommittees work internally to organize activities and informational sessions to raise awareness, foster a culture of integration and build community among our employees. Additionally, the External Resources subcommittee was formed in 2014 to coordinate with external groups to benchmark on diversity and inclusion topics and implement best practices.

To further support D&I efforts, Caterpillar joined the Leadership Council on Legal Diversity, a leading organization of chief legal officers and law firm managing partners who have a vision of significantly advancing D&I in the legal profession. A particularly valuable aspect of this organization is its Fellows program, through which select attorneys in the division participate in a structured mentoring program focusing on leadership skills.

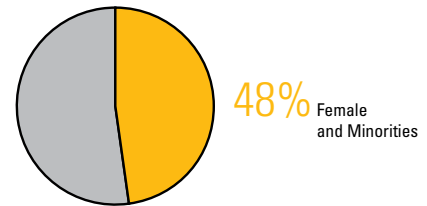
The division’s continuing effort to develop an inclusive culture as part of “One Global Team” is evidenced by the enthusiastic participation of employees in the various inclusion activities and programs, as well as their responses on internal surveys. An internal inclusion survey indicated that employees view LPP as having a “High-Performing Culture” with particularly strong results in “Diversity Thinking” and “Teamwork.”

The results reflect the ways in which focused D&I efforts pay off in every area of our business – contributing directly to increased creativity and productivity, global understanding, new processes and solutions, better market insight, stronger employee and customer loyalty, and improved employee recruitment and retention.

GGCA Worldwide Employees



GGCA U.S. Employees





Energy Poverty

A Conversation with Steve Wunning, Group President

Resource Industries is built to support customers using machinery in mining and quarrying applications. Responsibilities include business strategy, product design, product management and development, manufacturing, marketing and sales and product support. The product portfolio includes large mining trucks, off-highway trucks, electric rope shovels, wheel tractor scrapers, hydraulic shovels, large track-type tractors, large wheel loaders, drills, articulated trucks, hard rock vehicles and longwall miners, draglines, highwall miners, wheel dozers, machinery components, electronics and control systems and select work tools. Resource Industries also manages areas that provide services to other parts of the company, including research and development and advanced component systems.

Q: How does Caterpillar define and quantify energy poverty?

A: Energy access is arguably the most important factor in advancing health, literacy and education and a higher standard of living. But about 3.5 billion people – half the world’s population – do not have adequate access to electricity. Even in the U.S., a household with \$50,000 a year in income will spend more on energy than they do on food and twice the amount they spend on healthcare. So this is not just an issue for developing countries – it’s a global issue.

Q: What are some of the energy challenges customers are facing, and what is Caterpillar doing to help them?

A: Our customers need to respond to the demand for affordable, reliable, abundant energy, but do so in a way that’s environmentally responsible. To accomplish both requires all sources of energy – from fossil fuels to renewables and even nuclear. So we help customers with our products, technology and innovation. But we also can help them by being involved in the debate of energy in general. You can’t talk about sustainability without also talking about energy and vice versa. It’s one of the reasons we came up with our new corporate value of sustainability.

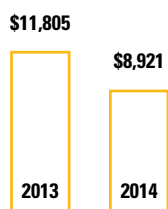
Q: Why don’t we just satisfy that demand with renewables?

A: There’s no question that renewables are an important source for electricity. But even though wind and solar have been subsidized by governments for the past 50 years, they still represent less than 2 percent of the electricity that’s produced around the world. We can’t satisfy the demand with renewables only. We must use all the energy sources that we have at our disposal. That certainly includes renewables. It includes fossil fuels. And down the road, it also includes nuclear. To provide that in a way that is affordable, reliable, safe and environmentally friendly, it has to be an all-of-the-above solution.

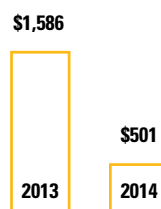
Q: What role does innovation play in helping meet the world’s energy needs while taking care of the environment?

A: One great example is what we’ve done with our Tier 4 emissions. We’ve been able to produce machines that emit far fewer emissions than ever before. So we’re able to conserve on fuel consumption, help improve a cleaner environment and do both with lower operating costs for our customers.

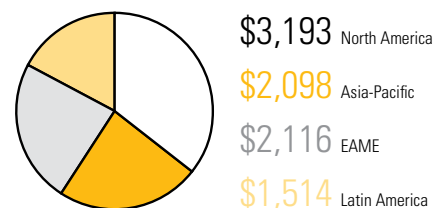
Sales (\$ in millions)



Segment Profit (\$ in millions)



2014 Sales by Geography (\$ in millions)





Developing the Technology That Keeps Us Pushing Forward

To meet the future with confidence, we need to continually consider how and where Cat® products will be working over the long term. Increasingly, that means identifying and developing technologies that our customers will need to be successful. Caterpillar's enterprise product and technology strategy, conceived in 2011 and introduced in 2012, defines the key technologies and areas of research and development investment necessary to meet customer needs and sustain Caterpillar's competitive advantage well into the future.

RESEARCH ACTIVITIES

UNDERWAY INCLUDE EFFORTS TO REDUCE CUSTOMER OWNING AND OPERATING COSTS, IMPROVE PRODUCTIVITY, ENHANCE SAFETY AND REDUCE GREENHOUSE GAS EMISSIONS.

The strategy focuses on four themes – Energy & Transportation Solutions, Machines & Machine Systems, and Automation & Enterprise Solutions, as well as the recently added Factory Technology Solutions. The new Factory Technology Solutions theme will provide enterprise focus and alignment in the use of technology to improve manufacturing and supply chain performance. Projects in this area will leverage emerging technology trends such as additive manufacturing and big data, among others.

Each theme includes bold, customer-focused goals against which development progress is measured. Research activities currently underway within these areas include efforts to reduce customer owning and operating costs, improve productivity, enhance safety and reduce greenhouse gas emissions.

We're making great progress so far. In 2014, the technology strategy came to life in the form of several innovative technologies and products with customer value outcomes.

- **Energy & Transportation Solutions** – Caterpillar customers face constant pressure to reduce their operating costs without compromising availability of power. Dynamic Gas Blending (DGB™) is a solution that does just that. By substituting diesel with low-cost natural gas, while retaining the option to switch to 100 percent diesel fuel without interruption, DGB solutions are uniquely positioned to meet customers' changing needs. The Cat® 3512 DGB is now in production and already making an impact in the energy industry, while the Electro-Motive™ 710 DGB™ Locomotive is currently in field trials.

Developing the Technology That Keeps Us Pushing Forward (continued)

“DGB’s™ locomotive ability to burn natural gas and deliver diesel-like performance, while automatically adjusting to varying gas composition and pressure, allows us to maximize fuel savings for our customers,” said Joel Feucht, General Manager for the Gas and Medium Speed Engine Business in the Large Power Systems Division. “Our customers have told us they are seeing sustained gas substitution rates of 65 to 70 percent, reduced maintenance and the high reliability that they expect from Cat® products. Those results, combined with excellent service and support from Cat® dealers, are bringing substantial savings to our customers’ bottom line and adding significant value to their business.”

- **Machines & Machine Systems** – Applying proven technologies systematically and strategically helps to meet customers’ high expectations for productivity and fuel efficiency. With an advanced powertrain, the new Cat® 966MXE wheel loader has been designed to deliver superior performance and fuel efficiency, while simplifying the operator interface and operating techniques. Caterpillar’s deep integration of the engine and emissions, powertrain, hydraulic and cooling systems has resulted in performance and fuel consumption improvements otherwise unattainable with individual components.

“The Cat 966M XE leverages the full breadth of Caterpillar technology to provide our customers with a 25 percent improvement in fuel economy compared to a conventional machine. While the continuously variable transmission is at the heart of the machine, extensive system integration and advanced control algorithms combine to fully optimize the advantage,” said Tim Graham, Chief Engineer for Medium Wheel Loaders. “Our customers have told us they’ve measured the advantage themselves and are seeing the payback in their bottom line. And we’re not stopping there. We continue to focus our research and development efforts on further fuel economy advancements and ease of machine operation.”



Simulation Strategy Drives Insight Before Iron

As technology continues to advance, the future is more “present” than ever before. It’s imperative that we both understand our customers’ current needs and anticipate their future needs. Accordingly, forecasting abilities are becoming increasingly more advanced and more critical than ever before. Caterpillar is always looking toward the future, to deliver even better products and solutions for our customers. One way we’re doing this is through the implementation of our Enterprise Simulation Strategy across Caterpillar’s entire world-class product development process. Since we can predict the performance and behavior of machines in the field, we can focus on and fine-tune the quality of every aspect of a product. Watch how Caterpillar used simulation in the development of our 990K Large Wheeler to exceed quality, time and budget expectations.

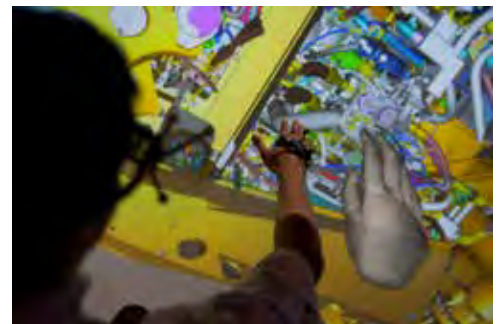
[▶ View here](#)

Developing the Technology That Keeps Us Pushing Forward (continued)

- Automation & Enterprise Solutions** – Caterpillar has made significant progress toward advancing our customers’ autonomous mining journey in 2014. Dozens of Cat® autonomous trucks are running in Western Australia as customer demand for the technology continues to grow. Continuous monitoring with Cat® Equipment Care Advisor, a dealer condition-monitoring tool, maximizes the mechanical availability of the fleets and enables the trucks to run 24/7/365, stopping only for fuel and scheduled maintenance. Advanced sensing, reliable navigation and redundant safety systems reduce the frequency of safety incidents when compared to manned operations.

“Our customers are pleased with the system performance thus far, and we continue to work closely with them to find ways to enhance the safety and productivity of our products,” noted Jim Hawkins, director of Technology Enabled Solutions for Caterpillar Global Mining. “We’re also working to bring more automated technologies and equipment to the mining industry. As we commercialize these technologies, we move ever closer to our vision of a fully automated mine site.”

We know the future holds many challenges for Caterpillar customers. Our global product development community is working now to bring innovation to bear on those future challenges and turn them into opportunities for long-term success.





Driving Predictability and Safety in Mining

AUTONOMOUS SOLUTIONS FOR MINING ACCOMPLISH BOTH – INTEGRATING PEOPLE, PROCESSES AND PRODUCTS IN WAYS ONLY RECENTLY POSSIBLE.

Although people have been mining minerals from the earth for millennia, the environment has remained challenging for both personnel and equipment. At Caterpillar, we know that the more predictability we can build into mining processes and the more we can employ technology, the more effectively we will enhance safety and improve production. Autonomous solutions for mining accomplish both – integrating people, processes and products in ways only recently possible.

Autonomous solutions make next-generation mining a reality by allowing operation of equipment from a remote location, either on the mine site or miles away. A control system, Command, directs machines where to go and what to do. Onboard intelligence systems “decide” how to navigate to the prescribed work area and accomplish the assigned tasks. Sophisticated perception and guidance systems help minimize process variation. The machines precisely position themselves, maneuver, unload and refuel at optimum intervals. Onboard diagnostics even monitor the truck’s mechanical systems and operating condition and let site managers know when maintenance is required – all without requiring a person onboard.

Working with other Cat® MineStar™ capability sets, Command brings together the technologies needed for fully integrated operation of autonomous, semi-autonomous and remotely controlled mining systems. Highly advanced safety systems enable the autonomous trucks to work reliably around other mining equipment, light vehicles and mine site employees, helping customers work safely and use fewer resources in a wide range of challenging environments.

With predictability and safety built in, Caterpillar and Cat® dealers are helping their mining customers deliver the lowest cost per ton, safely. It’s just another way that our global team continues working toward the success and welfare of Caterpillar customers.



Well Conditioned, Well Prepared

CONDITION MONITORING EFFECTIVELY DEMONSTRATES THE TOTAL VALUE OF THE CAT® DEALER AND CAT® PRODUCTS.

Identifying potential problems or conditions before they happen and stopping them in their tracks before they lead to machine shutdowns or more costly repairs makes condition monitoring one of the most valuable services that Caterpillar and Cat® dealers provide for customers. To further enhance this value, Caterpillar Global Mining has teamed up with the best technology partners in the industry to develop a Web-based application, Cat® Equipment Care Advisor (Cat ECA), that combines equipment and application information with analytics and Cat dealer interpretive expertise.

Employing advanced analytics and knowledge sharing, Cat ECA enhances Cat dealers' condition monitoring services and increases the value they provide to customers. The application not only analyzes data, but also identifies exceptions; provides supporting documentation and reports, along with recommended actions that should be taken as a result of the analysis; and then tracks those actions – feeding all information back into the Cat ECA Knowledge Center, where it is reviewed and updated on an ongoing basis. By continually populating The Knowledge Center with new information, the capabilities within Cat ECA are continuously improved.

Caterpillar and its dealers use this valuable information jointly to develop maintenance strategies and best practices. Caterpillar product groups can see how their machines are performing against worldwide benchmarks. In turn, these insights can inform development of new and improved products.

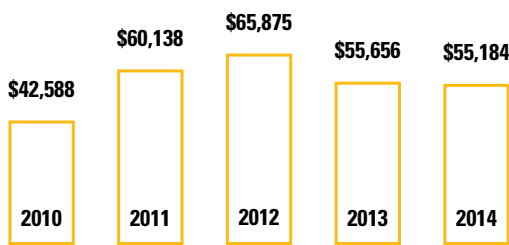
Cat dealers use Cat ECA to take their services to a higher level, strengthening customer relationships. In addition, improved maintenance leads to higher availability, which has a direct effect on the cost of many customer service agreements provided by dealers. Dealers are able to better mitigate and manage risk from service agreements, so they may accurately project costs and provide the high level of service their customers demand.

Condition monitoring effectively demonstrates the total value of the Cat dealer and Cat products. Enhanced by Cat ECA, dealers are better equipped to work along with their customers to keep costs low and productivity high.

Financial Performance

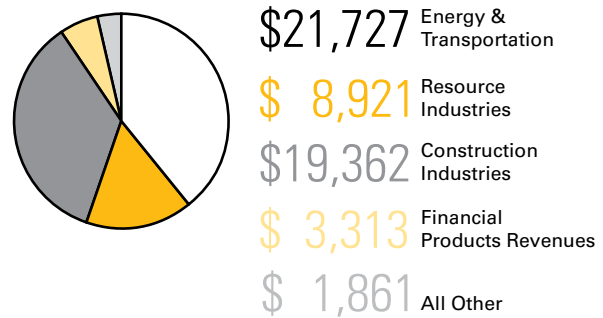
There were many positive aspects to our financial performance in 2014 as we focused on things within our control. Our emphasis on cost management, operational execution and cash flow helped us to deliver increased profit per share, compared with 2013. In addition, operating cash flow from Machinery, Energy and Transportation was the third-highest in our history. Our balance sheet continues to be one of our greatest strengths. In 2014, the quality of the machines delivered to our customers was better, safety improved in our factories and inventory turns improved – all thanks to the efforts of Caterpillar employees around the world.

Consolidated Sales and Revenues (\$ in millions)



Sales and revenues were down slightly, with increases in the Energy & Transportation and Construction Industries segments nearly offsetting sales declines in Resource Industries.

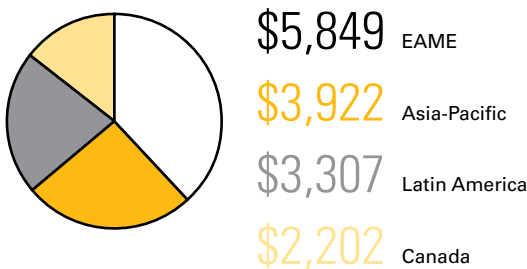
Consolidated Sales and Revenues by Segment (\$ in millions)



\$55.2
BILLION TOTAL

The diverse range of end markets that we serve around the world helps us to mitigate the effects of cyclical industry conditions.

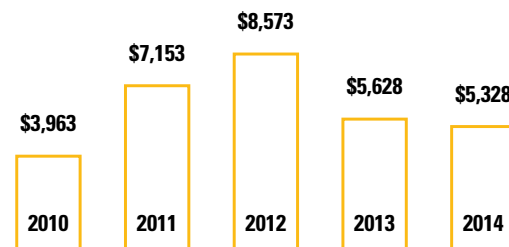
2014 Exports from U.S. by Region (\$ in millions)



\$15.3
BILLION

Exports were down slightly from 2013.

Operating Profit (\$ in millions)

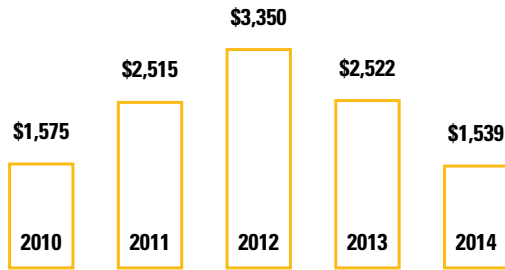


\$5.3
BILLION

Operating profit declined from 2013 due to weak economic growth in many parts of the world, combined with lower global commodity prices.

Financial Performance (continued)

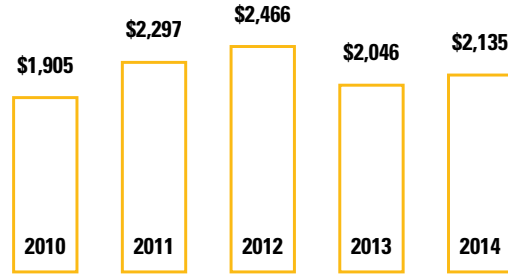
Capital Expenditures (excludes equipment leased) (\$ in millions)



\$1.5
BILLION

Capital Expenditures were lower in 2014 as we aligned investments with market conditions.

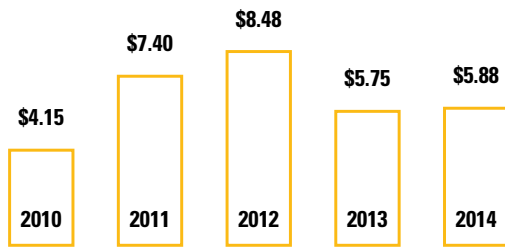
Research and Development (\$ in millions)



\$2.1
BILLION

The majority of R&D spending was tied to new product introductions.

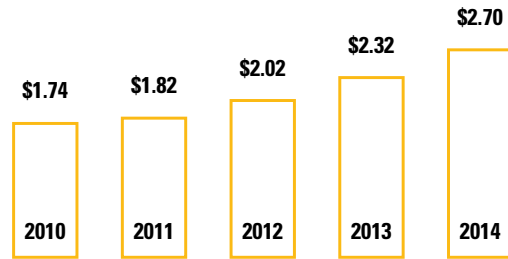
Profit per Share (diluted)



\$5.88

Our emphasis on cost management, operational execution and cash flow contributed to an increase in profit per share.

Dividends Declared (per share)

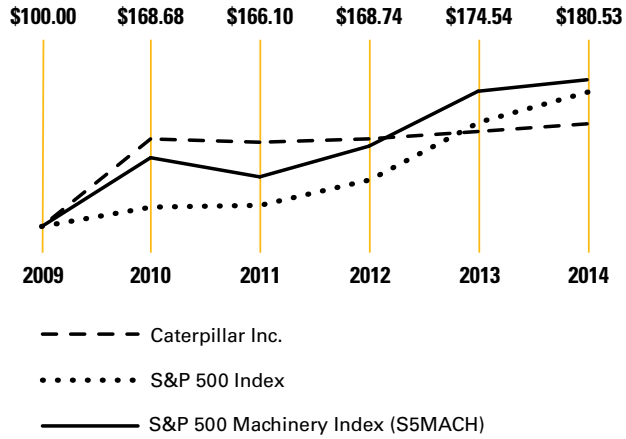


17%
INCREASE

Our ability to generate continued strong cash flow led to an increase in our quarterly dividend for the 21st consecutive year.

Market Performance

Cat vs. S&P Machinery Index



Cumulative stockholder return assuming an investment of \$100 on December 31, 2009, and reinvestment of dividends issued thereafter.

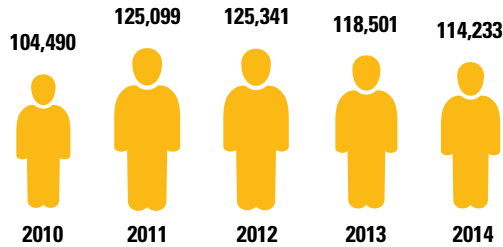
5-Year Closing Stock Price



Caterpillar common stock is traded on the New York Stock Exchange under the symbol CAT.

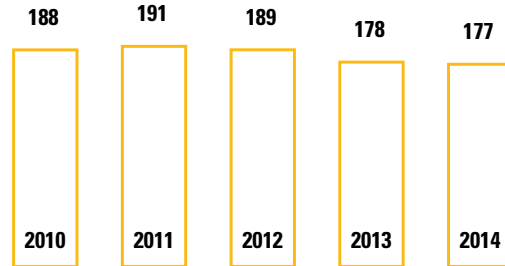
Business Performance

Global Employees (at year-end)



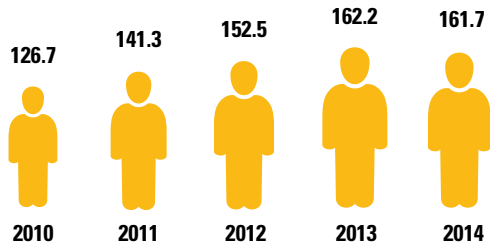
114,233
EMPLOYEES

Global Cat® Dealers



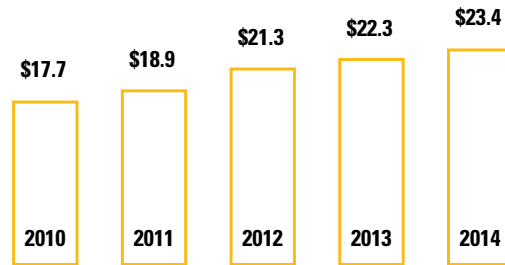
177
GLOBAL DEALERS

Dealer Employees (in thousands)



161,700
DEALER EMPLOYEES

Dealer Net Worth (\$ in billions)



23.4
BILLION

2014 Global Performance by Region

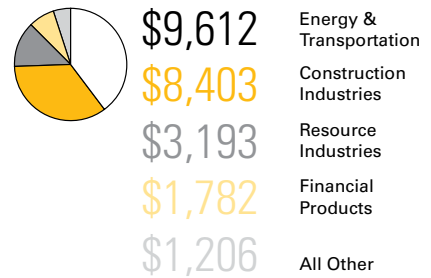
NORTH AMERICA



 53 DEALERS

 51,222 CATERPILLAR EMPLOYEES

2014 Sales and Revenues by Segment (\$ in millions)




*Facilities include principal locations where manufacturing, parts distribution, rail and remanufacturing work takes place. In certain geographic areas, the facility symbol may represent multiple facilities.

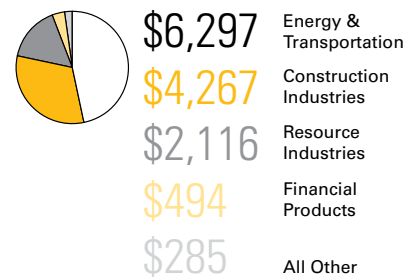
EAME



 48 DEALERS

 23,246 CATERPILLAR EMPLOYEES

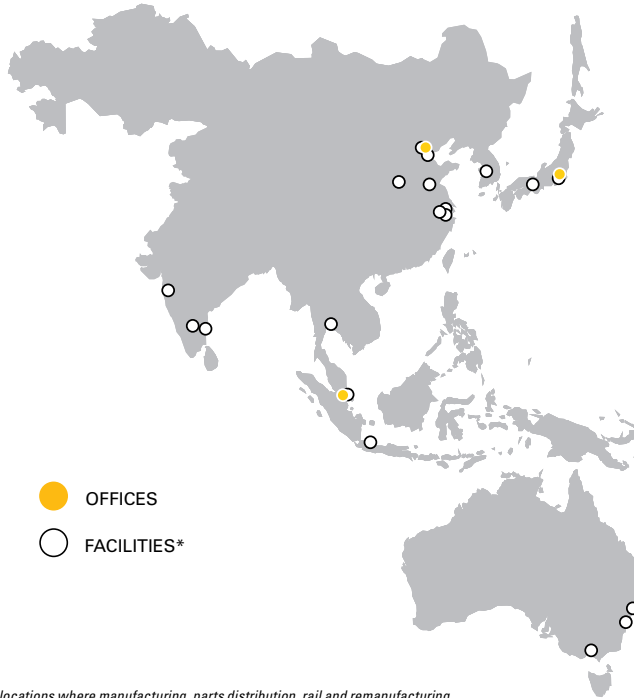
2014 Sales and Revenues by Segment (\$ in millions)




*Facilities include principal locations where manufacturing, parts distribution, rail and remanufacturing work takes place. In certain geographic areas, the facility symbol may represent multiple facilities.

2014 Global Performance by Region (continued)

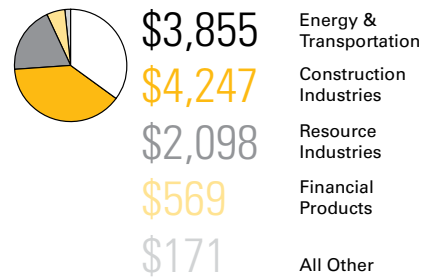
ASIA-PACIFIC



 **43**
DEALERS

 **25,353**
CATERPILLAR EMPLOYEES

2014 Sales and Revenues by Segment (\$ in millions)




*Facilities include principal locations where manufacturing, parts distribution, rail and remanufacturing work takes place. In certain geographic areas, the facility symbol may represent multiple facilities.

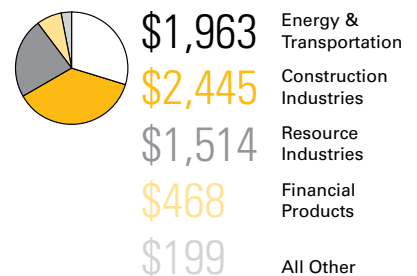
LATIN AMERICA



 **33**
DEALERS

 **14,412**
CATERPILLAR EMPLOYEES

2014 Sales and Revenues by Segment (\$ in millions)



*Facilities include principal locations where manufacturing, parts distribution, rail and remanufacturing work takes place. In certain geographic areas, the facility symbol may represent multiple facilities.

Five-Year Financial Summary

Dollars in millions except per share data

Years ended December 31,	2014	2013	2012	2011	2010
Sales and revenues	\$ 55,184	\$ 55,656	\$ 65,875	\$ 60,138	\$ 42,588
Percent inside the United States	38%	33%	31%	30%	32%
Percent outside the United States	62%	67%	69%	70%	68%
Sales	\$ 52,142	\$ 52,694	\$ 63,068	\$ 57,392	\$ 39,867
Revenues	\$ 3,042	\$ 2,962	\$ 2,807	\$ 2,746	\$ 2,721
Profit ⁴	\$ 3,695	\$ 3,789	\$ 5,681	\$ 4,928	\$ 2,700
Profit per common share ¹	\$ 5.99	\$ 5.87	\$ 8.71	\$ 7.64	\$ 4.28
Profit per common share – diluted ²	\$ 5.88	\$ 5.75	\$ 8.48	\$ 7.40	\$ 4.15
Dividends declared per share of common stock	\$ 2.700	\$ 2.320	\$ 2.020	\$ 1.820	\$ 1.740
Return on average common stockholders' equity ³	19.6%	19.7%	37.2%	41.4%	27.4%
Capital expenditures:					
Property, plant and equipment	\$ 1,539	\$ 2,522	\$ 3,350	\$ 2,515	\$ 1,575
Equipment leased to others	\$ 1,840	\$ 1,924	\$ 1,726	\$ 1,409	\$ 1,011
Depreciation and amortization	\$ 3,163	\$ 3,087	\$ 2,813	\$ 2,527	\$ 2,296
Research and development expenses	\$ 2,135	\$ 2,046	\$ 2,466	\$ 2,297	\$ 1,905
As a percent of sales and revenues	3.9%	3.7%	3.7%	3.8%	4.5%
Wages, salaries and employee benefits	\$ 11,416	\$ 10,962	\$ 11,756	\$ 10,994	\$ 9,187
Average number of employees	115,625	122,502	127,758	113,620	98,554
December 31,					
Total assets	\$ 84,681	\$ 84,896	\$ 88,970	\$ 81,218	\$ 63,728
Long-term debt due after one year:					
Consolidated	\$ 27,784	\$ 26,719	\$ 27,752	\$ 24,944	\$ 20,437
Machinery Energy & Transportation	\$ 9,493	\$ 7,999	\$ 8,666	\$ 8,415	\$ 4,505
Financial Products	\$ 18,291	\$ 18,720	\$ 19,086	\$ 16,529	\$ 15,932
Total debt:					
Consolidated	\$ 39,285	\$ 37,750	\$ 40,143	\$ 34,592	\$ 28,418
Machinery, Energy & Transportation	\$ 10,012	\$ 8,775	\$ 10,415	\$ 9,066	\$ 5,204
Financial Products	\$ 29,273	\$ 28,975	\$ 29,728	\$ 25,526	\$ 23,214

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.

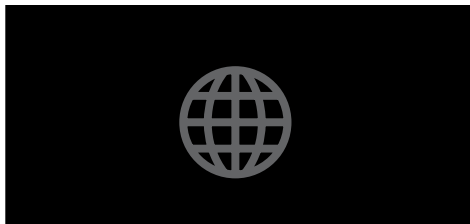
³ Represents profit divided by average stockholders' equity (beginning-of-year stockholders' equity plus end-of-year stockholders' equity divided by two).

⁴ Profit attributable to common stockholders.



For 90 years, Caterpillar Inc. has been making sustainable progress possible and driving positive change on every continent. Customers turn to Caterpillar to help them develop infrastructure, energy and natural resource assets. With 2014 sales and revenues of \$55.184 billion, Caterpillar is the world's leading manufacturer of construction and mining equipment, diesel and natural gas engines, industrial gas turbines and diesel-electric locomotives. The company principally operates through its three product segments – Construction Industries, Resource Industries and Energy & Transportation, and also provides financing and related services through its Financial Products segment.

3+ MILLION UNITS

ANY JOB SITE

MAJOR PRODUCT GROUPS INCLUDE:

ARTICULATED TRUCK COMPACT TRUCK & MULTI-TERRAIN LOADER DRAGLINE DRILL ELECTRIC ROPE SHOVEL ENGINE GENERATOR SET HIGHWALL MINER	HYDRAULIC EXCAVATOR HYDRAULIC SHOVEL LOCOMOTIVE MARINE PROPULSION SYSTEMS MOTOR GRADER OFF-HIGHWAY TRUCK ON-HIGHWAY TRUCK PIPELAYER SKID STEER LOADER TRACK EXCAVATOR	TRACK LOADER TRACK-TYPE TRACTOR TUNNEL BORING TURBINE WHEEL DOZER WHEEL EXCAVATOR WHEEL LOADER WHEEL TRACTOR-SCRAPER WORK TOOLS AND ATTACHMENTS
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MAJOR AREAS AND INDUSTRIES SERVED

- AGRICULTURE
- CONSTRUCTION
- CUSTOMER SERVICES
- DEMOLITION AND SCRAP RECYCLING
- ELECTRIC POWER GENERATION
- FINANCING
- FORESTRY
- GOVERNMENTAL & DEFENSE
- INSURANCE
- LANDSCAPING
- LOCOMOTIVE & RAILWAY
- MAINTENANCE AND REPAIR
- MARINE
- MATERIAL HANDLING
- MINING
- OEM SOLUTIONS
- OIL & GAS
- PAVING
- PIPELINE
- POWER PLANTS
- QUARRY, AGGREGATES AND CEMENT
- REMANUFACTURING
- RENTAL
- SAFETY
- TECHNOLOGY & SOLUTIONS
- TRAINING
- WASTE

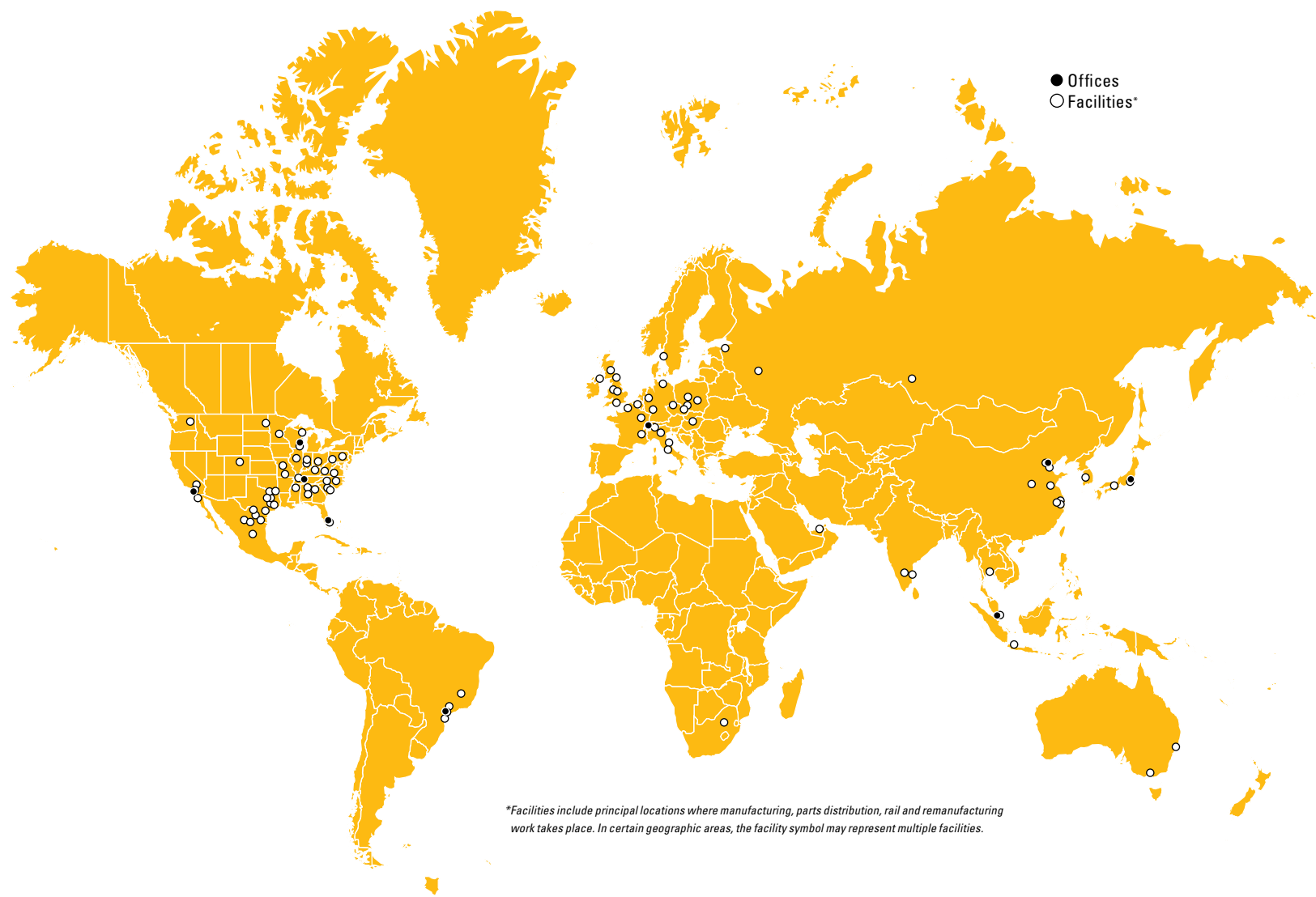
GLOBAL TEAM

visit www.caterpillar.com/brands



TO VIEW OUR PORTFOLIO OF BRANDS

Global Footprint



The Caterpillar Foundation

Making sustainable progress possible.

Our mission is to eliminate poverty by placing people on a path to prosperity. This builds strong economies and makes sustainable progress possible. We focus our efforts on basic human needs, education and the environment. With the help of our philanthropic partners, we are committed to placing 50 million people on the path to prosperity by 2020.

First public-private partnership for the Caterpillar Foundation and the U.S. State Department to support the building of centers for women entrepreneurs in Africa.



\$54
MILLION

Donated by Caterpillar Inc. to the Caterpillar Foundation



FEEDING AMERICA™

Our support has provided over **6 million meals** to people across the U.S. with the help of our partner, Feeding America.



Our Goal:
Place **50 million** people on the **path to prosperity** by 2020.



PADF

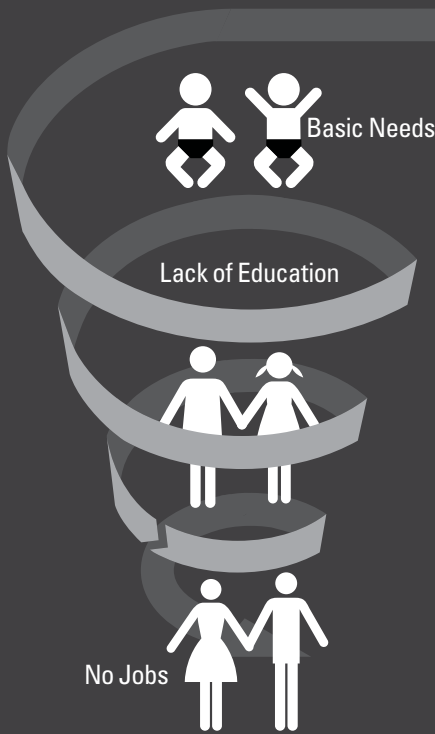
PAN AMERICAN DEVELOPMENT FOUNDATION

Our partnership with **PADF** is saving the Araucaria Forest ecosystem while teaching sustainable agriculture and forestry techniques to residents of Campo Largo, Brazil.



Total donations with employee match to **United Way**.

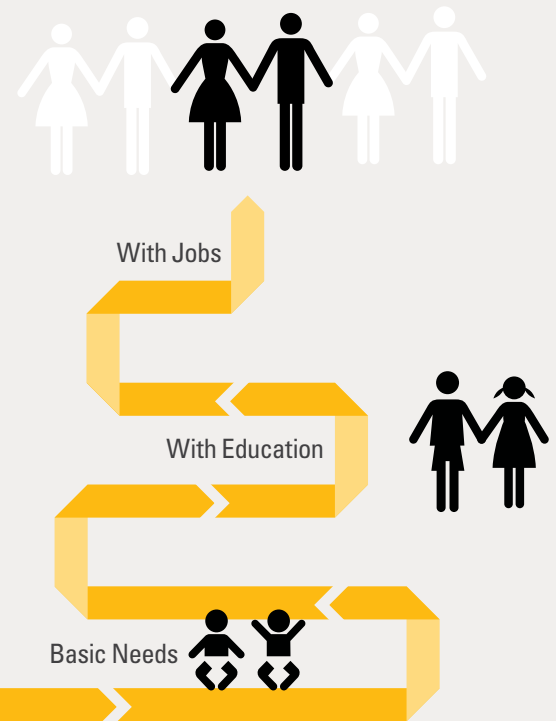
PATH TO PROSPERITY



The spiral of poverty repeats across generations.

VS

The path to prosperity results in active community leaders who are able to help others.

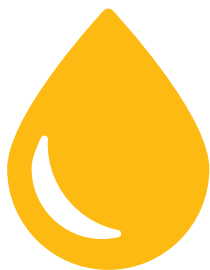




HOW WE WILL GET THERE

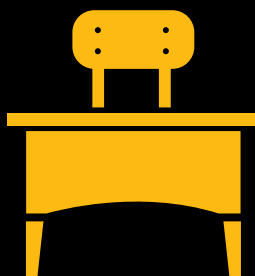
VIA OUR STRATEGIC INVESTMENTS AND PARTNERSHIPS

When we invest and partner strategically and effectively, basic needs are met, education is attained, jobs are created and economies grow.



BASIC HUMAN NEEDS

-
- Energy
 - Food
 - Shelter
 - Disaster Relief
 - Water & Sanitation



EDUCATION

-
- Literacy & Numeracy
 - Workforce Readiness
 - S.T.E.M.
 - Mentoring Leadership



ENVIRONMENT

-
- Environmental programs that alleviate poverty by building strong economies



OUR PARTNERS

Our philanthropic partners are making profound changes throughout the world. Our investments enable them to scale their impact.



charity: water



OUR IMPACT

ONE Campaign “Do Agric”

This past year, we supported the ONE Campaign in its efforts to get 2 million signatures in support of its “Do Agric” petition. This public policy and advocacy program calls on African governments to live up to their 2003 pledge to invest more and more strategically in African agriculture by providing jobs, boosting the continent’s economy and helping lift 85 million people out of extreme poverty by 2024. The campaign has been highly successful.



LISC

Local Initiatives Support Corporation (LISC) helps rebuild communities by focusing on housing, business development and crime. To support them, the Caterpillar Foundation has made grants in support of LISC's mission in Milwaukee, Phoenix and Peoria. Over the past three years, the Caterpillar Foundation invested \$3 million in LISC's work in Peoria. The same year, LISC opened the first Financial Opportunity Center in Peoria to help families increase their income, reduce unnecessary debt, make investments and save money.



Our Partnership Philosophy

We accomplish our charitable mission through an innovative approach to grant making that facilitates collaboration and leverages the work of our philanthropic partners.

In 2014, this approach gave life to the **Caterpillar Foundation Partnership Summit**. This first-of-its-kind event brought together leaders from our partner organizations in a collaborative effort to alleviate poverty.



STAY CONNECTED TO OUR PROGRESS

For more on what we are up to, see our plans and learn more about our partners, please visit together-stronger.org.



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Forward-Looking Statements

Certain statements in this 2014 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 and regional economic conditions and economic conditions in the industries we serve; (ii) government monetary or fiscal policies and infrastructure spending; (iii) commodity price changes, component price increases, fluctuations in demand for our products or significant shortages of component products; (iv) disruptions or volatility in global financial markets limiting our sources of liquidity or the liquidity of our customers, dealers and suppliers; (v) political and economic risks, commercial instability and events beyond our control in the countries in which we operate; (vi) failure to maintain our credit ratings and potential resulting increases to our cost of borrowing and adverse effects on our cost of funds, liquidity, competitive position and access to capital markets; (vii) our Financial Products segment's risks associated with the financial services industry; (viii) changes in interest rates or market liquidity conditions; (ix) an increase in delinquencies, repossessions or net losses of Cat Financial's customers; (x) new regulations or changes in financial services regulations; (xi) a failure to realize, or a delay in realizing, all of the anticipated benefits of our acquisitions, joint ventures or divestitures; (xii) international trade policies and their impact on demand for our products and our competitive position; (xiii) our ability to develop, produce and market quality products that meet our customers' needs; (xiv) the impact of the highly competitive environment in which we operate on our sales and pricing; (xv) failure to realize all of the anticipated benefits from initiatives to increase our productivity, efficiency and cash flow and to reduce costs; (xvi) additional restructuring costs or a failure to realize anticipated savings or benefits from past or future cost reduction actions; (xvii) inventory management decisions and sourcing practices of our dealers and our OEM customers; (xviii) compliance with environmental laws and regulations; (xix) alleged or actual violations of trade or anti-corruption laws and regulations; (xx) additional tax expense or exposure; (xxi) currency fluctuations; (xxii) our or Cat Financial's compliance with financial covenants; (xxiii) increased pension plan funding obligations; (xxiv) union disputes or other employee relations issues; (xxv) significant legal proceedings, claims, lawsuits or government investigations; (xxvi) changes in accounting standards; (xxvii) failure or breach of IT security; (xxviii) adverse effects of unexpected events including natural disasters; and (xxix) other factors described in more detail under "Item 1A. Risk Factors" in our Form 10-K filed with the SEC on February 17, 2015 for the year ended December 31, 2014.